



2017 ANNUAL REPORT

**J. ALEXANDER'S**<sup>®</sup>  
HOLDINGS, INC.

**Dear Fellow Shareholders:**

.....  
 Highlights for fiscal 2017 are as follows:

<i>(\$ in millions, except for average weekly same store sales per restaurant)</i>	2017	2016	% Increase
Net sales	\$ 233.3	\$ 219.6	6.2%
Net income	\$ 7.3	\$ 7.0	4.1%
J. Alexander's/Grills average weekly same store sales per restaurant	\$ 114,500	\$ 111,200	3.0%
Stoney River Steakhouse and Grill average weekly same store sales per restaurant	\$ 74,700	\$ 72,000	3.8%

We were especially pleased with our sales performance during the year.

We opened two new locations in 2017. In February, we opened a Stoney River in Chapel Hill, North Carolina. We opened a J. Alexander's in Lexington, Kentucky in March.

We have two restaurants under construction at this time; a J. Alexander's in King of Prussia, Pennsylvania (opening April 30, 2018) and a Stoney River in Troy, Michigan that we anticipate will open in the fourth quarter.

Our primary business focus in 2017 was the same as it has been in prior years: providing our guests with outstanding professional service and the best quality food possible in our segment of the industry.

As we have shared with many of you in the past, we believe we sell a "service experience" in all of our restaurants. We remain committed to this philosophy of outstanding professional service. The entire culture of our company is built around this cornerstone.

We are fanatics about providing professional service and quality food.

We believe we have one other attribute that sets us apart, our culture. Most of our senior leadership team has been together for more than 25 years. Our general managers (we refer to them as coaches) in our J. Alexander's/Grills have been with us an average of 11.8 years, with some much longer. We are building that same culture at Stoney River. In an industry generally characterized by high turnover, inconsistent execution across many restaurant concepts and unfortunately poor service at times, we believe a strong culture and a long-tenured management team are the keys to executing to

our high standards and that this philosophy is a foundation of our success since 1991. We have generally been able to improve restaurant-level sales almost every year and have implemented this same philosophy within Stoney River. As a result, we are starting to harvest the results of solid same store sales growth in the Stoney River restaurant group.

We mentioned in last year's letter we were slowing the Stoney River development down as we evaluated whether Stoney River should be a lunch and dinner format or a dinner-only format.

We opened a lunch and dinner Stoney River in Germantown, Tennessee in January, 2016. We have now had an opportunity to evaluate this restaurant through the opening cycle as well as early maturity. It continues to be our highest volume Stoney River. We opened a dinner only Stoney River in Chapel Hill, North Carolina that has performed well, but as we compare the capital costs of the two restaurants and think about going forward with Stoney River, we have reached the conclusion we should use a lunch and dinner format for all future development. We are also considering adding lunch to existing Stoney River locations if they have lunch market potential. A couple of the Stoney Rivers are in such dinner-only sites there is not enough lunch business in the area to support the extra operational costs.

Where we have added lunch programs to Stoney River, we have seen encouraging sales results.

Site selection for lunch and dinner locations will be a little more complex, but we believe it will be well worth the extra effort. Any future Stoney Rivers we open including the location under construction in Troy, will be lunch and

dinner locations. We anticipate sales volumes similar to our J. Alexander's/Grills locations.

On the J. Alexander's/Grills side of the business, we continue to work on menu enhancements looking for ways to improve our food quality as well as our execution. As part of this process, we are always looking for ways to improve our food presentations by adding new and interesting side items and new features to the menu.

We are offering sushi in several locations and the guest response has been very good. We also have artisan pizza in three locations. We have had the same positive guest response there as well.

These are just a few of the ways that we keep our menu contemporary and moving forward.

We have rolled out a reservations system in most of our J. Alexander's/Grills locations. This process has been ongoing for the last couple of years. We have moved slowly, but intentionally, as we have transitioned from an "on the wait" concept to a "reserve table" concept. We still hold some tables for guests coming in without a reservation. Long-term, we believe, at our check average and service points, our guests want reserved tables. We will do as much as we can to accommodate that need.

However, there are some negatives associated with reservation systems. They are expensive. We must pay third party fees. We have less wait traffic and table turns are not nearly as fast as when we did not have a reservation system.

We are still working on balancing these issues. However, as the old saying goes, if we had our "druthers", we "druther" not have to deal with a reservations system as it does slow our table turns down. However, the more upscale the guests, the more the demand we are seeing for reservations. Our goal is to always deliver on the needs of our guests.

As we look toward the future, we are planning on targeting three to four openings for 2019 as well as looking for other opportunities to enhance shareholder value.

As noted, we are firmly committed to providing our guests with the finest quality dining experience in the upscale segment of the industry. This has been our mission since we started the company. We will remain focused on that mission in the future.


There are several items impacting net income that are fully explained in the financial analysis included in the Form 10-K that follows the shareholder letter.

One unusual item I did want to comment on is we incurred \$3,529,000 in transaction costs associated with the failed Ninety Nine Restaurant transaction. Our disinterested shareholders did not approve the transaction. We were appreciative of the opportunity to engage in discussions with a great number of our shareholders about the transaction and our company. We believe this dialogue will be helpful to us going forward.

We want to thank our management team and all of our hourly employees in our restaurants for the outstanding dedication they have to our business and our guests. The same holds true for our excellent staff in our Nashville based Support Center.

We appreciate very much the continued support we have received from our shareholders. We will remain sharply focused on our mission to create value for all who have an investment in our company.

Respectfully,



Lonnie J. Stout II  
President and Chief Executive Officer



Frank R. Martire  
Chairman of the Board

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

**FORM 10-K**

**Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934.**

For the fiscal year ended December 31, 2017.

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 1-37473

**J. Alexander's Holdings, Inc.**

(Exact name of Registrant as specified in its charter)

Tennessee  
(State or other jurisdiction of  
incorporation or organization)

3401 West End Avenue, Suite 260  
Nashville, Tennessee  
(Address of principal executive offices)

47-1608715  
(I.R.S. Employer  
Identification Number)

37203  
(Zip Code)

Registrant's telephone number, including area code: (615) 269-1900

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

Title of Class:  
Common stock, par value \$0.001 per share

Name of each exchange on which registered:  
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§209.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

As of July 2, 2017, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock, par value \$0.01 per share, held by non-affiliates was approximately \$155,823,981. For the purpose of this calculation, shares held by affiliates include those shares held by officers and directors of J. Alexander's Holdings, Inc. as well as controlled companies of such directors.

The number of shares of the Company's Common Stock, \$0.001 par value, outstanding at March 14, 2018 was 14,695,176.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement for its 2018 Annual Meeting of Shareholders are incorporated by reference into Part II and Part III hereof.

## TABLE OF CONTENTS

	<u>Page</u>
<b>PART I</b>	
Item 1. Business .....	3
Item 1A. Risk Factors .....	15
Item 1B. Unresolved Staff Comments .....	33
Item 2. Properties .....	34
Item 3. Legal Proceedings .....	34
Item 4. Mine Safety Disclosures .....	34
<b>PART II</b>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities .....	35
Item 6. Selected Financial Data .....	38
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	39
Item 7A. Quantitative and Qualitative Disclosures About Market Risk .....	58
Item 8. Financial Statements and Supplementary Data .....	59
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure .....	89
Item 9A. Controls and Procedures .....	89
Item 9B. Other Information .....	89
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance .....	90
Item 11. Executive Compensation .....	90
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .....	90
Item 13. Certain Relationships and Related Transactions, and Director Independence .....	90
Item 14. Principal Accountant Fees and Services .....	90
<b>PART IV</b>	
Item 15. Exhibits and Financial Statement Schedules .....	91
Item 16. Form 10-K Summary .....	94
<b>SIGNATURES</b> .....	95

Dollar amounts within this Annual Report on Form 10-K (“Annual Report”) are presented in thousands except for average weekly sales per restaurant, average weekly same store sales per restaurant, average check per guest and per share amounts.



## PART I

### Item 1. Business

#### Overview

J. Alexander's Holdings, Inc. (also referred to herein as "the Company", "we", "us" or "our") owns and operates through its subsidiaries four complementary upscale dining restaurant concepts: J. Alexander's, Redlands Grill, Lyndhurst Grill and Stoney River Steakhouse and Grill ("Stoney River"). For more than 25 years, J. Alexander's guests have enjoyed a contemporary American menu, polished service and an attractive ambiance. In February 2013, our team brought our quality and professionalism to the steakhouse category with the addition of the Stoney River concept. Stoney River provides "white tablecloth" service and food quality in a casual atmosphere at a competitive price. Our Redlands Grill concept offers guests a different version of our contemporary American menu and a distinct architectural design and feel. In fiscal year 2017, we successfully converted one of our previous J. Alexander's locations in Ohio to a Lyndhurst Grill, which will continue to offer a contemporary American menu.

By offering multiple restaurant concepts and utilizing unique non-standardized architecture and specialized menus, we believe we are positioned to continue to grow our overall restaurant business in an efficient manner in urban and affluent suburban areas. We want each of our restaurants to be perceived by our guests as a locally-managed, stand-alone dining experience. This differentiation permits us to successfully operate each of our concepts in the same geographic market and avoid being perceived as a "chain". If this strategy continues to prove successful, we may expand beyond our current four concept model in the future.

While each concept operates under a unique trade name, each of our restaurants is identified as a "J. Alexander's Holdings restaurant". As of December 31, 2017, we operated a total of 44 locations across 15 states. During 2017, we closed one J. Alexander's location, opened one J. Alexander's location and opened one Stoney River location. Additionally, as discussed above, during 2017, we converted one J. Alexander's location to Lyndhurst Grill.

We operate on a 52- or 53-week fiscal year calendar ending on the Sunday closest to December 31, and each quarter typically consists of 13 weeks. For purposes of this Annual Report, references to 2017 generally refer to our fiscal year 2017, which ended on December 31, 2017. Fiscal years 2017 and 2016 each included 52 weeks of operations, respectively, while fiscal year 2015 included 53 weeks, and the fourth quarter of 2015 included 14 weeks. Our next 53-week fiscal year will occur in 2020.

#### History and Corporate Structure

The first J. Alexander's restaurant opened in 1991 in Nashville, Tennessee. From 1991 to 2012, J. Alexander's restaurants were owned and operated by J. Alexander's Corporation ("JAC"), the predecessor to J. Alexander's, LLC. As of March 14, 2018, we operated 19 J. Alexander's restaurants located in Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Michigan, North Carolina, Ohio, Tennessee and Texas.

Stoney River was founded in Atlanta, Georgia in 1996. From 2000 until 2012, Stoney River was owned and operated by O'Charley's, Inc., a multi-concept restaurant company that was acquired in April 2012 by affiliates of Fidelity National Financial, Inc. ("FNF"). In September 2012, JAC was acquired by then Fidelity National Financial Ventures, LLC ("FNFV", and now conducting business independently as Cannae Holdings, Inc., or "Cannae"), a former wholly owned subsidiary of FNF, and in February 2013, ownership of Stoney River Management Company, LLC and its subsidiaries and related restaurant assets (the "Stoney River Assets") were transferred to J. Alexander's Holdings, LLC, then a newly formed, wholly owned subsidiary of FNFV and the principal holding company for the J. Alexander's restaurant operations. As of March 14, 2018, we operated 12 Stoney River restaurants located in Georgia, Illinois, Kentucky, Maryland, Missouri, North Carolina and Tennessee.

Redlands Grill is a restaurant concept that we launched in the first quarter of 2015 and expanded through the conversion of 12 J. Alexander's restaurants during the course of fiscal years 2015 and 2016. As of March 14, 2018, we operated 12 Redlands Grill restaurants located in Alabama, Colorado, Florida, Georgia, Illinois, Kentucky, Ohio and Tennessee.

As noted above, the Company also operates a Lyndhurst Grill as of March 14, 2018 in Lyndhurst, Ohio.

J. Alexander's Holdings, Inc. was incorporated in the State of Tennessee on August 15, 2014. Following certain internal restructuring transactions, J. Alexander's Holdings, Inc. became the ultimate parent holding company for J. Alexander's Holdings, LLC's assets and operations. In the fourth quarter of fiscal year 2015, J. Alexander's Holdings, Inc. became an independent, publicly-traded company as a result of the "Spin-off" distribution (the "Spin-off") by FNF of all shares of the Company's common stock owned by FNF to all holders of FNF's FNFV Group common stock, as it was known at the time of the Spin-off.

## **Restaurant Positioning Strategy**

Our business plan has evolved over time to include a collection of restaurant concepts dedicated to providing guests with what we believe to be the highest quality of food, levels of professional service and a comfortable ambiance in each of the markets being served. Although we operate distinct concepts, we identify all of our restaurants as a “J. Alexander’s Holdings Restaurant.” We believe our restaurant branding strategy enhances our ability to expand feature menu offerings available to guests on a seasonal or rotational basis and facilitate expansion into certain markets which may currently have one of our concepts. We also believe that having multiple concepts will allow us to expand in markets that might not otherwise have been considered viable for expansion opportunities.

In the upscale segment of the restaurant industry, a “chain” classification is generally perceived negatively. We determined that in order to compete with upscale independent restaurants we would need to offer the service, food quality and building design standards that more resemble an independently owned restaurant than a national chain restaurant group. We differentiate ourselves from chain restaurants by ensuring that no two J. Alexander’s have the exact same menu, emphasizing feature items which are typically changed on a daily basis, and executing a 95 percent made-from-scratch menu. In addition, the architecture of each of our restaurants is designed to meet the needs of individual markets and create a unique dining experience at each location.

In further execution of this strategy, we have transitioned 12 locations to the Redlands Grill concept. We anticipate transitioning a total of between 14 to 16 J. Alexander’s locations to Redlands Grill locations. The benefits of converting existing J. Alexander’s restaurants to Redlands Grill are twofold. In larger metropolitan areas and midsize markets, we can operate an additional restaurant and, in other markets, conversions will reduce the number of J. Alexander’s national locations. This multiple concept strategy will allow us to expand the number of units we operate without directly competing with ourselves in major metropolitan markets and offer our consumers a differentiated look and feel while preserving the made-from-scratch and upscale service our guests have come to expect. During 2017, we transitioned one J. Alexander’s location to the Lyndhurst Grill concept. We do not anticipate transitioning any additional locations to that concept.

The objective of our strategy is to have less of a chain image and allow us to compete more effectively with independently owned upscale American-style dining restaurants. Determining the specific number of restaurants that should operate under the name J. Alexander’s, Redlands Grill, Stoney River or another concept name requires ongoing evaluation, which we expect to refine over time. The Patient Protection and Affordable Healthcare Act of 2010 (the “PPACA”) defines any restaurant with 20 or more locations as being a chain and requires such restaurants to post the caloric content of each menu item. To the extent that this law grouped us with national fast food and casual dining restaurants, it affirmed our belief that being identified as a chain is inconsistent with our upscale concept.

## **Our Concepts**

### ***J. Alexander’s***

The first J. Alexander’s restaurant was opened in 1991 in Nashville, Tennessee. Since its inception, J. Alexander’s has been a quality-focused upscale dining restaurant offering a contemporary American menu in a lively environment with attentive, courteous and professional service. J. Alexander’s menu centers around made-from-scratch items with a focus on fresh ingredients providing guests a variety of high quality menu options. We believe J. Alexander’s restaurants have a low table to server ratio which, when coupled with our intensive training program and team approach to table service, allows our servers to provide better, more detail-oriented and attentive service. As of March 14, 2018, we had 19 J. Alexander’s locations in 11 states.

The J. Alexander’s menu features prime rib of beef; hardwood-grilled steaks, seafood and chicken; pasta; salads; soups; and assorted sandwiches, appetizers and desserts. We place special emphasis on high quality and sustainable seafood and daily specials which enable us to efficiently take advantage of variances in food costs. We also incorporate local “farm-to-table” produce to provide menu variety to our guests. As a part of our commitment to quality, the majority of our soups, sauces, salsa, salad dressings and desserts are made daily from scratch; our steaks are cut in house; and our beef, chicken, seafood and select vegetable offerings are grilled over a genuine hardwood fire. All of our steaks are U.S.D.A. choice beef (or higher) with a targeted aging of 21 to 38 days. We use only Certified Angus Beef® for all strip steaks and chuck rolls. We grind chuck fresh daily for our hand-pattied burgers. The J. Alexander’s food menu is complemented by a comprehensive wine list that offers both familiar varietals as well as wines labeled exclusively for our restaurants.

J. Alexander’s restaurants are open for lunch and dinner, seven days a week. The breadth of our menu offering helps generate significant traffic at both lunch and dinner. Lunch entrées range in price from approximately \$11.00 to \$36.00, while appetizers and entrée salads range from approximately \$8.00 to \$20.00. Dinner entrée prices range from approximately \$12.00 to \$36.00, and dinner appetizers and entrée salads range from approximately \$8.00 to \$21.00. In 2017, lunch and dinner represented approximately 31% and

69% of sales, respectively. Alcohol was 18% of sales for the same period. Our average unit volumes were approximately \$5,900 in 2017, and our highest volume restaurant exceeded \$9,100 in annual sales. The average check for J. Alexander's in 2017 was \$31.21.

Architecturally, J. Alexander's restaurants employ contemporary designs and unique features contributing to a high-end, upscale environment. Each J. Alexander's location incorporates natural materials such as stone and wood and, for much of our history, has been craftsman-style. Our J. Alexander's restaurants include open floor plans and, in some cases, exposed structural steel, in each case giving the restaurants a contemporary feel. The architectural design varies from location to location depending on the space available, and several locations include unique attributes such as fire pits or patios. All locations feature original artwork, full bars and open kitchens. We believe this gives our restaurants a boutique, unchained feel which is an important facet of our design and site strategy. J. Alexander's locations range in size from 6,900 to 9,000 square feet and can accommodate up to 220 guests, on average.

### ***Stoney River Steakhouse and Grill***

Stoney River is an upscale steakhouse concept that seeks to provide the quality and service of fine dining steakhouses at a lower price point. Stoney River offers a high quality steakhouse menu and a broad selection of non-steak entrées with an emphasis on featured items. We believe Stoney River restaurants have a low table to server ratio in line with that of "white tablecloth" steakhouses. This, coupled with our intensive training program and team approach to table service, allows our servers to provide highly attentive service. As of March 14, 2018, we had 12 Stoney River restaurants in seven states.

Stoney River offers a high quality steakhouse menu, but unlike menus of many of its more expensive competitors, the menu is not à la carte, and a side item is included with all filets and steaks. Stoney River's menu features its popular Coffee-Cured Filet Mignon, as well as other U.S.D.A. top choice (or higher) aged beef options. Particularly when compared to steakhouse competitors, Stoney River places special emphasis on a broad selection of steak alternatives including baby back ribs, ahi tuna, pasta, chicken, salmon and other popular non-steak dishes. Beef currently accounts for approximately 73% of our entrée sales. Stoney River also offers an extensive wine list, including high quality and unique selections. The quality of the beef and inclusion of a side item offers our guests a premium offering at a more reasonable price than many steakhouse competitors.

Each restaurant is open for dinner seven days a week, and several are open for lunch or Sunday brunch. Entrées range in price from approximately \$12.00 to \$44.00, and appetizers and entrée salads range in price from approximately \$8.00 to \$21.00. Each location has a full bar, and alcohol and wine represented approximately 21% of sales in 2017. Our average weekly same store sales for 2017 were \$74,700. During 2017, the average check for Stoney River was \$43.05. Stoney River's basic restaurant design is modeled after an elite and modern mountain lodge-style building. As we executed our recent remodeling program, we elevated the decor to a more updated contemporary feel. We have completed extensive remodels at eight restaurants to date with additional significant exterior remodels at certain locations planned for 2018. Stoney River locations range in size from 6,400 to 8,000 square feet and can accommodate up to 260 guests on average, including private dining spaces. Most locations offer private dining as an option, and private dining accounted for approximately 6.0% of net sales in 2017. Beginning with the opening of the new Stoney River restaurant in Troy, Michigan expected to commence operations in the fourth quarter of 2018, we anticipate that each new Stoney River location will operate as a lunch and dinner service restaurant.

### ***Redlands Grill***

Redlands Grill offers a broad contemporary American cuisine featuring expanded menu offerings on a seasonal or rotational basis. We anticipate that over time the Redlands Grills will have more sushi and contemporary products like in-restaurant prepared flatbreads compared to a J. Alexander's Restaurant which will emphasize center of the plate proteins. Redlands Grill offers a brunch menu in locations that can support a brunch program. For example, the Redlands Grill on West End Avenue in Nashville, Tennessee features a high quality sushi program, jumbo fried shrimp, shrimp louie entrée salad, French press coffee service and unique desserts such as a "deconstructed" ice cream sundae and numerous other feature items not offered in all J. Alexander's locations. On Sundays, Redlands Grill offers a wide selection of made-from-scratch brunch items including Belgian waffles, eggs benedict, huevos ranchero, quiche, omelettes and lemon and ricotta hotcakes. The Redlands Grill on West End also has a more extensive wine program than a typical J. Alexander's Restaurant, with an award-winning wine program that offers 35 wines by the glass and maintains over 140 bottles. Each restaurant is open for lunch and dinner seven days a week. Menu items are priced similarly to those at J. Alexander's restaurants.

Since 1997, we have specifically designed restaurants with different architecture to meet the needs of individual markets. When a restaurant is transitioned from a J. Alexander's to a Redlands Grill, the architecture remains unique to that site. The J. Alexander's on West End Avenue in Nashville was the first location we transitioned to a Redlands Grill. The architecture has a contemporary urban streetscape similar to a restaurant in San Francisco or New York. It is the only restaurant in our portfolio with this architectural design. As of March 14, 2018, we operated 12 Redlands Grills in eight states and plan to transition a total of 14 to 16 locations to this concept.



## **Our Competitive Strengths**

Over the more than 25-year operating history of our restaurants, we have developed and refined the following strengths:

### ***Distinct Yet Complementary Concepts***

Our concepts have more than 45 years of combined history, strong brand value and exceptional guest loyalty in their core markets. They blend what we believe are the best attributes of fine and casual dining: a focus on high quality food made with fresh ingredients in a scratch kitchen, exceptional service, diverse menus and individualized interior and exterior design unique to each community. Each concept has a distinct identity, and the differentiation in menu and restaurant design is substantial enough that they can successfully operate in the same markets or retail locations.

Over time, we anticipate that we will continue to grow with our multi-concept strategy. Each restaurant concept will have up to 19 restaurants competing in the upscale casual dining segment of the restaurant industry. All of our restaurants will take advantage of our professional service system, made-from-scratch high-quality menu items and our unique architectural designs supported by upscale ambiance. We believe that this strategy will increase our national footprint and overall competitive advantage.

### ***Delivering a Superior Dining Experience with the Highest Quality Service at a Reasonable Price Point***

Our restaurant concepts provide a broad range of high-quality menu items that are intended to appeal to a wide range of consumer tastes and which are served by a courteous, professional and well-trained wait-staff. We provide this high-end experience at a reasonable and attractive price point, which we believe helps us cultivate long-term, loyal and highly satisfied guests who place a premium on the price-value relationship that our concepts offer.

*Premium, Freshly Made Cuisine.* All of our concepts are committed to preparing high quality food from innovative menus. We are selective in our choice of ingredients and menu offerings, including the grades of beef and the freshness of seafood and vegetables we serve. Substantially all protein and vegetable offerings are delivered fresh to our restaurants and are not frozen in transport or in storage prior to being served, and are predominantly preservative and additive-free. We offer made-to-order items prepared from scratch, with approximately 95% of our items, including stocks, sauces and desserts, made in-house daily. Our food menu is complemented by comprehensive wine lists that offer both familiar varietals as well as wines labeled exclusively for our restaurants. While each restaurant concept's menu has its own distinctive profile, we strive to continuously innovate with new ingredients and local "farm-to-table" produce to provide specials and limited time featured items to keep the experience new and interesting for our guests. All of our new menu items are developed through a process designed to meet our high standards. An important component of the quality assurance system is the preparation of taste plates. Within each concept, 100% of menu items are taste-tested daily by a manager to ensure that only the highest quality, properly prepared food meeting or exceeding our specifications is served in each restaurant. A key position in each restaurant is the Quality Control coordinator ("QC"). This position is always staffed by a fully-trained manager who inspects every plate of food before it is served to our guests. We believe that the QC inspection by a member of management is a significant and vital factor in maintaining consistent, high food quality.

*Outstanding Service.* We believe that prompt, courteous and efficient service delivered by a knowledgeable staff is an integral component of our concepts. We enforce strict guidelines on professional appearance for servers as well as timeliness of service. To ensure that all staff are working together to achieve the highest guest satisfaction we employ a low table to server ratio which, when coupled with team serving by a dedicated staff, we believe provides our guests exceptional service.

*Sophisticated Experience.* Our concepts use a variety of architectural designs and building finishes to provide guests with beautiful, upscale décor with contemporary and timeless finishes. We are aggressive with our repair and maintenance program in all locations, in an attempt to ensure that no restaurant ever looks "highly trafficked" or dated and to reduce the need for periodic remodels to reimagine a location to acceptable standards.

### ***Attractive Unit Economics and Consistent Execution***

We believe that we have a long standing track record of consistently producing high average weekly sales and average unit sales volumes and have proven the viability of our concepts in multiple markets and regions. Since the end of the recession, we have successfully increased our average weekly sales from \$82,300 in fiscal year 2009 to \$112,900 in fiscal year 2017 for the J. Alexander's / Grills restaurant concepts. Our highest volume J. Alexander's / Grills restaurant generated net sales of approximately \$9,100 in 2017. Since we began operating Stoney River, we have been able to increase the average weekly sales at the Stoney River restaurants even while implementing significant operational improvements and remodeling eight locations. We believe that additional remodels of locations in each of our concepts will contribute to increases in same store sales.

### ***Strong Cultural Focus on Continuous Training***

We believe that our stringent employee hiring standards, coupled with our extensive and continuous training programs for all employees, provide outstanding service to our guests at each of our concepts. We prefer to promote our restaurant general managers and regional management from within the organization, and over 60% of those roles are currently filled by individuals promoted from within. We believe that this helps to ensure that our unique focus and culture of excellent service are thoroughly disseminated throughout our restaurants. We seek to hire management prospects from top culinary programs nationwide and to train them in our service levels and processes. It can take three to five years of experience in our system for a management trainee to be qualified for promotion to general manager in one of our locations. We also provide ongoing training opportunities for our back of the house and kitchen staff to ensure they maintain and improve their skills and learn how best to prepare our current and new menu items.

### ***Sophisticated and Scalable Back Office and Operations***

We have been in operation for over 25 years and have a long history of operating high volume restaurants. We employ a sophisticated menu development process that has successfully created replicable recipes with a focus on maximizing gross margin by highly efficient use of perishable food inventories to create unique and inviting recipes. Our recipes are developed to use premium ingredients sourced from long standing relationships with high quality vendors. Most of our protein purchases are negotiated directly with our suppliers. We believe this not only reduces overall food costs but enables us to enforce strict standards on orders and adherence to the detailed instruction manual we provide to producers. Because we deal directly with producers, we are also able to take advantage of seasonal products and provide “farm-to-table” options that change with the seasons and ingredient availability through our unique “featured items” menu. Direct relationships with vendors also provide us cost and flexibility advantages that may not be available from third party distributors. We also have a shared services model for our back-office that centralizes certain functionality at our corporate headquarters. Services shared between our concepts include staff training, real estate development, purchasing, human resources, information technology and finance and accounting, further contributing to the complementary nature of our concepts. We believe that the teams we have put in place to manage these functions, and other non-restaurant operations functions, are capable of managing the number of restaurants in our current growth plan with limited additional hires.

From high quality food vendors to technology and maintenance vendors, we believe that we have developed long-term relationships with a highly sophisticated team of vendors capable of effectively servicing our needs as we execute our growth plan. The quality and depth of both our vendor relationships and our shared services have resulted in a scalable platform with the bench strength to support our planned growth with limited adjustments.

### ***Experienced Management Team***

We are led by a management team with significant experience in all aspects of restaurant operations. Our experienced team of industry veterans at the executive level has an average of 24 years of restaurant experience, and our 44 general managers, as of December 31, 2017, have an average tenure at J. Alexander’s, Redlands Grill, Lyndhurst Grill and Stoney River of approximately 11.8 years, 12.6 years, 7.1 years and 8.5 years, respectively.

In addition, pursuant to the Management Consulting Agreement (“Management Consulting Agreement”) with Black Knight Advisory Services, LLC (“Black Knight”), we are able to leverage key finance, strategy, investment, acquisition and other expertise.

### ***Our Growth Strategies***

We believe there are significant opportunities to grow our business, strengthen our competitive position and enhance our concepts through the implementation of the following strategies:

#### ***Deliver Consistent Same Store Sales***

We believe that we will be able to generate annual same store sales growth on a consistent basis by providing an attractive price/value proposition for our guests through excellent service in an upscale environment. We continually focus on delivering freshly prepared, contemporary American cuisine to our guests, with exceptional quality and service for the price. Though the core menu at each concept is consistent and familiar to our guests, we regularly explore potential additions as well as limited-time featured food and drink offerings that are rotated on a weekly basis. As a result, we are able to adapt to changing consumer tastes and incorporate local offerings to reinforce our boutique restaurant feel. We continue to explore ways to increase the number of occasions and flexibility of dining options for our guests, including the addition of Sunday brunch items at select restaurants within each concept.

We operate a program of continuous investment in all of our locations to maintain our store images at the highest level, and target spending \$75 to \$100 per year in maintenance capital expenditures per restaurant. From time to time, we may also selectively undertake more extensive remodels of existing units to improve back of the house efficiencies and the front of the house experience,

or relocations in the event of demographic shifts in a market. We believe our investment in remodeling and relocation will generate incremental comparable sales at affected restaurants.

### ***Pursue Disciplined New Restaurant Growth in Target Markets***

We believe each of our concepts has significant growth potential and that there are significant opportunities to grow our concepts on a nationwide basis in both existing and new markets where we believe we can generate attractive unit economics.

We are constantly evaluating potential sites for new restaurant openings and currently have more than 20 locations in more than 15 separate markets under various stages of review and development. We believe that having a large number of sites under review at any one time is necessary in order to meet our development goals. In our experience, sites under analysis often will not result in a new restaurant location for any number of reasons, including the delay or cancelation of larger development projects on which a future restaurant may depend, the loss of potential site locations to competitors or our ultimate determination that a site under review is not appropriate for one of our concepts. We believe that the number of available and potential sites under review by us, the anticipated costs of opening a new restaurant location and our current capital resources will support up to four new store openings annually. However, our ability to open any particular number of restaurants in any calendar year is dependent upon many factors, risks and uncertainties beyond our control as discussed more fully elsewhere in this Annual Report under the heading “Item 1A. Risk Factors”. The most recent restaurant openings include a J. Alexander’s restaurant in Lexington, Kentucky during March 2017 and a Stoney River restaurant in Chapel Hill, North Carolina in February 2017. In addition, the Company has announced the signing of leases for its next J. Alexander’s restaurant in King of Prussia, Pennsylvania and its next Stoney River restaurant in Troy, Michigan, which are currently scheduled to open in the second quarter and fourth quarter of 2018, respectively.

We expect that the development of our Redlands Grill and other concepts will further accelerate growth by allowing us to expand into certain markets which currently have a J. Alexander’s and/or Stoney River restaurant that might not otherwise have been considered viable for expansion opportunities.

### ***Improve Margins and Leverage Infrastructure***

We believe that our corporate infrastructure can support a restaurant base greater than our existing footprint. As we continue to grow, we expect to drive greater efficiencies in our supply chain and leverage our technology and existing support infrastructure. As we grow our restaurant base, we expect to leverage our corporate infrastructure to enhance margins as we anticipate that general and administrative expenses will grow at a slower rate than our restaurant base and revenues.

## **Restaurant Design and Site Selection Process**

### ***Site Selection***

We have developed a targeted site acquisition and qualification process incorporating management’s experience as well as extensive data collection, analysis and interpretation. We are actively developing restaurants in both new and existing markets, and we will continue to expand in selected regions throughout the U.S. We identify and work with local brokers to conduct preliminary research regarding each potential market and location. The preliminary research includes an analysis of traffic patterns, parking, access, demographic characteristics, population density, level of affluence, consumer attitudes or preferences and current or expected co-retail and restaurant tenants. The brokers then present potential sites to our real estate department. If our financial criteria for the site are satisfied, our Chief Executive Officer and Chief Operating Officer visit the site, and, once approved, our management negotiates the lease.

For each of our concepts, our key site criterion is that the population within a five mile radius has a high concentration of our targeted guests, which includes individuals in the upper income demographic of major metropolitan areas that dine out frequently. In addition, we target high concentrations of retail and upscale office developments to support our lunch offering at J. Alexander’s and Redlands Grill and, in certain situations, at our Stoney River restaurants. We also prefer locations with high visibility and ample parking spaces.

### ***Restaurant Design***

We do not have a standard prototype for each concept with respect to size, location or layout, which enables us to be flexible in our real estate selection process. This allows us to use a combination of new builds and conversions for our new locations. Our restaurants are generally free-standing structures using a variety of interior and exterior finishes and materials which have been developed to allow each location a unique design with a common look and feel within each concept. Each location has been designed to provide a high level of curb appeal as well as a comfortable dining experience. While our restaurants are individually designed to

create an unchained feel, all locations benefit from a focus on a contemporary and comfortable aesthetic that we believe compliments our food and creates a consistent dining experience across all of our concepts. This flexibility in design has allowed us to utilize a variety of locations and spaces, making the best use of the real estate available.

Many of our J. Alexander's and Redlands Grill building designs utilize craftsman-style architecture, featuring natural materials such as stone, wood and weathered copper. Others reflect a blend of international and craftsman architecture featuring elements such as steel, concrete, stone and glass, subtly incorporated to give a contemporary feel. Several of our restaurants also feature a patio complemented by an exposed fire pit. J. Alexander's, Redlands Grill and Lyndhurst Grill locations typically contain approximately 6,900 to 9,000 square feet with seating for an average of approximately 220 guests. For J. Alexander's and Redlands Grill locations, we estimate that a new build, excluding land, will require a total cash investment of \$5,000 to \$6,000 (excluding pre-opening costs and any tenant incentives).

Stoney River locations typically contain approximately 6,400 to 8,000 square feet with seating for an average of approximately 260 guests. Most of our Stoney River locations include private dining spaces, which represented 6.0% of sales at Stoney River in 2017. Historically, the majority of our Stoney River locations have operated as a dinner service only concept traditionally found within the steakhouse category of restaurants. Beginning with the opening of the new Stoney River restaurant in Troy, Michigan expected to commence operations in the fourth quarter of 2018, we anticipate that each new Stoney River location will operate as a lunch and dinner service restaurant. For Stoney River locations, we estimate that each new build, under the assumption noted above, will require a total cash investment of \$5,000 to \$6,000 (excluding pre-opening costs and any tenant incentives).

The flexibility of our concepts has enabled us to open restaurants in a wide variety of locations, including high-density residential areas, shopping malls, lifestyle centers and other high-traffic locations. On average, it takes us approximately 12 to 18 months from identification of the specific site to opening the doors for business. In order to maintain consistency of food and guest service as well as the unique atmosphere at our restaurants, we have set processes and timelines to follow for all restaurant openings.

## **Hiring and Training**

We are highly focused on providing an unparalleled experience to our guests. Achieving this experience is intricately tied to careful hiring, thorough training and an apprenticeship for management trainees that provides intimate knowledge of every facet of our restaurants. We have implemented a sophisticated and stringent hiring and training program. Maintaining the uniqueness of our culture, with our focus on quality and training, starts with hiring. Excluding the needs of new restaurants, we hire approximately 60 to 75 new management trainees annually. With new locations, we believe this number will increase to approximately 85 to 90 per year. We focus our recruiting efforts on approximately fifteen of the best culinary programs in the country where we believe our long relationships with the schools enable us to identify and recruit the most promising students. These graduates typically spend three to five years in restaurant management before they are promoted to a department responsibility or a general manager role. During that time, they experience every job in the restaurant. Because of our focus on quality and training, we have traditionally found that some of our most successful managers have been hired from within. All restaurant management candidates, regardless of previous experience, are required to complete a 10 to 13 week training program at the beginning of their employment.

## **Suppliers**

To ensure that we maintain consistent price and quality throughout our restaurants, we use centralized contracts or pricing agreements with a network of third-party vendors, suppliers and distributors to provide selected items. We provide each vendor with a set of specifications to ensure that our food quality is maintained at the highest level. Where possible, we also take advantage of local farms or purveyors to provide in-season products to supplement our regular menu with recipes featuring high quality local or "farm-to-table" products. When prices rise on any of our commodities, we work with our menu development team to create new and unique menu additions that can make the most efficient use of the products we have purchased or to improve the food margin of products on the menu.

Beef is the largest percentage of our food costs, representing approximately 30% of total food and beverage costs in 2017. We purchase the majority of our beef directly from the producers, rather than through a distributor or third party supplier. We believe that direct relationships with these vendors provide us cost and flexibility advantages that may not be available from third party distributors. We have purchased beef from our current primary beef supplier for multiple consecutive years and anticipate this will continue for the foreseeable future. We do not hedge our beef purchases, and instead rely on our direct purchases and menu innovation to offset potential price increases.

While most of our current supply contracts are for no longer than one year, we have been purchasing from many of our suppliers for a number of years and believe that our relationships are strong, and their financial position secure. However, we believe that we do not rely on any single-source supplier that could not be replaced with one or more alternative suppliers without disruption.



Should there be any disruption in our supply chain, we believe we have created a set of product specifications that can be met by a number of common restaurant suppliers.

### **Seasonality**

Our net sales and net income have historically been subject to seasonal fluctuations. Net sales and operating income typically reach their highest levels during the fourth quarter of the fiscal year due to holiday business and the first quarter of the fiscal year due in part to the redemption of gift cards sold during the holiday season. In addition, certain of our restaurants, particularly those located in south Florida, typically experience an increase in guest traffic during the period between Thanksgiving and Easter due to an increase in population in these markets during that portion of the year. Certain of our restaurants are located in areas subject to hurricanes and tropical storms, which typically occur during our third and fourth quarters, and which can negatively affect our net sales and operating results. Certain of our restaurants are located in areas subject to extreme winter weather conditions which typically occur during our fourth and first quarters and can also negatively affect our net sales and operating results. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

### **Intellectual Property and Trademarks**

We own a number of trademarks and service marks registered with the United States Patent and Trademark Office (“PTO”). We have registered the following marks with the PTO, among others: “J. Alexander’s Restaurant,” “Redlands Grill,” “Black River Angus Beef,” “Black River Premium Beef,” “Legendary Steaks,” “Stoney River,” “Stoney River Legendary Steaks,” “Stoney River Steakhouse and Grill” and “Stoney River Legendary Filet.” In addition, we have also registered the Internet domain names [jalexanders.com](http://jalexanders.com), [jalexandersholdings.com](http://jalexandersholdings.com), [redlandsgrill.com](http://redlandsgrill.com), [lyndhurstgrill.com](http://lyndhurstgrill.com) and [stoneyriver.com](http://stoneyriver.com), among others, and have registered certain copyrights with the U.S. Copyright Office, including copyrights with respect to the J. Alexander’s menu and the J. Alexander’s cocktail menu.

We believe that our trademarks, service marks and other intellectual property rights have significant value and are important to the marketing of our concepts, and it is our policy to protect and defend vigorously our rights to such intellectual property. However, we cannot predict whether steps taken to protect such rights will be adequate. See “Risk Factors—The failure to enforce and maintain our intellectual property rights could enable others to use names confusingly similar to the names and marks used by our restaurants, which could adversely affect the value of our concepts.”

### **Regulatory, Environmental, Health and Safety Matters**

#### ***Environmental***

We are subject to federal, state and local environmental laws and regulations concerning waste disposal, pollution and protection of the environment, and the presence, discharge, storage, handling, release and disposal of, or exposure to, hazardous or toxic substances (“environmental laws”). These environmental laws can provide for significant fines and penalties for non-compliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of the hazardous or toxic substances. Third-parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such substances. We are not aware of any environmental laws that will materially affect our earnings or competitive position, or result in material capital expenditures relating to our restaurants. However, we cannot predict what environmental laws will be enacted in the future, how existing or future environmental laws will be administered, interpreted or enforced, or the amount of future expenditures that we may need to make to comply with, or to satisfy claims relating to, environmental laws. It is possible that we will become subject to environmental liabilities at our properties, and any such liabilities could materially affect our business, financial condition or results of operations. See “Risk Factors—Compliance with environmental laws may negatively affect our business.”

#### ***Regulatory, Health and Safety***

We are subject to extensive and varied federal, state and local government regulation, including regulations relating to the sale of food and alcoholic beverages, public and occupational health and safety, sanitation and fire prevention. We operate each of our restaurants in accordance with standards and procedures designed to comply with applicable codes and regulations, and we maintain all applicable permits and licenses required by the jurisdictions in which we operate.

In addition, in order to develop and construct restaurants, we must comply with applicable zoning, land use and environmental regulations. We are also required to comply with the accessibility standards mandated by the U.S. Americans with Disabilities Act (“ADA”), which generally prohibit discrimination in accommodation or employment based on disability. The ADA became effective as to public accommodations and employment in 1992.

A significant amount of our revenues is attributable to the sale of alcoholic beverages. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county or municipal authorities for a license that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of our restaurants, including the minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers and distributors, inventory control and handling, storage and dispensing of alcoholic beverages. We are also subject in certain states to “dram shop” statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Of the 15 states where we operate, most have dram-shop statutes or recognize a cause of action for damages relating to sales of alcoholic beverages to obviously intoxicated persons and/or minors. We carry liquor liability coverage as part of our existing comprehensive general liability insurance.

In addition, we are subject to the U.S. Fair Labor Standards Act, the U.S. Immigration Reform and Control Act of 1986, the Occupational Safety and Health Act and various other federal and state laws governing similar matters including minimum wages, overtime, workplace safety and other working conditions. We may also be subject to lawsuits from our employees, the U.S. Equal Employment Opportunity Commission or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters, and we have been party to such matters in the past. See “Risk Factors—Governmental regulation may adversely affect our ability to open new restaurants or otherwise adversely affect our business, financial condition and results of operations.”

The PPACA, enacted in March 2010, requires chain restaurants with 20 or more locations in the United States operating under the same name and offering substantially the same menus to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. A number of states, counties and cities have also enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to guests, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Many of these requirements are inconsistent or are interpreted differently from one jurisdiction to another. While our ability to adapt to consumer preferences is a strength of our concepts, the effect of such labeling requirements on consumer choices, if any, is unclear at this time. See “Risk Factors—Legislation and regulations requiring the display and provision of nutritional information for our menu offerings and new information or attitudes regarding diet and health could result in changes in consumer consumption habits that could adversely affect our results of operations.”

There is also a potential for increased regulation of certain food establishments in the United States, where compliance with Hazard Analysis & Critical Control Points (“HACCP”) management systems may now be required. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have required restaurants to develop and implement HACCP programs, and the United States government continues to expand the sectors of the food industry that must adopt and implement HACCP programs. For example, the Food Safety Modernization Act, signed into law in January 2011, granted the U.S. Food and Drug Administration (“FDA”) new authority regarding the safety of the entire food system, including through increased inspections and mandatory food recalls. We anticipate that the new requirements may impact our industry. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise harm our business. See “Risk Factors—Governmental regulation may adversely affect our ability to open new restaurants or otherwise adversely affect our business, financial condition and results of operations.”

We are also subject to laws and regulations relating to information security, privacy, cashless payments, gift cards and consumer credit protection and fraud, and any failure or perceived failure to comply with these laws and regulations could harm our reputation or lead to litigation, which could adversely affect our financial condition.

## **Information Technology**

All of our restaurants use computerized point-of-sale systems created by Micros Systems, which we believe are scalable to support our future growth plans. Our restaurants process credit cards using point-to-point encryption (“P2PE”) technology to ensure the highest level of credit card security protection for our guests. The company recently implemented EMV chip-card technology to provide an additional layer of credit card security. We utilize a Windows-based accounting software package and a network that enables electronic communication throughout the Company. In addition, all of our restaurants utilize touch screen point-of-sale and electronic gift card systems, and also employ a theoretical food costing program, all of which were specifically designed for the restaurant industry. We use our management information systems to develop pricing strategies, identify food cost issues, monitor new product acceptance and evaluate restaurant-level productivity. The system also supplies sales, bank deposit and variance data to our accounting department on a daily basis. We use this data to generate daily sales information and weekly consolidated reports regarding sales and other key measures, as well as preliminary weekly detailed profit and loss statements for each location with final reports

following the end of each period. We expect to continue to develop our management information systems to assist management in analyzing business issues and to improve efficiency.

## **Industry & Competition**

The restaurant industry is fragmented and intensely competitive. We believe guests make their dining decisions based on a variety of factors such as menu offering, taste, quality and price of food offered, perceived value, service, atmosphere, location and overall dining experience.

Depending on the specific concept, our restaurants compete with a number of restaurants within their markets, including both locally-owned, boutique, chef-driven restaurants and restaurants that are part of regional or national upscale dining concepts. We believe we have two primary types of competitors:

- Competitors with similar menus and operational characteristics; and
- Competitors that market to the same demographic using different menus and formats.

The number, size and strength of our competitors varies widely by region; however, we believe that we benefit from our goal of providing our guests with a combination of check average, food quality and intense levels of service that we believe to be unique in the markets in which we compete.

In virtually all of our markets, we compete primarily against locally-owned boutique restaurants or locally-managed restaurant groups with similar menus and similar concept attributes at check averages that approximate ours. To a lesser extent, we compete with restaurant groups, both regional and national, that market to the same upscale restaurant guest and may have menus, formats and check averages that differ from ours. Del Frisco's Grill, Kona Grill and Seasons 52 are concepts that would fall within this second category, and would be considered competitors of our J. Alexander's, Redlands Grill and Lyndhurst Grill concepts. Stoney River generally competes with restaurants that are considered steakhouses or have a steakhouse format such as The Palm, Ruth's Chris Steak House, Morton's The Steakhouse, Del Frisco's Double Eagle Steak House, and Fleming's Prime Steakhouse and Wine Bar.

## **Employee Matters**

As of December 31, 2017, we employed approximately 3,600 persons, including 50 persons on the corporate staff. We believe that our employee relations are good. We are not a party to any collective bargaining agreements.

## **Legal Proceedings**

We are a defendant from time to time in various claims or legal proceedings arising in the ordinary course of our business, including claims relating to injury or wrongful death under "dram shop" laws, labor-related claims, workers' compensation matters, discrimination and similar matters, claims resulting from "slip and fall" accidents, claims relating to lease and contractual obligations, federal and state tax matters and claims from guests or employees alleging illness, injury or other food quality, health or operational concerns. We do not believe that any of the legal proceedings pending against us as of the date of this Annual Report will have a material adverse effect on our liquidity or financial condition. We may incur liabilities, receive benefits, settle disputes, sustain judgments or accrue expenses relating to legal proceedings in a particular fiscal year which may adversely affect our results of operations, or on occasion, receive settlements that favorably affect our results of operations.

## Executive Officers

The following list includes names and ages of all of the executive officers indicating all positions and offices held by each such person and each such person's principal occupations or employment during the past five years. All such persons have been appointed to serve until the next annual appointment of officers and until their successors are appointed, or until their earlier resignation or removal.

<u>Name and Age</u>	<u>Position</u>
Lonnie J. Stout II, 71	President, Chief Executive Officer and Director
Mark A. Parkey, 55	Executive Vice President, Chief Financial Officer and Treasurer
J. Michael Moore, 58	Executive Vice President and Chief Operating Officer
Jessica Hagler Root, 38	Vice President, Controller, Chief Accounting Officer and Secretary
Jason S. Parks, 46	Vice President and Chief Information Officer

**Lonnie J. Stout II** Mr. Stout has been a director, President and Chief Executive Officer of the Company since its formation. Prior to that time, he was a director/manager (as applicable), President and Chief Executive Officer of JAC, J. Alexander's Holdings, LLC and J. Alexander's, LLC, positions he has held since May 1986. Mr. Stout joined JAC in 1979 and since that time has held various leadership roles, including Executive Vice President and Chief Financial Officer of JAC from October 1981 to May 1984, and a member of the board of directors of JAC from 1982 until October 2012, and served as Chairman from July 1990 until October 2012.

**Mark A. Parkey** Mr. Parkey has served as Executive Vice President, Chief Financial Officer and Treasurer of the Company since its formation. He has held the same positions at J. Alexander's Holdings, LLC and J. Alexander's, LLC since May 2013. Prior to becoming the Chief Financial Officer, Mr. Parkey served as Vice President of JAC from May 1999 to October 2012, Controller of JAC from May 1997 to October 2012, Vice President and Controller of J. Alexander's Holdings, LLC and J. Alexander's, LLC from October 2012 until August 2013 and as the Director of Finance of JAC from January 1993 to May 1997.

**J. Michael Moore** Mr. Moore has served as Executive Vice President and Chief Operating Officer of the Company since its formation. He has held the same positions at J. Alexander's Holdings, LLC and J. Alexander's, LLC since May 2013. Prior to becoming Chief Operating Officer, Mr. Moore served as Vice President of Human Resources and Administration of JAC from November 1997 to October 2012, and of J. Alexander's Holdings, LLC and J. Alexander's, LLC from October 2012 to July 2013. Mr. Moore also served as Director of Human Resources and Administration of JAC from August 1996 to November 1997 and as the Director of Operations of J. Alexander's Restaurants, Inc. from March 1993 to April 1996. Mr. Moore joined JAC in 1991 as General Manager of the first J. Alexander's restaurant.

**Jessica Hagler Root** Ms. Root was promoted to the position of Vice President, Controller and Chief Accounting Officer of the Company effective October 29, 2015, and became the Secretary of the Company in February 2018. She previously served as Assistant Vice President and Controller of the Company since its formation in August 2014 and held the same positions with J. Alexander's Holdings, LLC and its subsidiaries since May 2013. Prior to that time, she served JAC in the role of Director of Financial Reporting and Compliance from March 2012 through May 2013 and as Director of Compliance from November 2010 to March 2012. Prior to joining the Company, Ms. Root was a Senior Manager in Audit at KPMG LLP.

**Jason S. Parks** Mr. Parks was promoted to Vice President and Chief Information Officer of the Company in February 2018. Prior to that time, Mr. Parks served the Company as the Director of Information Systems since its formation in August 2014, and he held the same position with J. Alexander's Holdings, LLC and subsidiaries from February 2013 to February 2018 and with JAC from July 1996 to February 2013. Mr. Parks also served in restaurant management from January 1992 to July 1996. Mr. Parks joined JAC in May 1991 as a server in the first J. Alexander's restaurant, and was later promoted as the first internal management hire.



## Financial Information

The financial information that is required to be included in this Item 1, Business is set forth in Item 6, Selected Financial Data and in Item 8, Financial Statements and Supplementary Data.

## Available Information

Our Internet website address is <http://www.jalexandersholdings.com>. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports as soon as reasonably practical after we electronically file or furnish such materials to the Securities and Exchange Commission (“SEC”). Information contained on the Company’s website is not part of this Annual Report.

## Cautionary Statement Regarding Forward-Looking Statements

We caution that certain information contained or incorporated by reference in this report and our other filings with the SEC, in our press releases and in statements made by or with the approval of authorized personnel is forward-looking information that involves risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements contained herein. Forward-looking statements discuss our current expectations and projections relating to our financial conditions, results of operations, plans, objectives, future performance and business. Forward-looking statements are typically identified by words or phrases such as “may,” “will,” “would,” “can,” “should,” “likely,” “anticipate,” “potential,” “estimate,” “pro forma,” “continue,” “expect,” “project,” “intend,” “seek,” “plan,” “believe,” “target,” “outlook,” “forecast,” the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward-looking statements include all statements that do not relate solely to historical or current facts, including statements regarding our expectations, intentions or strategies and regarding the future. We disclaim any intent or obligation to update these forward-looking statements. Other risks, uncertainties and factors which could affect actual results include, but are not limited to:

- the impact of, and our ability to adjust to, general economic conditions and changes in consumer preferences;
- our ability to open new restaurants and operate them profitably, including our ability to locate and secure appropriate sites for restaurant locations, obtain favorable lease terms, attract guests to our restaurants or hire and retain personnel;
- our ability to successfully transition certain of our existing J. Alexander’s locations to Redlands Grill locations and any other future concept locations;
- our ability to obtain financing on favorable terms, or at all;
- the strain on our infrastructure caused by the implementation of our growth strategy;
- the significant competition we face for guests, real estate and employees;
- the impact of economic downturns, volatile retail area traffic patterns or other disruptions in markets in which we have revenue or geographic concentrations within our restaurant base;
- our ability to increase sales at existing J. Alexander’s, Redlands Grill, Lyndhurst Grill and Stoney River restaurants and improve our margins at existing Stoney River restaurants;
- the impact of increases in the price of, and/or reductions in the availability of, commodities, particularly beef;
- the impact of negative publicity or damage to our reputation, which could arise from concerns regarding food safety and foodborne illnesses or other matters;
- the impact of proposed and future government regulation and changes in healthcare, labor and other laws;
- our expectations regarding litigation or other legal proceedings;
- our inability to cancel and/or renew leases and the availability of credit to our landlords and other retail center tenants;
- operating and financial restrictions imposed by our credit facility, our level of indebtedness and any future indebtedness;
- the impact of the loss of key executives and management-level employees;
- our ability to enforce our intellectual property rights;
- the impact of information technology system failures or breaches of our network security;
- the impact of any future impairment of our long-lived assets, including tradename and goodwill;
- the impact of any future acquisitions, joint ventures or other initiatives;
- the impact of shortages, interruptions and price fluctuations on our ability to obtain ingredients from our limited number of suppliers;
- our expectations regarding the seasonality of our business;
- the impact of hurricanes and other weather-related disturbances;
- the impact of the Management Consultant Agreement with Black Knight; and
- the other matters described under “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this Annual Report. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and elsewhere in this Annual Report. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this Annual Report in the context of these risks and uncertainties. Forward-looking information provided by the Company pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors. We expressly disclaim any intent or obligation to update these forward-looking statements.

## **Item 1A. Risk Factors**

In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we are including the following cautionary statements identifying important factors that could significantly and adversely affect the Company and cause actual results to differ materially from those projected in forward looking statements made by, or on behalf of, the Company. The risks and uncertainties described below should be considered carefully, and all information contained in this Annual Report, in evaluating the Company and its business.

### **Changes in general economic conditions, including any economic downturn or continuing economic uncertainty, have adversely impacted our business and results of operations in the past and may do so again.**

Purchases at our restaurants are discretionary for consumers, and we are, therefore, susceptible to economic slowdowns. We believe that consumers generally are more willing to make discretionary purchases, including upscale and high-end restaurant meals, during favorable economic conditions. The most recent economic downturn, uncertainty and disruptions in the overall economy, including high unemployment, reduced access to credit and financial market volatility and unpredictability, and the related reduction in consumer confidence, negatively affected guest traffic and sales throughout our industry, including our category. If the economy experiences a new downturn or there are continued uncertainties regarding U.S. budgetary and fiscal policies, our guests, particularly price-sensitive families and couples and cost-conscious business clientele, may reduce their level of discretionary spending, impacting the frequency with which they choose to dine out or the amount they spend on meals while dining out.

There is also a risk that, if uncertain economic conditions persist for an extended period of time, consumers might make long-lasting changes to their discretionary spending behavior, including dining out less frequently on a more permanent basis. The ability of the U.S. economy to withstand this uncertainty is likely to be affected by many national and international factors that are beyond our control. These factors, including national, regional and local politics and economic conditions, the impact of higher gasoline prices, and reductions in disposable consumer income and consumer confidence, also affect discretionary consumer spending. Uncertainty in or a worsening of the economy, generally or in a number of our markets, and our guests’ reactions to these trends could adversely affect our business and cause us to, among other things, reduce the number and frequency of new restaurant openings, close restaurants and delay our remodeling of existing locations.

### **Changes in consumer dining preferences and discretionary spending patterns generally could adversely affect our business and results of operations.**

The restaurant business is often affected by changes in consumer preferences, national, regional or local economic conditions, demographic trends, traffic patterns and the type, number and location of competing restaurants. Our success depends in part on our ability to anticipate and respond quickly to these changes. Shifts in consumer preferences away from meals at our price point or our beef, seafood and signature cocktails and wine menu offerings, which are significant components of our concepts’ menus and appeal, whether as a result of economic, competitive or other factors, could adversely affect our business and results of operations.

Many of our restaurants are located in or adjacent to traditional commercial retail centers, and to an extent rely on elevated levels of retail area traffic in these areas during the holiday seasons. As consumer spending patterns continue to migrate to online shopping or to boutique, local shopping resources, and away from malls and other traditional commercial retail centers, these restaurant locations may be negatively impacted.

In addition, we place a high priority on maintaining the competitive positioning of our concepts, including the image and condition of our restaurant facilities and the quality of our guest experience. Consequently, we may need to evolve our concepts in order to compete with popular new restaurant formats or concepts that emerge from time to time, which could result in significant capital expenditures in the future for remodeling and updating. In addition, with improving product offerings, including an increased number of health-focused options at fast casual restaurants and quick-service restaurants, combined with the effects of uncertain economic conditions and other factors, consumers may choose less expensive alternatives, which could also negatively affect guest

traffic at our restaurants. Any unanticipated slowdown in demand at any of our restaurants due to industry competition may adversely affect our business and results of operations.

**Our future growth depends in part on our ability to open new restaurants and operate them profitably, and if we are unable to successfully execute this strategy, our business and results of operations could be adversely affected.**

Our financial success depends in part on management's ability to execute our growth strategy. One key element of our growth strategy is opening new restaurants. However, future developments, including macroeconomic changes, could cause us to re-evaluate this growth strategy. Additionally, in the past, we have experienced delays in opening some restaurants, and that could happen again. Delays or failures in opening new restaurants and operating them profitably could materially and adversely affect our growth strategy and expected results.

Our ability to open new restaurants on a timely basis, or at all, and operate them profitably is dependent upon a number of factors, many of which are beyond our control, including:

- finding quality site locations, competing effectively to obtain quality site locations and reaching acceptable agreements to lease or purchase sites;
- complying with applicable zoning, land use and environmental regulations and obtaining, for an acceptable cost and in a timely manner, required permits and approvals, including permits for construction, as well as required business and alcohol licenses;
- having adequate capital for construction and opening costs and efficiently managing the time and resources committed to building and opening each new restaurant;
- engaging and relying on third-party architects, contractors and their subcontractors responsible for building our restaurants to our specifications, on budget and within anticipated timelines;
- timely hiring and training and retaining the skilled management and other employees necessary to meet staffing needs consistent with our superior professional service expectations in each local market;
- successfully promoting our new locations and competing in their markets;
- acquiring food, alcohol and other supplies for new restaurants from local suppliers at reasonable pricing levels; and
- addressing unanticipated problems or risks that may arise during the development or opening of a new restaurant or entering a new market.

It has generally been our experience that new restaurants generate operating losses while they build sales levels to maturity, with maturity typically achieved within 36 months after opening, but in certain instances it has taken considerably longer. This is due to lower sales generated by new restaurants compared to our restaurants operated in other areas, the costs associated with opening a new restaurant and higher operating costs caused by start-up and other temporary inefficiencies associated with opening new restaurants. For example, there are a number of factors which may impact the amount of time and money we commit to the construction and development of new restaurants, including landlord delays, shortages of skilled labor, labor disputes, shortages of materials, delays in obtaining necessary permits, local government regulations and weather interference. Once the restaurant is open, how quickly it achieves a desired level of profitability is impacted by many factors, including the level of market awareness and acceptance of our concepts when we enter new markets, as well as the availability of experienced, professional staff. Our business and profitability may be adversely affected if it takes longer than expected for our new restaurants to achieve the desired level of profitability.

Our ability to successfully execute new restaurant development depends heavily on successful site selection. If a site does not produce the anticipated results, a restaurant location may never reach our desired level of profitability, if it becomes profitable at all. In those cases, we may be forced to close restaurants and will incur significant costs associated with our exit from those markets, including costs associated with lease terminations or potential losses on the sale of real property that we own. For example, in 2013, we closed restaurants in Orlando, Scottsdale and Chicago and, in January 2017, we closed a restaurant in Houston because management determined that these restaurants were not producing acceptable levels of profitability. Additionally, previously successful restaurants may cease to produce acceptable or desired results in the future due to changes within the market in which they operate, such as a geographic shift in commercial development that drives guests away from the area in which we have an existing

location. In those cases, if we determine that the market is still desirable, we may choose to relocate our existing restaurant or restaurants within that same market, which could result in increased costs associated with the purchase or lease of new property.

**Significant capital is required to develop new restaurants and to maintain existing restaurants and to the extent financing is available to us, it may only be available on terms that could impose significant operating and financial restrictions on us.**

We believe that the required capital investment in our upscale restaurants is high compared to more casual dining restaurants. Failure of a new restaurant to generate satisfactory net sales and profits in relation to its investment could result in our failure to achieve the desired financial return on the restaurant. Additionally, we may require capital beyond the cash flow provided from operations in order to open new units, which may be difficult to obtain on favorable terms, if at all. The terms of any financing we may obtain could impose restrictions on our operations, development and new financings. Further, after a restaurant is opened, we continue to incur significant capital costs associated with our strategy to reinvest in our restaurants in order to maintain the highly attractive, contemporary and comfortable environment in each of our locations that we believe our guests expect. For example, during 2016, we began remodeling one J. Alexander's restaurant, two Redlands Grill restaurants and one Stoney River restaurant, each of which were completed in 2017. The J. Alexander's / Grills remodels that began in 2016 and completed in 2017 were routine in nature and resulted in an average cost of approximately \$526 as of December 31, 2017. The one remodel at a Stoney River restaurant started in 2016 and was completed in 2017 resulted in a total cost of \$414. During 2017, we began and completed the remodel of one J. Alexander's restaurant and two Redlands Grill restaurants. The J. Alexander's / Redlands Grill remodels were routine in nature and resulted in an average cost of approximately \$515 as of the fiscal year end. For 2018, we intend to complete reinvestments and improvements at our existing locations across all of our concepts at an approximate total cost of \$8,900 and to invest approximately \$10,000 in new locations. Consequently, our ability to carry out our growth strategy and to execute on development and capital expenditure decisions that we believe to be in our long-term best interest could be limited by the availability of additional financing sources and could involve additional borrowing which would further increase our long-term debt and interest expense.

**Our growth, including the development and improvement of our Stoney River and Redlands Grill concepts, may strain our infrastructure and resources, which could delay the opening of new restaurants and adversely affect our ability to manage our existing restaurants.**

We believe there are opportunities to open up to four restaurants annually beginning in 2019. Our targeted growth will increase our operating complexity and place increased demands on our management as well as our human resources, purchasing and site management teams. We also need to develop concept identity and concept awareness of our Redlands Grill concept. This may require the commitment of a significant amount of human capital and marketing expenditures. While we have committed significant resources to expanding our current restaurant management systems, financial and management controls and information systems, if this infrastructure is insufficient to support our anticipated expansion, our ability to open new restaurants and to manage our existing restaurants could be adversely affected. If we fail to continue to improve our infrastructure or if our infrastructure fails, we may be unable to implement our growth strategy or maintain current levels of operating performance in our existing restaurants.

**If we are unable to successfully transition certain of our J. Alexander's locations to Redlands Grill locations, we may experience reduced revenue and margins at these locations, which could materially and adversely affect our financial condition and results of operation.**

A key element of our business model is to pursue a multiple concept strategy consisting of the development of a number of restaurant concepts competing in the upscale casual dining segment of the restaurant industry. This is intended to, among other things, allow us to avoid being identified as a chain restaurant and to operate multiple concepts in the same market. In furtherance of this strategy, over the past three years we have developed the Redlands Grill concept and have transitioned 12 J. Alexander's restaurants into Redlands Grills. These conversions are being undertaken in markets and particular locations where we believe the Redlands Grill concept will be successful. However, we may experience a decrease in traffic, revenue or margins related to our strategy.

If consumer preferences change, acceptance of the Redlands Grill concept is not as strong as expected, or the existing guest base patronizing these converted locations diminishes or discontinues, revenue at these restaurants may decrease and we could be required to expend additional resources on advertising and promotion which would reduce profit margins at these locations which may have a material adverse effect on our overall financial performance.

**If our restaurants are not able to compete successfully with other restaurants, our business, financial condition and results of operations may be adversely affected.**

Our industry is highly fragmented and intensely competitive with respect to price, quality of service, restaurant location, ambiance of facilities and type and quality of food. A substantial number of national and regional restaurant chains and independently owned restaurants compete with us for guests, real estate and qualified management and other restaurant staff. The principal competitors for our concepts are local, chef-driven restaurants and regional, high-quality restaurant chains in each of our local



markets. However, we also compete with other upscale national chains. Some of our competitors have greater financial and other resources, have been in business longer, have greater name recognition and are better established in the markets where our restaurants are located or where we may expand. Additionally, in recent years many upscale and high-end restaurants have expanded into the smaller and midsize markets in which some of our restaurants are located. Our inability to compete successfully with other restaurants may harm our ability to maintain acceptable levels of revenue growth, limit or otherwise inhibit our ability to grow one or more of our concepts, or force us to close one or more of our restaurants.

**As a result of revenue or geographic concentrations within our restaurant base, we may be more exposed to economic downturns or other disruptions in certain locations that could harm our business, financial condition and results of operation.**

At March 14, 2018, we operated 44 restaurants in 15 states. Because of our relatively small restaurant base, unsuccessful restaurants could have a more adverse effect in relation to our financial condition and results of operations than would be the case in a restaurant company with a greater number of restaurants. For example, our J. Alexander's locations in Franklin, Tennessee and Plantation, Florida represented approximately 3.6% and 3.9% of our revenues in 2017, respectively.

We currently have a high concentration of J. Alexander's and Redlands Grill restaurants within the south Florida market (and in broader geographic markets, with respect to the concentration of J. Alexander's, Redlands Grill and Lyndhurst Grill restaurants in Ohio and the concentration of J. Alexander's, Redlands Grill and Stoney River restaurants in Tennessee) and may in the future have similar concentrations of restaurants within one or more overlapping markets as we execute on our growth strategy. This concentration exposes us to risks that one or more of these markets may be adversely affected by factors that are unique to that particular market, such as negative publicity, changes in consumer preferences, demographic shifts or other adverse economic impacts, which could adversely affect our business, results of operations or financial condition.

In addition, any natural disaster, prolonged inclement weather, act of terrorism or national emergency, accident, system failure or other unforeseen event in or around regions in which we operate multiple locations could result in significant and prolonged declines in guest traffic in these geographic regions, or a temporary or permanent closing of those locations, any of which could adversely affect our business, financial condition and results of operations.

**If we are unable to increase our sales at existing restaurants or improve our margins at existing Stoney River restaurants, our profitability and overall results of operations may be adversely affected.**

Another key aspect of our growth strategy is increasing same store sales across all restaurants and improving the restaurant-level margins at our Stoney River restaurants to the level achieved at our existing J. Alexander's and Redlands Grill restaurants. Improving same store sales and restaurant-level margins depends in part on whether we achieve revenue growth through increases in the average check or guest counts. Our ability to improve margins at Stoney River is further impacted by the costs that we have incurred, and will continue to incur, as we strive to improve the quality standards at Stoney River to make them consistent with those at our J. Alexander's, Redlands Grill and Lyndhurst Grill restaurants. We believe that there are opportunities to increase the average check at our restaurants through, for example, selective introduction of new profitable menu items and increases in menu pricing. However, these strategies may prove unsuccessful, especially in times of economic hardship, as guests may not order new or higher priced items. Further, we believe that part of the appeal of our concepts is the opportunity to experience outstanding, professional service and high-quality menu items at reasonable prices. Consequently, any price increases must be balanced with our desire to meet guest expectations with respect to service and quality at a reasonable value. Modest price increases generally have not adversely impacted guest traffic; however, we expect that there is a price level at which point guest traffic would be adversely affected, and these changes could cause our revenues to decrease. If we are not able to increase our sales at existing restaurants for any reason, our profitability and results of operations could be adversely affected.

**Increases in the prices of, and/or reductions in the availability of commodities, primarily beef and seafood, could adversely affect our business and results of operations.**

Our profitability is dependent in part on our ability to purchase food commodities which meet our specifications and to anticipate and react to changes in food costs and product availability. Ingredients are purchased from suppliers on terms and conditions that management believes are generally consistent with those available to similarly situated restaurant companies. Although alternative distribution sources are believed to be available for most products, increases in overall food prices, failure to perform by suppliers or distributors or limited availability of products at reasonable prices could cause our food costs to fluctuate and/or cause us to make adjustments to our menu offerings.

Beef costs represented approximately 30% of our food and beverage costs during 2017. We currently do not purchase beef pursuant to any long-term contractual arrangements with fixed pricing or use futures contracts or other financial risk management strategies to reduce our exposure to potential price fluctuations. The beef market is particularly volatile and is subject to extreme price fluctuations due to seasonal shifts, climate conditions, the price of feed, industry demand, energy demand and other factors. We expect

that beef prices in 2018 will be consistent with or perhaps experience modest increases due to a potential rise in shipping and freight costs relative to fiscal year 2017.

In addition, our dependence on frequent deliveries of fresh seafood subjects us to the risk of possible shortages or interruptions in supply caused by adverse weather, environmental factors or other conditions that could adversely affect the availability and cost of such items. In the past, certain types of seafood have experienced fluctuations in availability. In addition, some types of seafood have been subject to adverse publicity due to certain levels of contamination at their source or a perceived scarcity in supply, which can adversely affect both supply and market demand. We can make no assurances that in the future either seafood contamination or inadequate supplies of seafood might not have a significant and materially adverse effect on our operating results.

Finally, the prices of other commodities can affect our costs as well, including corn and other grains, which are ingredients we use regularly and are also used as cattle feed and, therefore, affect the price of beef. Additional factors beyond our control, including adverse weather and market conditions, disease and governmental food safety regulation and enforcement, may also affect food costs and product availability. Energy prices can also affect our bottom line, as increased energy prices may cause increased transportation costs for beef and other supplies, as well as increased costs for the utilities required to run each restaurant. Historically, we have passed increased commodity and other costs on to our guests by increasing the prices of our menu items. There can be no assurance that additional price increases would not affect future guest traffic. Although we believe that our integrated cost systems allows us to anticipate and quickly respond to fluctuations in commodity prices, including beef prices, if prices increase in the future and we are unable to anticipate or react to these increases, or if there are beef shortages, our business and results of operations could be adversely affected.

**Negative customer experiences or negative publicity surrounding our restaurants or other restaurants could adversely affect sales in one or more of our restaurants and make our concepts less valuable.**

Because we believe that our success depends significantly on our ability to provide exceptional food quality, outstanding service and an excellent overall dining experience, adverse publicity, whether or not accurate, relating to food quality, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other foodservice providers or others across the food industry supply chain could affect us more than it would other restaurants that compete primarily on price or other factors. If customers perceive or experience a reduction in our food quality, service or ambiance or in any way believe we have failed to deliver a consistently positive experience, the value and popularity of one or more of our concepts could suffer. Further, because we rely heavily on “word-of-mouth,” as opposed to more conventional mediums of advertisement, to establish concept recognition, our business may be more adversely affected by negative customer experiences than other upscale dining establishments, including those of our competitors.

**Negative publicity relating to the consumption of beef, seafood, chicken, produce and our other menu offerings, including in connection with food-borne illness, could result in reduced consumer demand for our menu offerings, which could reduce sales.**

Shifts in consumer preferences away from the kinds of food we offer, particularly beef and seafood, whether because of dietary or other health concerns or otherwise, would make our restaurants less appealing and could reduce guest traffic and/or impose practical limits on pricing. In addition, instances of food-borne illness, such as Bovine Spongiform Encephalopathy, which is also known as BSE or mad cow disease, as well as hepatitis A, listeria, salmonella and E. coli, whether or not found in the United States or traced directly to one of our suppliers or our restaurants, could reduce demand for our menu offerings. Any negative publicity relating to these and other health-related matters may affect consumers’ perceptions of our restaurants and the food that we offer, reduce guest visits to our restaurants and negatively impact demand for our menu offerings. Adverse publicity relating to any of these matters, beef in general or other similar concerns could adversely affect our business and results of operations.

**Governmental regulation may adversely affect our ability to open new restaurants or otherwise adversely affect our business, financial condition and results of operations.**

We are subject to various federal, state and local regulations, including those relating to building and zoning requirements and those relating to the preparation and sale of food. The development and operation of restaurants depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. Our restaurants are also subject to state and local licensing and regulation by health, alcoholic beverage, sanitation, food and occupational safety and other agencies. In addition, stringent and varied requirements of local regulators with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations or cause increases in development costs.

We are subject to the ADA and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas, including our restaurants. We may in the future have to modify

restaurants by adding access ramps or redesigning certain architectural fixtures, for example, to provide service to or make reasonable accommodations for disabled persons. The expenses associated with these modifications could be material.

Our operations are also subject to the U.S. Occupational Safety and Health Act, which governs worker health and safety, the U.S. Fair Labor Standards Act, which governs such matters as minimum wages and overtime, and a variety of similar federal, state and local laws that govern these and other employment law matters. We may also be subject to lawsuits from our employees, the U.S. Equal Employment Opportunity Commission or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters, and we have been party to such matters in the past. Compliance with these laws can be costly and a failure or perceived failure to comply with these laws could result in negative publicity that could harm our reputation. In addition, federal, state and local proposals related to paid sick leave or similar matters could, if implemented, materially adversely affect our business, financial condition and results of operations.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and, therefore, have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with the aforementioned laws and regulations can be costly, and failure to comply can increase our exposure to litigation or governmental investigations or proceedings.

**Legislation and regulations requiring the display and provision of nutritional information for our menu offerings and new information or attitudes regarding diet and health could result in changes in consumer consumption habits that could adversely affect our results of operations.**

Regulations and consumer eating habits may change as a result of new information or attitudes regarding diet and health or new information regarding the adverse health effects of consuming certain menu offerings. Such changes may include federal, state and local regulations that impact the ingredients and nutritional content of the food and beverages we offer. The growth of our restaurant operations is dependent, in part, upon our ability to effectively respond to changes in any consumer health regulations and our ability to adapt our menu offerings to trends in food consumption. If consumer health regulations or consumer eating habits change significantly, we may choose or be required to modify or retire certain menu items, which may adversely affect the attractiveness of our restaurants to new or returning guests. We may also experience higher costs associated with the implementation of those changes. To the extent that we are unwilling or unable to respond with appropriate changes to our menu offerings, it could materially affect consumer demand and have an adverse impact on our business, financial condition and results of operations.

Such changes have also resulted in, and may continue to result in, laws and regulations requiring us to disclose the nutritional content of our food offerings, and they have resulted in, and may continue to result in, laws and regulations affecting permissible ingredients and menu offerings. For example, a number of states, counties and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose to consumers certain nutritional information, or have enacted legislation restricting the use of certain types of ingredients in restaurants. These requirements may be different or inconsistent with requirements under the PPACA, which establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus. Specifically, the PPACA requires chain restaurants with 20 or more locations operating under the same name to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. The PPACA also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item, and to provide a statement on menus and menu boards about the availability of this information upon request. This component of the PPACA is scheduled to become effective on May 7, 2018.

While we do not anticipate that we will have more than 20 locations operating under the same name when this particular component of the PPACA becomes effective, compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items will likely be costly and time-consuming. The risks and costs associated with nutritional disclosures on our menus could also impact our operations, particularly given differences among applicable legal requirements and practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants, and the need to rely on the accuracy and completeness of nutritional information obtained from third-party suppliers.

We may not be able to effectively respond to changes in consumer health perceptions or to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu labeling laws could materially adversely affect our business, financial condition and results of operations, as well as our position within the restaurant industry in general.

**Compliance with environmental laws may negatively affect our business.**

We are subject to federal, state and local laws and regulations concerning waste disposal, pollution, protection of the environment, and the presence, discharge, storage, handling, release and disposal of, and exposure to, hazardous or toxic substances. These environmental laws provide for significant fines and penalties for noncompliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of hazardous toxic substances. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such hazardous or toxic substances at, on or from our restaurants. Environmental conditions relating to releases of hazardous substances at prior, existing or future restaurant sites could materially adversely affect our business, financial condition and results of operations. Further, environmental laws, and the administration, interpretation and enforcement thereof, are subject to change and may become more stringent in the future, each of which could materially adversely affect our business, financial condition and results of operations.

**The effect of changes to healthcare laws in the United States may increase the number of employees who choose to participate in our healthcare plans, which may significantly increase our healthcare costs and negatively impact our financial results.**

In 2010, the PPACA was signed into law in the United States to require healthcare coverage for many uninsured individuals and expand coverage to those already insured. As a result of the elections which took place in November 2016 and related recently proposed legislation, it appears that certain changes to the PPACA might be forthcoming, although there can be no assurances that such changes will be successfully implemented. We currently offer and subsidize a portion of comprehensive healthcare coverage, primarily for our salaried employees. Starting in 2015, the PPACA required us to offer healthcare benefits to all full-time employees (including full-time hourly employees) that meet certain minimum requirements of coverage and affordability, or face penalties. It is also possible that by making changes or failing to make changes in our healthcare plans we will become less competitive in the market for our labor. Finally, implementing the requirements of the PPACA is likely to impose additional administrative costs. The costs and other effects of new healthcare requirements did not have a significant effect on our business, financial condition or results of operations in fiscal year 2017, and based on current rules, are not expected to significantly impact us in fiscal year 2018, but they may significantly increase our healthcare coverage costs in future periods and could materially adversely affect our business, financial condition and results of operations.

**Changes to minimum wage laws and potential labor shortages could increase our labor costs substantially, which could slow our growth and adversely impact our ability to operate our restaurants.**

Under the minimum wage laws in most jurisdictions, we are permitted to pay certain hourly employees a wage that is less than the base minimum wage for general employees because these employees receive tips as a substantial part of their income. A considerable portion of our employees earn this lower minimum wage. If cities, states or the federal government change their laws to require all employees to be paid the general employee minimum base wage regardless of supplemental tip income, our labor costs would increase substantially. In addition, any increase in the minimum wage, such as the last increase in the minimum wage on July 24, 2009 to \$7.25 per hour under the Federal Minimum Wage Act of 2007, would increase our costs. Certain states in which we operate restaurants have adopted or are considering adopting minimum wage statutes that exceed the federal minimum wage as well. Any increases in federal or state minimum wages may cause us to increase the wages paid to our employees who already earn above-minimum wages in order to continue to attract and retain highly skilled personnel. We may be unable or unwilling to increase our prices in order to pass these increased labor costs on to our guests, in which case our business and results of operations could be adversely affected.

**Recently enacted legislation may significantly affect our results of operations, cash flows and financial condition.**

The Tax Cuts and Jobs Act (the "Tax Act") was signed into law on December 22, 2017, significantly reforming the Internal Revenue Code of 1986, as amended. The Tax Act, among other things, includes changes to U.S. Federal tax rates, imposes significant additional limitations on the deductibility of interest, allows for the expensing of certain capital expenditures and modifies or repeals many business deductions and credits. We continue to examine the impact the Tax Act may have on our business. The estimated impact of the Tax Act is based on our management's current knowledge and assumptions, and recognized impacts could be materially different from current estimates based on our actual results and our further analysis of the new law. We revalued our net deferred tax assets and liabilities at the newly enacted corporate tax rate in fiscal year 2017. Notwithstanding the reduction in the corporate income tax rate, the overall impact of this tax reform is uncertain, and we continue to assess the impact of the recently enacted federal tax reform legislation on our business and our consolidated financial statements.



**A failure to recruit, develop and retain effective leaders, the loss or shortage of personnel with key capacities and skills, could jeopardize our ability to meet growth targets.**

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers, kitchen staff, hosts and servers necessary to meet the needs of our existing restaurants and anticipated expansion schedule, and who can meet the high standards necessary to deliver the levels of food quality, service and professionalism on which our concepts are based. Qualified individuals of the caliber and number needed to fill these positions are in short supply in some communities and competition for qualified employees could require us to pay higher wages and provide greater benefits to attract a sufficient number of skilled employees. Any inability to recruit and retain qualified individuals may also delay the planned openings of new restaurants and could adversely impact our existing restaurants. Any such inability to retain or recruit qualified employees, increased costs of attracting qualified employees or delays in restaurant openings could adversely affect our business and results of operations. Further, increases in employee turnover could have an adverse effect on food quality and guest service resulting in an adverse effect on net sales and results of operations.

**Restaurant companies, including ours, have been the target of claims and lawsuits. Proceedings of this nature, if successful, could result in our payment of substantial costs and damages.**

In recent years, we and other restaurant companies have been subject to claims and lawsuits alleging various matters, including those that follow. Claims and lawsuits may include class action lawsuits, alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Similar lawsuits have been instituted from time to time alleging violations of various federal and state wage and hour laws regarding, among other things, employee meal deductions, the sharing of tips among certain employees, overtime eligibility of assistant managers and failure to pay for all hours worked. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these matters. Accordingly, if we are required to pay substantial damages and expenses as a result of these types or other lawsuits, our business and results of operations would be adversely affected.

Occasionally, our guests file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered at or after a visit to one of our restaurants, including actions seeking damages resulting from food-borne illness and relating to notices with respect to chemicals contained in food products required under state law. We are also subject to a variety of other claims from third parties arising in the ordinary course of our business, including personal injury claims, contract claims and claims alleging violations of federal and state laws. In addition, most of our restaurants are subject to state “dram-shop” or similar laws which generally allow a person to sue us if that person was injured by a legally intoxicated person who was wrongfully served alcoholic beverages at one of our restaurants. The restaurant industry has also been subject to a growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their guests. In addition, we may also be subject to lawsuits from our employees or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters. A number of these lawsuits in the restaurant industry have resulted in the payment of substantial damages by the defendants.

We may be subject to transaction-related claims such as the claims filed in connection with our proposed acquisition of Ninety Nine Restaurant and Pub (“99 Restaurants”).

Additionally, certain of our tax returns and employment practices are subject to audits by the U.S. Internal Revenue Service (the “IRS”) and various state tax authorities. Such audits could result in disputes regarding tax matters that could lead to litigation that would be costly to defend or could result in the payment of additional taxes, which could affect our business, results of operations and financial condition. Additionally, we could be liable for tax liabilities resulting from tax audits of our partners that were in place during the time prior to our Spin-off when we were taxed as a partnership.

Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert resources away from our operations. In addition, they may generate negative publicity, which could reduce guest traffic and sales. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. Defense costs, even for unfounded claims, or a judgment or other liability in excess of our insurance coverage for any claims or any adverse publicity resulting from claims could adversely affect our business, results of operations and financial condition.

**Our insurance policies may not provide adequate levels of coverage against all claims, and fluctuating insurance requirements and costs could negatively impact our profitability.**

We currently maintain insurance coverage that we believe is reasonable for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure. These losses, if they occur, could have a material and adverse effect on our business and results of operations. Additionally, health insurance costs in general have risen significantly across the country over the past few years and are expected to continue to increase. Obtaining



insurance coverage responsive to these increases could have a negative impact on our profitability, and there can be no assurance that we will be able to successfully offset the effect of such increases with plan modifications and cost control measures, additional operating efficiencies or the pass-through of such increased costs to our guests or employees.

**Health concerns arising from food-related pandemics, outbreaks of flu viruses or other diseases may have an adverse effect on our business.**

The United States and other countries have experienced, or may experience in the future, outbreaks of viruses, such as norovirus, Hepatitis A, avian flu or “SARS”, H1N1 or “swine flu” or other diseases such as bovine spongiform encephalopathy, commonly known as “mad cow disease.” If a virus or disease is foodborne, or perceived to be foodborne, future outbreaks may adversely affect the price and availability of certain food products and cause our guests to eat less of a product, or could reduce public confidence in food handling and/or public assembly. If we change a restaurant menu in response to such concerns, we may lose guests who do not prefer the new menu, and we may not be able to attract a sufficient new guest base to produce the sales needed to make the restaurant profitable. We also may have different or additional competitors for our intended guests as a result of such a change and may not be able to successfully compete against such competitors. If a virus is transmitted by human contact, our employees or guests could become infected, or could choose, or be advised, to avoid gathering in public places, any of which events could adversely affect our restaurant guest volume, and our ability to adequately staff our restaurants, receive deliveries on a timely basis or perform functions at the corporate level.

**We occupy most of our restaurants under long-term, non-cancelable leases for which we may remain obligated to perform under even after a restaurant closes, and we may be unable to renew leases at the end of their terms.**

At March 14, 2018, we are a lessee under both ground leases (under which we lease the land and build our own restaurants on such land) and improved leases (where the lessor owns the land and the building) with respect to 26 current restaurant locations as well as two restaurant locations to be opened during 2018, two restaurant locations closed in 2013 and leased corporate office space in Nashville, Tennessee. Many of our current leases are non-cancelable and typically have terms ranging from approximately 15 to 20 years and provide for rent escalations and for one or more five-year renewal options. We are generally obligated to pay the cost of property taxes, insurance and maintenance under such leases, and certain of our leases provide for contingent rentals based upon a percentage of sales at the leased location. We believe that leases that we enter into in the future will be on substantially similar terms. If we were to close or fail to open a restaurant at a location we lease, we would generally remain committed to perform our obligations under the applicable lease, which could include, among other things, payment of the base rent for the balance of the lease term. Our obligation to continue making rental payments and fulfilling other lease obligations in respect of leases for closed or unopened restaurants could have a material adverse effect on our business and results of operations. Alternatively, at the end of the lease term and any renewal period for a restaurant, we may be unable to renew the lease without substantial additional cost, if at all. If we cannot renew such a lease we may be forced to close or relocate a restaurant, which could subject us to construction and other costs and risks. If we are required to make payments under one of our leases after a restaurant closes, or if we are unable to renew our restaurant leases, our business and results of operations could be adversely affected.

**The impact of negative economic factors, including the availability of credit, on our landlords and other retail center tenants could negatively affect our financial results.**

Negative effects on our existing and potential landlords due to any inaccessibility of credit and other unfavorable economic factors may, in turn, adversely affect our business and results of operations. If our landlords are unable to obtain financing or remain in good standing under their existing financing arrangements, they may be unable to provide construction contributions or satisfy other lease covenants to us. If any landlord files for bankruptcy protection, the landlord may be able to reject our lease in the bankruptcy proceedings. While we would have the option to retain our rights under the lease, we could not compel the landlord to perform any of its obligations and would be left with damages as our sole recourse. In addition, if our landlords are unable to obtain sufficient credit to continue to properly manage their retail sites, we may experience a drop in the level of quality of such retail centers. Our development of new restaurants may also be adversely affected by the negative financial situations of developers and potential landlords. In recent years, many landlords have delayed or cancelled development projects (as well as renovations of existing projects) due to the instability in the credit markets and declines in consumer spending, which has reduced the number of high-quality locations available that we would consider for our new restaurants. These failures may lead to reduced guest traffic and a general deterioration in the surrounding retail centers in which our restaurants are located or are proposed to be located and may contribute to lower guest traffic at our restaurants. If any of the foregoing affect any of our landlords or their other retail tenants our business and results of operations may be adversely affected.

**Fixed rental payments account for a significant portion of our operating expenses, which increases our vulnerability to general adverse economic and industry conditions and could limit our operating and financing flexibility.**

Payments under our operating leases account for a significant portion of our operating expenses, and we expect the new restaurants we open in the future will similarly be leased by us. Specifically, cash payments under our operating leases accounted for approximately 3.0% of our restaurant operating expenses in 2017. Our substantial operating lease obligations could have significant negative consequences, including:

- requiring a substantial portion of our available cash flow to be applied to our rental obligations, thus reducing cash available for other purposes;
- limiting our flexibility in planning for or reacting to changes in our business or the industry in which we compete;
- increasing our vulnerability to general adverse economic and industry conditions; and
- limiting our ability to obtain additional financing.

We depend on cash flow from operations to pay our lease obligations and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities and sufficient funds are not otherwise available to us from borrowings under our credit facility or other sources, we may not be able to meet our operating lease obligations, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which could adversely affect our business and results of operations.

**Our level of indebtedness and any future indebtedness we may incur may limit our operational and financing flexibility and negatively impact our business.**

J. Alexander's, LLC is currently the borrower on a Second Amended and Restated Loan Agreement with Pinnacle Bank which consists of the following loans:

- a seven-year \$15,000 mortgage loan dated September 3, 2013;
- a five-year \$20,000 development line of credit ("Development Line of Credit") dated May 20, 2015;
- a five-year \$10,000 term loan dated May 20, 2015; and
- a three-year \$1,000 revolving line of credit ("Revolving Line of Credit") dated September 3, 2016.

Our outstanding indebtedness under these loans is \$19,972 as of December 31, 2017, and \$17,000 is available for borrowing under the above stated lines of credit. We may incur substantial additional indebtedness in the future. Our credit facility, and other debt instruments we may enter into in the future, may significantly impact our business, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- we are required to use a significant portion of our cash flows from operations to pay interest on our indebtedness, which will reduce the funds available to us for operations and other purposes;
- our level of indebtedness could place us at a competitive disadvantage compared to our competitors that may have proportionately less debt;
- our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited; and
- our level of indebtedness may make us more vulnerable to economic downturns and adverse developments in our business.

We expect that we will depend primarily on cash generated by our operations for funds to pay our expenses and any amounts due under our credit facility and any other indebtedness we may incur. Our ability to make these payments depends on our future performance, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flows from operations in the future and our currently anticipated growth in revenues and

cash flows may not be realized, either or both of which could result in our being unable to repay indebtedness or to fund other liquidity needs. If we do not generate adequate resources, we may be required to refinance all or part of our then existing debt, sell assets or borrow more money, in each case on terms that may not be acceptable to us. In addition, the terms of existing or future debt agreements, including our existing credit facility, may restrict us from adopting some or any of these alternatives. Our inability to recapitalize and incur additional debt in the future could also delay or prevent a change in control of our Company, make some transactions more difficult and impose additional financial or other covenants on us. In addition, any significant levels of indebtedness in the future could make us more vulnerable to economic downturns and adverse developments in our business. Our current indebtedness and any inability to pay our debt obligations as they come due or an inability to incur additional debt could adversely affect our business and results of operations.

**The terms of our credit facility impose operating and financial restrictions on us.**

Our credit facility contains certain restrictions and covenants that generally limit our ability to, among other things:

- pay dividends or make other restricted payments to our equity holders;
- incur additional indebtedness;
- use assets as security in other transactions;
- sell assets or merge with or into other companies; and
- sell equity or other ownership interests in our subsidiaries.

Our credit facility may limit our ability to engage in these types of transactions even if we believed that a specific transaction would contribute to our future growth or improve our operating results. Our credit facility also requires us to achieve specified financial and operating results and maintain compliance with specified financial ratios. Specifically, these covenants require that we have a fixed charge coverage ratio of at least 1.25:1 and maintain a leverage ratio (adjusted debt to EBITDAR (as defined in the credit facility)) that may not exceed 4.0:1, in each case, as of the end of any fiscal quarter on a trailing four quarters basis. As of December 31, 2017, we were in compliance with each of these covenants. Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these debt covenants or our inability to comply with required financial ratios in our credit facility could result in a default under the credit facility in which case the lenders would have the right to declare all borrowings, which includes any principal amount outstanding, together with all accrued, unpaid interest and other amounts owing in respect thereof, to be immediately due and payable. If we are unable to repay all borrowings when due, whether at maturity or if declared due and payable following a default, the lenders would have the right to proceed against the collateral granted to secure the indebtedness. If we breach these covenants or fail to comply with the terms of the credit facility and the lenders accelerate the amounts outstanding under the credit facility our business and results of operations would be adversely affected.

Our credit facility carries floating interest rates, thereby exposing us to market risk related to changes in interest rates. Accordingly, our business and results of operations may be adversely affected by changes in interest rates. Assuming a 100 basis point increase on our base interest rate on our credit facility and a full drawdown on both of the Revolving Line of Credit and Development Line of Credit, our interest expense would increase by approximately \$370 over the course of 12 months. As of December 31, 2017, the balance outstanding under the \$15,000 term loan was \$7,917, no borrowings were outstanding under the \$1,000 Revolving Line of Credit and \$4,000 in borrowings was outstanding under the \$20,000 Development Line of Credit. At December 31, 2017, we also had \$8,055 outstanding under the \$10,000 term loan dated May 20, 2015, which was used to refinance the remaining outstanding balance under a \$20,000 related party promissory note assumed from then FNFV and payable to FNF (“FNF Note”).

**We depend on the services of key executives and management-level employees, and our business and growth strategy could be materially harmed if we were to lose these individuals and were unable to replace them with executives of equal experience and capabilities.**

Our success is materially dependent upon the contributions of our senior executives and management-level employees because their experience in the restaurant industry and tenure with us allow for their invaluable contributions in setting our strategic direction, day-to-day operations, and recruiting and training key personnel. The loss of the services of such key employees could adversely affect our business until a suitable replacement of equal experience and capabilities could be identified. We believe that they could not quickly be replaced with executives of equal experience and capabilities and their successors may not be as effective. See “Executive Officers.”

**The failure to enforce and maintain our intellectual property rights could enable others to use names confusingly similar to the names and marks used by our restaurants, which could adversely affect the value of our concepts.**

We have registered the names J. Alexander's Restaurant, Redlands Grill, Lyndhurst Grill, Stoney River Steakhouse and Grill and certain other names and logos used by our restaurants as trade names, trademarks or service marks with the PTO. The success of our business depends in part on our continued ability to utilize our existing trade names, trademarks and service marks as currently used in order to increase our restaurant concept awareness. In that regard, we believe that our trade names, trademarks and service marks are valuable assets that are critical to our success. The unauthorized use or other misappropriation of our trade names, trademarks or service marks could diminish the value of our restaurant concepts and may cause a decline in our revenues and force us to incur costs related to enforcing our rights. In addition, the use of trade names, trademarks or service marks similar to ours in some markets may keep us from entering those markets. While we may take protective actions with respect to our intellectual property, these actions may not be sufficient to prevent, and we may not be aware of all incidents of, unauthorized usage or imitation by others. Any such unauthorized usage or imitation of our intellectual property, including the costs related to enforcing our rights, could adversely affect our business and results of operations.

**Information technology system failures or breaches of our network security, including with respect to confidential information, could interrupt our operations and adversely affect our business.**

We rely on our computer systems and network infrastructure across our operations, including point-of-sale processing at our restaurants and integrated cost systems that are instrumental in our procurement processes and in managing our food costs. Our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, worms and other disruptive problems. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could limit our ability to anticipate and react quickly to changing food costs and could subject us to litigation or actions by regulatory authorities. In addition, the majority of our restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information of their guests has been stolen or compromised. If this or another type of breach occurs at one of our restaurants, we may become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our guests' credit or debit card information. Although we have made significant efforts to secure our computer network and to update and maintain our systems and procedures to meet the payment card industry data security standards, including the implementation of P2PE and EMV credit card security systems, our computer network could nevertheless be compromised and confidential information, such as guest credit card information, could be misappropriated. Any such claim, proceeding or action by a regulatory authority, or any adverse publicity resulting from such breaches and disruptions, or allegations of such breaches and disruptions, could adversely affect our business and results of operations. Although we maintain a cyber-risk insurance program, available coverage and policy limits may not adequately cover or compensate us in the event of a security incident.

**If we are unable to effectively grow revenue and profitability at certain of our locations, we may be required to record impairment charges to our restaurant assets, the carrying value of our goodwill or other intangible assets, which could adversely affect our financial condition and results of operations.**

We assess the potential impairment of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of the assets or asset group may not be recoverable. Factors considered include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner in which an asset is being used, an expectation that an asset will be disposed of significantly before the end of its previously estimated useful life and significant negative industry or economic trends. We regularly review and compare the carrying value of our assets and properties, including goodwill, to the fair value of our assets and properties. We cannot accurately predict the amount and timing of any recorded impairment to our assets. Should the value of goodwill or other intangible assets become impaired, there could be an adverse effect on our financial condition and results of operations.

**From time to time we may evaluate acquisitions, joint ventures or other initiatives that could distract management from our business or have an adverse effect on our financial performance.**

We may be presented with opportunities to buy or acquire rights to other companies, businesses, restaurant concepts or assets that might be complementary or adjacent to our current strategic direction at the time and may provide growth opportunities. Any involvement in such an acquisition, merger, joint venture, alliance or divestiture may create inherent risks, including without limitation:

- inaccurate assessment of value, growth potential, weaknesses, liabilities, contingent or otherwise, and expected profitability of potential acquisitions or joint ventures;

- inability to achieve any anticipated operating synergies or economies of scale;
- potential loss of key personnel of any acquired business;
- challenges in successfully integrating, operating and managing acquired businesses and workforce and instilling our Company's culture into new management and staff;
- difficulties in aligning enterprise management systems and policies and procedures;
- unforeseen changes in the market and economic conditions affecting the acquired business or joint venture;
- possibility of impairment charges if an acquired business does not meet the performance expectations upon which the acquisition price was based; and
- diversion of management's attention and focus from existing operations to the integration of the acquired or merged business and its personnel.

**Our business will suffer if we fail to successfully integrate acquired companies, businesses and restaurant concepts.**

In the future, we may acquire companies, businesses, restaurant concepts and other assets. The successful integration of any companies, businesses, restaurant concepts and assets we acquire into our operations, on a cost-effective basis, can be critical to our future performance. The amount and timing of the expected benefits of any acquisition, including potential synergies, are subject to significant risks and uncertainties. The integration of acquisitions with our operations could be expensive, require significant attention from management, may impose substantial demands on our operations or other projects and may impose challenges on the combined business including, without limitation, inconsistencies in business standards, procedures, policies and business cultures.

We cannot guarantee that any acquired companies, businesses, restaurant concepts or assets will be successfully integrated with our operations in a timely or cost-effective manner, or at all. Failure to successfully integrate acquired businesses or to achieve anticipated operating synergies, revenue enhancements or cost savings could have an adverse effect on our business, financial condition and results of operations.

**We depend upon frequent deliveries of food and other supplies, in most cases from a limited number of suppliers, which subjects us to the possible risks of shortages, interruptions and price fluctuations.**

Our ability to maintain consistent quality throughout our restaurants depends in part upon our ability to acquire fresh products, including beef, seafood, produce and similar items from reliable sources in accordance with our specifications. In addition, we rely on one or a limited number of suppliers for certain ingredients. This dependence on one or a limited number of suppliers, as well as the limited number of alternative suppliers of beef and quality seafood, subjects us to the possible risks of shortages, interruptions and price fluctuations in beef and seafood. If any of our suppliers is unable to obtain financing necessary to operate its business or its business is otherwise adversely affected, does not perform adequately or otherwise fails to distribute products or supplies to our restaurants, or terminates or refuses to renew any contract with us, particularly with respect to one of the suppliers on which we rely heavily for specific ingredients, we may be unable to find an alternative supplier in a short period of time or if we can, it may not be on acceptable terms. While we do not rely on any single-source supplier that we believe could not be replaced with one or more alternative suppliers without undue disruption, any delay in our ability to replace a supplier in a short period of time on acceptable terms could increase our costs or cause shortages at our restaurants that may cause us to remove certain items from a menu or increase the price of certain offerings, which could adversely affect our business and results of operations.

**Our business is subject to seasonal and other periodic fluctuations, and past results are not indicative of future results.**

Our net sales and net income have historically been subject to seasonal fluctuations. Net sales and operating income typically reach their highest levels during the fourth quarter of the fiscal year due to holiday business and the first quarter of the fiscal year due in part to the redemption of gift cards sold during the holiday season. In addition, certain of our restaurants, particularly those located in south Florida, typically experience an increase in guest traffic during the period between Thanksgiving and Easter due to an increase in population in these markets during that portion of the year.

Our quarterly results have been and will continue to be affected by the timing of new restaurant openings and their associated pre-opening costs, as well as any restaurant closures and exit-related costs and any impairments of goodwill, intangible assets and property, fixtures and equipment. As a result of these and other factors, our financial results for any quarter may not be indicative of the results that may be achieved for a full fiscal year.



**Hurricanes and other weather-related disturbances could negatively affect our net sales and results of operations.**

Certain of our restaurants are located in regions of the country which are commonly affected by hurricanes and tropical storms or extreme winter weather. Restaurant closures resulting from evacuations, damage or power or water outages caused by hurricanes, tropical storms, other natural disasters and winter weather could adversely affect our net sales and profitability. To the extent we maintain insurance policies or programs to mitigate the impact of these risks, our cash flows may be adversely impacted by delay in the receipt of proceeds under those policies or the proceeds may not fully offset any such losses.

**We are a holding company and our only material asset is our interest in J. Alexander's Holdings, LLC, and, accordingly, we are dependent upon distributions from J. Alexander's Holdings, LLC to pay taxes and other expenses.**

We are a holding company and have no material assets other than our ownership of Units of J. Alexander's Holdings, LLC. We have no independent means of generating revenue. J. Alexander's Holdings, LLC is treated as a partnership for U.S. federal income tax purposes and, as such, is not itself subject to U.S. federal income tax. Instead, its net taxable income is generally allocated to its members, including us, according to the membership interests each member owns. Accordingly, we incur income taxes on our proportionate share of any net taxable income of J. Alexander's Holdings, LLC and also incur expenses related to our operations. We cause J. Alexander's Holdings, LLC to distribute cash to its members, including us, in an amount at least equal to the amount necessary to cover their respective tax liabilities, if any, with respect to their allocable share of the net income of J. Alexander's Holdings, LLC and to cover dividends, if any, declared by us. To the extent that we need funds to pay our tax or other liabilities or to fund our operations, and J. Alexander's Holdings, LLC is restricted from making distributions to us under applicable agreements, laws or regulations or does not have sufficient cash to make these distributions, we may have to borrow funds to meet these obligations and operate our business, and our liquidity and financial condition could be materially adversely affected.

**We may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-off.**

We believe that, as an independent publicly-traded company, we are able to, among other things, better focus our financial and operational resources on our specific business, implement and maintain a capital structure designed to meet our specific needs, design and implement corporate strategies and policies that are targeted to our business, more effectively respond to industry dynamics and create effective incentives for our management and employees that are more closely tied to our business performance. However, by separating from FNF, we may be more susceptible to market fluctuations and other adverse events. In addition, we may be unable to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all. If we fail to achieve some or all of the benefits that we expect to achieve as an independent company, or do not achieve them in the time we expect, our business, financial condition and results of operations could be adversely affected.

**The continued ownership of FNF common stock and Cannae common stock by some of our directors may create, or may create the appearance of, conflicts of interest.**

Because of their current or former positions with FNF, certain of our non-employee directors own FNF common stock and Cannae common stock. These holdings in FNF common stock and Cannae common stock may be significant for some of these persons compared to that person's total assets. Even though our Board includes directors who are independent from both FNF and our Company under the applicable rules of the SEC and New York Stock Exchange ("NYSE"), ownership of FNF common stock and Cannae common stock by our directors and officers after the separation may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for FNF than they do for us. In addition, some of our directors are members of the board of directors of FNF and/or Cannae or subsidiaries of FNF or Cannae, which may in the future create, or may create the appearance of, conflicts of interests.

**We could have potentially received better terms from unaffiliated third parties than the terms we received in our agreements with FNF and its affiliates.**

The agreements we entered into with FNF or its affiliates in connection with the separation include the Separation and Distribution Agreement and the Management Consulting Agreement, each of which were negotiated in the context of the separation while we were still a majority-owned subsidiary of FNF. Accordingly, during the period in which the terms of those agreements were negotiated, we did not have an independent board of directors or a management team independent of FNF. As a result, the terms of those agreements may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third-parties. The terms of the agreements negotiated in the context of the separation relate to, among other things, the consideration to be paid to Black Knight Advisory Services, LLC ("Black Knight" or "Management Consultant") for management services under the Management Consulting Agreement. Arm's-length negotiations between FNF and an unaffiliated third party in another form of transaction, such as a buyer in a sale of a business transaction, may have resulted in more favorable terms to us.

**Under our Management Consulting Agreement with Black Knight Advisory Services, LLC, we have agreed to pay cash compensation equal to 3% of our annual Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) which could result in significant increases in management fees and our expenses.**

Under our Management Consulting Agreement with Black Knight, we have agreed to pay 3% of our annual Adjusted EBITDA to the Management Consultant in consideration for management consulting services. As we continue to execute our business plan and grow our concepts, we expect to generate increased Adjusted EBITDA which would result in automatic increases in the amounts payable to the Management Consultant under the Management Consulting Agreement. We have also issued Class B Units to the Management Consultant reflecting profits interest in J. Alexander’s Holdings, LLC. Although these arrangements are designed to align the interests of the Management Consultant with our public shareholders, the compensation payable to the Management Consultant could be substantial as we generate increased levels of Adjusted EBITDA. In such circumstances, the amount of profits allocable to our shareholders and the amount of cash flow otherwise available to us for other corporate purposes, including dividends or other distributions to our shareholders, would be reduced.

**The issuance of common stock upon exchange of Class B Units may dilute our shareholders’ ownership of common stock.**

The Class B Units of J. Alexander’s Holdings, LLC held by members of our management are exchangeable for, at our option, either shares of our common stock or a cash payment from J. Alexander’s Holdings, LLC, and the Class B Units held by the Management Consultant are exchangeable only for shares of common stock, as described under Note 14 – Share-based Compensation and Note 18 – Related Party Transactions in the footnotes to our Consolidated Financial Statements found under Item 8. Financial Statements and Supplementary Data of this Annual Report. If we elect to issue common stock in respect of these exchanges, investor ownership of common stock will be diluted.

**If we elect to have J. Alexander’s Holdings, LLC make cash payments for future exchanges of Class B Units in lieu of issuing shares of common stock, such payments may reduce the amount of cash that would otherwise be available for our business.**

If we elect to have J. Alexander’s Holdings, LLC make cash payments in lieu of issuing shares of common stock upon exchanges of Class B Units made by members of our management, such payments may require the payment of significant amounts of cash and may reduce the amount of overall cash flow that would otherwise be available for use in our business. In such event, our ability to successfully execute our growth strategy may be negatively affected.

**The market price of our common stock may decline due to significant fluctuations in quarterly operating results.**

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to seasonality and other factors, some of which are beyond our control, resulting in a decline in our stock price. Our quarterly operating results may fluctuate significantly because of several factors, including:

- the timing of new restaurant openings and related expenses;
- restaurant operating expenses for our newly-opened restaurants, which are often materially greater during the first several quarters of operation than thereafter;
- labor availability and costs for hourly and management personnel;
- profitability of our restaurants, especially in new markets;
- changes in interest rates;
- increases and decreases in same store sales;
- impairment of long-lived assets and any loss on restaurant closures;
- macroeconomic conditions, both nationally and locally;
- negative publicity relating to the consumption of beef, poultry, seafood or other products we serve;
- changes in consumer preferences and competitive conditions;
- expansion to new markets;

- increases in infrastructure costs; and
- fluctuations in commodity prices.

Seasonal factors and the timing of holidays also cause our revenue to fluctuate from quarter to quarter. Net sales and operating income typically reach their highest levels during the fourth quarter of the fiscal year due to holiday business and the first quarter of the fiscal year due in part to the redemption of gift cards sold during the holiday season. As a result of these factors, our quarterly and annual operating results and same store sales may fluctuate significantly. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year, and same store sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock would likely decrease.

**The market price of our common stock may be volatile, and stockholders may not be able to sell shares at an acceptable price.**

The market price of our stock could fluctuate significantly, and stockholders may not be able to resell shares at an acceptable price. Those fluctuations could be based on various factors in addition to those otherwise described in this Annual Report, including those described under Item 1A. Risk Factors and the following:

- our operating performance and the performance of our competitors or restaurant companies in general and fluctuations in our operating results;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in earnings estimates or recommendations by research analysts who follow us or other companies in our industry;
- global, national or local economic, legal and regulatory factors unrelated to our performance;
- announcements by us or our competitors of new locations or menu items, capacity changes, strategic investments or acquisitions;
- actual or anticipated variations in our or our competitors' operating results, and our or our competitors' growth rates;
- failure by us or our competitors to meet analysts' projections or guidance that we or our competitors may give the market;
- changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the arrival or departure of key personnel;
- the number of shares being publicly traded;
- future sales or issuances of our common stock, including sales or issuances by us, our officers or directors and our significant shareholders; and
- other developments affecting us, our industry or our competitors.

In addition, in recent years the stock market has experienced significant price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. These broad market and restaurant industry fluctuations, as well as general economic, political and market conditions such as recessions or interest rate changes, may cause declines in the market price of our common stock.

As we operate in a single industry, we are especially vulnerable to these factors to the extent that they affect our industry or our products. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

**The market price of our common stock could decline due to the number of shares of common stock eligible for future sale upon the exchange of Class B Units.**

The market price of our common stock could decline as a result of issuances of additional shares of our common stock eligible for future sale upon the exchange of Class B Units, or the perception that such issuances could occur. These issuances, or the possibility that these issuances may occur, may also make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate. Approximately 13.5% of the ownership interests in J. Alexander's Holdings, LLC are Class B Units held by certain members of our management and the Management Consultant. Based on the value of J. Alexander's Holdings, LLC (determined primarily by reference to the trading price of our common stock) above a specified hurdle amount and time-based vesting provisions, vested Class B Units may be immediately exchanged for our common stock or, for those held by members of our management, for cash, at our option. We will not know the exact number of shares of common stock issuable until an exchange right is exercised.

**Our charter and bylaws and provisions of Tennessee law may discourage or prevent strategic transactions, including a takeover of our company, even if such a transaction would be beneficial to our shareholders.**

Provisions contained in our charter and bylaws and provisions of the Tennessee Business Corporation Act could delay or prevent a third party from entering into a strategic transaction with us, as applicable, even if such a transaction would benefit our shareholders. For example, our charter and bylaws:

- divide our board of directors into three classes with staggered three-year terms, which may delay or prevent a change of our management or a change in control;
- authorize the issuance of "blank check" preferred stock that could be issued by us upon approval of our board of directors to increase the number of outstanding shares of capital stock, making a takeover more difficult and expensive;
- do not permit cumulative voting in the election of directors, which could otherwise make it easier for a smaller minority of shareholders to elect director candidates;
- do not permit shareholders to take action upon less than unanimous written consent;
- provide that special meetings of the shareholders may be called only by or at the direction of the board of directors, the chairman of our board of directors or the chief executive officer;
- require advance notice to be given by shareholders for any shareholder proposals or director nominees;
- require a super-majority vote of the shareholders to amend certain provisions of our charter; and
- allow our board of directors to make, amend or repeal our bylaws but only allow shareholders to amend or repeal our bylaws upon the approval of 66 2/3 % or more of the voting power of all of the outstanding shares of our capital stock entitled to vote.

In addition, we are subject to certain provisions of Tennessee law that limit, in some cases, our ability to engage in certain business combinations with significant shareholders.

These restrictions and provisions could keep us from pursuing relationships with strategic partners and from raising additional capital, which could impede our ability to expand our business and strengthen our competitive position. These restrictions could also limit shareholder value by impeding a sale of us or J. Alexander's Holdings, LLC.

**If securities or industry analysts publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.**

The trading market for our common stock is influenced in part on the research and reports that securities or industry analysts publish about us or our business. If too few securities or industry analysts cover our stock, the trading price for our common stock could be negatively impacted. If an analyst downgrades our common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If an analyst ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock prices and trading volume to decline.

**We do not intend to pay dividends for the foreseeable future.**

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any future determination to declare and pay cash dividends will be at the discretion of our board of directors and will depend on, among other things, our financial condition, results of operations, cash requirements, contractual restrictions and such other factors as our board of directors deems relevant. In addition, our current credit facility restricts our ability to pay dividends. Our ability to pay dividends may also be limited by covenants of any future outstanding indebtedness we or our subsidiaries incur. As a result, investors may not receive any return on an investment in our common stock unless investors sell our common stock for a price greater than that which the investor paid for it.

**Our reported financial results may be adversely affected by changes in accounting principles applicable to us.**

United States generally accepted accounting principles are subject to interpretation by the Financial Accounting Standards Board (“FASB”), the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change. Any such change could have a significant effect on our reported financial results.

**We are an emerging growth company and, as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common stock may be less attractive to investors.**

We are an emerging growth company as defined under the JOBS Act, and we are eligible to take advantage of certain exemptions from various reporting requirements applicable to other public companies, but not to emerging growth companies, including, but not limited to, an exemption from the auditor attestation requirement of Section 404 of Sarbanes-Oxley, reduced disclosure about executive compensation arrangements pursuant to the rules applicable to smaller reporting companies and no requirement to seek non-binding advisory votes on executive compensation or golden parachute arrangements. We have elected to adopt these reduced disclosure requirements. We may take advantage of these provisions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of our fiscal year following the fifth anniversary of the first sale of our common stock pursuant to an effective registration statement under the Securities Act of 1933, as amended (the “Securities Act”), (2) the last day our first fiscal year in which we have total annual gross revenue of at least \$1.07 billion, (3) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period and (4) the date on which we are deemed to be a large accelerated filer, which means the market value of our common stock held by non-affiliates exceeds \$700 million as of the last business day of our prior second fiscal quarter.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to “opt out” of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We cannot predict if investors will find our common stock less attractive as a result of our taking advantage of some of these exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may be more volatile.

**If we are unable to implement and maintain the effectiveness of our internal control over financial reporting, our independent registered public accounting firm may not be able to provide an unqualified report on our internal controls, which could adversely affect our stock price.**

Pursuant to Section 404 of Sarbanes-Oxley and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, our management is required to report on the effectiveness of our internal control over financial reporting. In addition, once we no longer qualify as an emerging growth company under the JOBS Act and lose the ability to rely on the exemptions related thereto discussed above, our independent registered public accounting firm will also need to attest to the effectiveness of our internal control over financial reporting under Section 404. We may encounter problems or delays in completing the implementation of any changes necessary to our internal control over financial reporting to conclude such controls are effective. If we conclude and, once we no longer qualify as an emerging growth company under the JOBS Act, our independent registered public accounting firm concludes, that our internal control over financial reporting is not effective, investor confidence and our stock price could decline.



Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of NYSE rules, and result in a breach of the covenants under our financing arrangements. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our consolidated financial statements. Confidence in the reliability of our consolidated financial statements also could suffer if we or our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could materially adversely affect us and lead to a decline in the price of our common stock.

**Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.**

Our charter and bylaws provide that we will indemnify our directors and officers, in each case to the fullest extent permitted by Tennessee law. In addition, we have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. Under the terms of such indemnification agreements, we are required to indemnify each of our directors and officers, to the fullest extent permitted by the laws of the State of Tennessee, if the basis of the indemnitee's involvement was by reason of the fact that the indemnitee is or was a director or officer of the Company or any of its subsidiaries or was serving at the Company's request in an official capacity for another entity. We must indemnify our officers and directors against all reasonable fees, expenses, charges and other costs of any type or nature whatsoever, including any and all expenses and obligations paid or incurred in connection with investigating, defending, being a witness in, participating in (including on appeal), or preparing to defend, be a witness or participate in any completed, actual, pending or threatened action, suit, claim or proceeding, whether civil, criminal, administrative or investigative, or establishing or enforcing a right to indemnification under the indemnification agreement. The indemnification agreements also require us, if so requested, to advance within 30 days of such request all reasonable fees, expenses, charges and other costs that such director or officer incurred, provided that such person will return any such advance if it is ultimately determined that such person is not entitled to indemnification by us. Any claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

**Future offerings of debt securities, which would rank senior to our common stock upon our bankruptcy or liquidation, and future offerings of equity securities that may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock.**

In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities. Upon bankruptcy or liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common stock, or both, and may result in future limitations under the tax code that could reduce the rate at which we utilize any net operating loss carryforwards to reduce our taxable income. Preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments or both that could limit our ability to make a dividend distribution to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control and may have the effect of reducing the market price of our common stock and diluting the ownership interest of existing stockholders in J. Alexander's Holdings, Inc.

**Item 1B. Unresolved Staff Comments**

Not applicable.

## Item 2. Properties

As of March 14, 2018, we operated 19 J. Alexander's restaurants, 12 Redlands Grill restaurants, one Lyndhurst Grill restaurant and 12 Stoney River restaurants. The following table gives the locations of, and describes our interest in, the land and buildings used in connection with our restaurants:

Location	Site and Building Owned by the Company				Site Leased and Building Owned by the Company			Site and Building Leased to the Company			Total
	JAX	SR	RG	LG	JAX	SR	RG	JAX	SR	RG	
	Alabama.....			1							
Colorado.....			1								1
Florida.....	1		1		3		1				6
Georgia.....		1	1		1	1			1		5
Illinois.....	1	1	1								3
Kansas.....	1										1
Kentucky.....		1			1		1				3
Louisiana.....					1						1
Maryland.....									2		2
Missouri.....						1					1
Michigan.....	1				1			1			3
North Carolina.....					1				1		2
Ohio.....			2	1	2		1				6
Tennessee.....	2		1			1		1	2	1	8
Texas.....								1			1
<b>Total.....</b>	<b>6</b>	<b>3</b>	<b>8</b>	<b>1</b>	<b>10</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>44</b>

JAX = J. Alexander's restaurants

SR = Stoney River restaurants

RG = Redlands Grill restaurants

LG = Lyndhurst Grill restaurant

Most of our lease agreements may be renewed at the end of the initial term (generally 15 to 20 years) for periods of five or more years. Certain of these leases provide for minimum rentals plus additional rent based on a percentage of the restaurant's gross sales in excess of specified amounts. These leases usually require us to pay all real estate taxes, insurance premiums and maintenance expenses with respect to the leased premises.

Our corporate offices are located in leased office space in Nashville, Tennessee. In addition to the properties listed in the table above, we remain party to two additional leases for closed locations, one of which we have subleased to a third party through the term of the original lease. We are also party to two additional leases for restaurants expected to open in King of Prussia, Pennsylvania and Troy, Michigan in the second and fourth quarters of 2018, respectively.

Certain of our owned restaurants are mortgaged as security for our mortgage loan and secured line of credit. Refer to Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements, Note 10 – Debt in this Annual Report for additional information.

## Item 3. Legal Proceedings

The information required by this Item is incorporated by reference to Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements, Note 17(c) – Commitments and Contingencies – Litigation Contingencies in this Annual Report.

## Item 4. Mine Safety Disclosures

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock of J. Alexander's Holdings, Inc. trades on the NYSE under the symbol "JAX." The following table details the per share range of high and low sales prices for shares of our common stock for the quarterly periods indicated, as reported in price quotations from the NYSE:

<b>2017:</b>	<b>Low</b>	<b>High</b>
First Quarter .....	\$ 9.00	\$ 10.85
Second Quarter .....	9.65	12.25
Third Quarter .....	9.30	12.30
Fourth Quarter .....	9.00	12.25

<b>2016:</b>	<b>Low</b>	<b>High</b>
First Quarter .....	\$ 8.52	\$ 11.03
Second Quarter .....	9.18	10.90
Third Quarter .....	9.16	10.35
Fourth Quarter .....	8.35	11.00

The closing sale price of our common stock on March 14, 2018 was \$11.45.

#### Holders of Our Common Stock

The number of record holders of J. Alexander's Holdings, Inc. common stock at March 14, 2018, was approximately 3,700. A substantially greater number of shareholders hold our stock in "street name" and such shares are held of record by banks, brokers and other financial institutions.

#### Dividend Policy

The Company has not paid a dividend since listing its common stock on the NYSE during the fourth quarter of 2015. We currently intend to retain all available funds and any future earnings to fund the development, operations and growth of our business and to repay indebtedness and repurchase shares, and, therefore, we do not anticipate paying any cash dividends in the foreseeable future. Additionally, our ability to pay dividends on shares of our common stock is limited by restrictions on the ability of our subsidiaries and us to pay dividends or make distributions under the terms of current agreements governing our indebtedness. Any future determination to declare and pay cash dividends will be at the discretion of our board of directors and will depend on, among other things, our financial condition, results of operations, cash requirements, contractual restrictions and such other factors deemed relevant by our board of directors.

In addition, since we are a holding company, substantially all of the assets shown on our consolidated balance sheet are held by our subsidiaries. Accordingly, our earnings, cash flow and ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends. The ability of our subsidiaries to pay dividends is currently restricted by the terms of our credit facility and may be further restricted by any future indebtedness we or they incur.

#### Share Repurchase Program

On October 29, 2015, J. Alexander's Holdings, Inc.'s Board of Directors (the "Board") approved a three-year stock purchase program, effective on such date, under which the Company can repurchase up to 1,500,000 shares of its common stock through October 29, 2018. Repurchases will be made in accordance with applicable securities laws and may be made from time to time in the open market. The timing, prices and amount of repurchases will depend upon prevailing market prices, general economic and market conditions and other considerations. The repurchase program does not obligate the Company to acquire any particular amount of stock. As of March 14, 2018, the number of shares that have been repurchased and retired under this program totaled 305,059 for an aggregate purchase price of \$3,203. There was no common stock repurchase activity during fiscal year 2017 or in fiscal year 2018 through the date of this Annual Report.

## **Equity Compensation Plan Information**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2017. On March 15, 2017, our Board approved the First Amendment to the J. Alexander's Holdings, Inc. 2015 Equity Incentive Plan (the "Plan") which was included in the 2016 Annual Report on Form 10-K as Exhibit 10.9, and incorporated herein by reference. The amendment made certain clarifying changes to the Plan and updated certain provisions.

## **Recent Sales of Unregistered Securities**

In August 2014, in connection with our formation, we issued 1,000 shares of common stock to then FNFV for an aggregate consideration of \$1.00. These securities were issued in reliance on the exemption contained in Section 4(2) of the Securities Act on the basis that the transaction did not involve a public offering. No underwriters were involved in the sale.

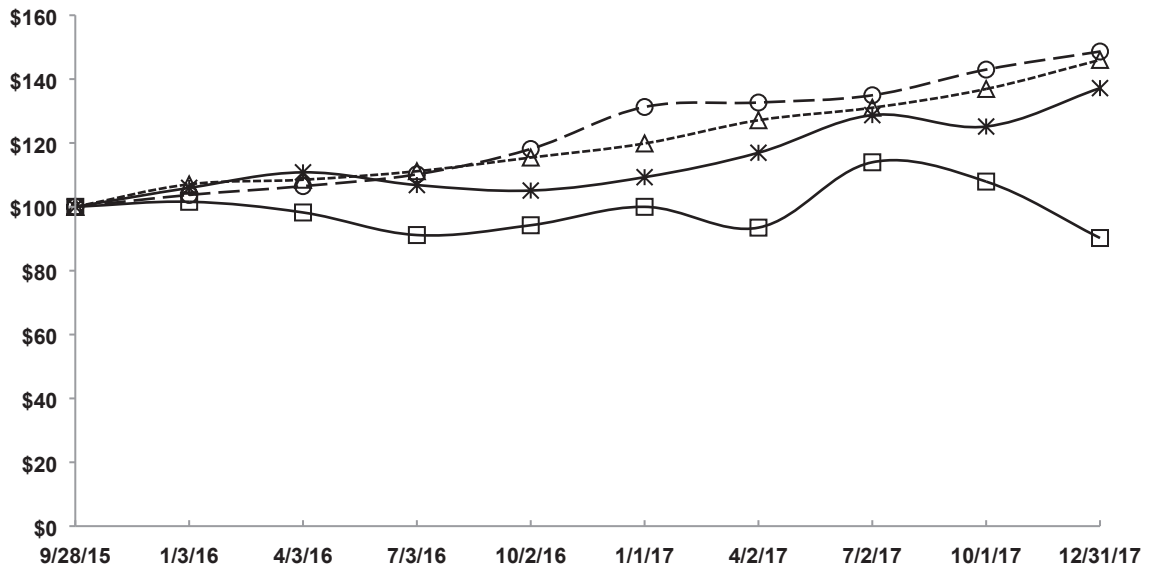
In connection with the reorganization transaction, prior to the Spin-off, we issued to then FNFV, Newport Global Opportunities Fund AIV-A LP (operating under a new fund name "Newport Global Opportunities Fund I-A LP" effective January 7, 2016) and each other person holding membership interests of J. Alexander's Holdings, LLC, approximately 15 million shares of common stock in consideration of the delivery to us of all of the outstanding limited liability company membership interests of J. Alexander's Holdings, LLC held by such persons. These shares of common stock were issued in reliance on the exemption contained in Section 4(2) of the Securities Act on the basis that the transaction did not involve a public offering. No underwriters were involved in the transaction.

## **Comparison of Cumulative Total Return**

The following graph compares the cumulative stockholders return on our common stock from September 29, 2015 (the effective date on which we began trading under the symbol "JAX" on the NYSE) through December 31, 2017 to that of the total return index for the S&P 500, S&P Smallcap 600 and S&P Restaurants industry sector assuming an investment of \$100 on September 29, 2015. In calculating total stockholder return for this period, reinvestment of dividends, if any, is assumed. The indices are included for comparative purposes only. They do not necessarily reflect management's opinion that such indices are an appropriate measure of the relative performance of our common stock. This graph is not "soliciting material," is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

## COMPARISON OF 27 MONTH CUMULATIVE TOTAL RETURN\*

Among J. Alexander's Holdings, Inc., the S&P 500 Index,  
the S&P Smallcap 600 Index and the S&P Restaurants Index



—□— J. Alexander's Holdings, Inc.
--△-- S&P 500
—○— S&P Smallcap 600
—\*— S&P Restaurants

\*\$100 invested on 9/28/15 in stock or 9/30/15 in index, including reinvestment of dividends.  
Indexes calculated on month-end basis.

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## Item 6. Selected Financial Data

The following table summarizes consolidated financial information of J. Alexander's Holdings, Inc. Our financial results for the years ended December 28, 2014 and December 29, 2013 are the historical results of J. Alexander's Holdings, LLC, including the earnings prior to and up to September 27, 2015. The selected historical financial data set forth below should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data of Part II to this Annual Report.

(Dollars in thousands, except Per Share Data)	Year Ended December 31, 2017 (1)	Year Ended January 1, 2017 (1)	Year Ended January 3, 2016 (1)	Year Ended December 28, 2014 (1)	Year Ended December 29, 2013 (1)
<b>Statement of Operations Data:</b>					
Net Sales .....	\$ 233,255	\$ 219,582	\$ 217,914	\$ 202,233	\$ 188,223
Depreciation and amortization of restaurant property and equipment .....	9,999	8,834	8,222	7,652	7,228
Pre-opening expenses.....	1,038	1,443	275	681	-
Transaction and integration expenses .....	3,529	64	7,181	785	(217)
Asset impairment charges and restaurant closing costs.....	132	3	5	5	2,094
Income from continuing operations before income taxes .....	6,426	9,539	7,339	9,286	7,824
Loss from discontinued operations .....	(439)	(434)	(429)	(443)	(4,785)
Net income .....	7,334	7,043	5,355	8,515	2,901
<b>Balance Sheet Data:</b>					
Cash and cash equivalents .....	10,711	6,632	13,424	13,301	18,069
Working capital (deficit) (2) .....	(11,297)	(13,331)	(3,574)	(4,102)	1,001
Total assets.....	169,651	163,038	155,836	150,638	150,981
Total debt .....	19,781	23,307	20,893	22,651	34,520
Total members' / stockholders' equity.....	113,861	104,320	98,803	96,889	88,455
<b>Other Financial Data:</b>					
Net cash provided by operating activities .....	21,260	16,417	16,010	17,955	15,907
Net cash used in investing activities .....	(13,568)	(21,016)	(13,986)	(10,693)	(6,126)
Net cash used in financing activities.....	(3,613)	(2,193)	(1,901)	(12,030)	(2,839)
Capital expenditures.....	13,312	20,777	11,431	10,536	6,610
<b>Per Share Data:</b>					
Basic earnings per share:					
Income from continuing operations, net of tax.....	\$ 0.53	\$ 0.50	\$ 0.39	\$ 0.60	\$ 0.51
Loss from discontinued operations, net .....	(0.03)	(0.03)	(0.03)	(0.03)	(0.32)
Basic earnings per share (3).....	<u>\$ 0.50</u>	<u>\$ 0.48</u>	<u>\$ 0.36</u>	<u>\$ 0.57</u>	<u>\$ 0.19</u>
Diluted earnings per share:					
Income from continuing operations, net of tax.....	\$ 0.53	\$ 0.50	\$ 0.38	\$ 0.60	\$ 0.51
Loss from discontinued operations, net .....	(0.03)	(0.03)	(0.03)	(0.03)	(0.32)
Diluted earnings per share (3).....	<u>\$ 0.50</u>	<u>\$ 0.47</u>	<u>\$ 0.36</u>	<u>\$ 0.57</u>	<u>\$ 0.19</u>

- (1) We utilize a 52- or 53-week accounting period which ends on the Sunday closest to December 31, and each quarter typically consists of 13 weeks. Fiscal years 2017, 2016, 2014 and 2013 each included 52 weeks of operations. Fiscal year 2015 included 53 weeks of operations, including 14 weeks in the fourth quarter.
- (2) Defined as total current assets minus total current liabilities.
- (3) Per share amounts may not sum due to rounding.

## **Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

The Company, as the sole managing member of its subsidiary J. Alexander’s Holdings, LLC, owns and operates four complementary upscale dining restaurant concepts: J. Alexander’s, Redlands Grill, Lyndhurst Grill and Stoney River. For more than 25 years, J. Alexander’s guests have enjoyed a contemporary American menu, polished service and an attractive ambiance. In February 2013, our team brought our quality and professionalism to the steakhouse category with the addition of the Stoney River concept. Stoney River provides “white tablecloth” service and food quality in a casual atmosphere at a competitive price. Our Redlands Grill concept offers guests a different version of our contemporary American menu and a distinct architectural design and feel. In 2017, we successfully converted one of our previous J. Alexander’s locations in Ohio to the Lyndhurst Grill, which will continue to offer a contemporary American menu.

Our business plan has evolved over time to include a collection of restaurant concepts dedicated to providing guests with what we believe to be the highest quality food, high levels of professional service and a comfortable ambiance. By offering multiple restaurant concepts and utilizing unique non-standardized architecture and specialized menus, we believe we are positioned to continue to scale and grow our overall restaurant business in an efficient manner in urban and affluent suburban areas. We want each of our restaurants to be perceived by our guests as a locally managed, stand-alone dining experience. This differentiation permits us to successfully operate each of our concepts in the same geographic market. If this strategy continues to prove successful, we may expand beyond our current four concept model in the future.

While each concept operates under a unique trade name, each of our restaurants is identified as a “J. Alexander’s Holdings Restaurant.” As of December 31, 2017, we operated a total of 44 locations across 15 states. During 2017, we closed one J. Alexander’s location, opened one J. Alexander’s location and opened one Stoney River location. Additionally, as discussed above, during 2017, we converted one J. Alexander’s location to Lyndhurst Grill.

We believe our concepts deliver on our guests’ desire for freshly-prepared, high quality food and high quality service in a restaurant with architecture and design that varies from location to location. Through our combination with Stoney River, we have grown from 33 restaurants across 13 states in 2009 to 44 restaurants across 15 states as of March 14, 2018. Our net sales growth since 2009 has allowed us to invest significant amounts of capital to drive growth through the continuous improvement of existing locations, the development of plans to open new restaurants, and the hiring of personnel to support our growth plans.

We plan to execute the following strategies to continue to enhance the awareness of our concepts, grow our revenue and improve our profitability by:

- pursuing new restaurant development;
- expanding beyond our current existing restaurant concepts;
- increasing our same store sales through providing high quality food and service; and
- improving our margins and leveraging infrastructure.

We believe there are opportunities to open up to four new restaurants annually. We are actively pursuing development opportunities within certain of our concepts, and we are currently evaluating approximately 20 locations in approximately 15 separate markets in order to meet our stated growth objectives. The most recent restaurant openings include a J. Alexander’s restaurant in Lexington, Kentucky in March 2017 and a Stoney River restaurant in Chapel Hill, North Carolina in February 2017. In addition, the Company has announced the signing of leases for its next J. Alexander’s restaurant in King of Prussia, Pennsylvania currently expected to open during the second quarter of 2018 and its next Stoney River restaurant in Troy, Michigan currently expected to open during the fourth quarter of 2018.

The locations that have been transitioned from a J. Alexander’s restaurant to a Redlands Grill restaurant and the location which converted to Lyndhurst Grill during 2017 have been included in the J. Alexander’s results of operations, average weekly same store sales calculations and all other applicable disclosures.

### **Performance Indicators**

We use the following key metrics in evaluating our performance:

*Same Store Sales.* We include a restaurant in the same store restaurant group starting in the first full accounting period following the eighteenth month of operations. Our same store restaurant base consisted of 41 restaurants at each of December 31, 2017 and January 1, 2017. Changes in same store restaurant sales reflect changes in sales for the same store group of restaurants over a specified period of time. This measure highlights the performance of existing restaurants, as the impact of new restaurant openings is excluded.

Measuring our same store restaurant sales allows us to evaluate the performance of our existing restaurant base. Various factors impact same store sales including:

- consumer recognition of our concepts and our ability to respond to changing consumer preferences;
- overall economic trends, particularly those related to consumer spending;
- our ability to operate restaurants effectively and efficiently to meet guest expectations;
- pricing;
- guest traffic;
- spending per guest and average check amounts;
- local competition;
- trade area dynamics; and
- introduction of new menu items.

*Average Weekly Sales.* Average weekly sales per restaurant is computed by dividing total restaurant sales for the period by the total number of days all restaurants were open for the period to obtain a daily sales average. The daily sales average is then multiplied by seven to arrive at average weekly sales per restaurant. Days on which restaurants are closed for business for any reason other than scheduled closures on Thanksgiving and Christmas are excluded from this calculation. Revenue associated with reduction in liabilities for gift cards which are considered to be only remotely likely to be redeemed (based on historical redemption rates) is not included in the calculation of average weekly sales per restaurant.

*Average Weekly Same Store Sales.* Average weekly same store sales per restaurant is computed by dividing total restaurant same store sales for the period by the total number of days all same store restaurants were open for the period to obtain a daily sales average. The daily same store sales average is then multiplied by seven to arrive at average weekly same store sales per restaurant. Days on which restaurants are closed for business for any reason other than scheduled closures on Thanksgiving and Christmas are excluded from this calculation. Sales and sales days used in this calculation include only those for restaurants in operation at the end of the period which have been open for more than 18 months. Revenue associated with reduction in liabilities for gift cards which are considered to be only remotely likely to be redeemed (based on historical redemption rates) is not included in the calculation of average weekly same store sales per restaurant.

*Average Check.* Average check is calculated by dividing total restaurant sales by guest counts for a given time period. Total restaurant sales includes food, alcohol and beverage sales. Average check is influenced by menu prices and menu mix. Management uses this indicator to analyze trends in guests' preferences, the effectiveness of menu changes and price increases and per guest expenditures.

*Average Unit Volume.* Average unit volume consists of the average sales of our restaurants over a certain period of time. This measure is calculated by multiplying average weekly sales by the relevant number of weeks for the period presented. This indicator assists management in measuring changes in guest traffic, pricing and development of our concepts.

*Cost of Sales.* Cost of sales is an important metric to management because it is the only truly variable component of cost relative to the sales volume while other components of cost can vary significantly due to the ability to leverage fixed costs at higher sales volumes.

*Guest Counts.* Guest counts are measured by the number of entrees ordered at our restaurants over a given time period.

Our business is subject to seasonal fluctuations. Historically, the percentage of our annual revenues earned during the first and fourth quarters has been higher due, in part, to increased gift card redemptions and increased private dining during the year-end holiday season. In addition, we operate on a 52- or 53-week fiscal year that ends on the Sunday closest to December 31. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter has 14 weeks. Fiscal year 2015 was a 53-week fiscal year. As many of our operating expenses have a fixed component, our operating income and operating income margins have historically varied from quarter to quarter. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter, or for the full fiscal year.

## **Key Financial Definitions**

*Net Sales.* Net sales consist primarily of food and beverage sales at our restaurants, net of any discounts, such as management meals and employee meals, associated with each sale. Net sales are directly influenced by the number of operating weeks in the relevant period, the number of restaurants we operate and same store sales growth.

*Cost of Sales.* Cost of sales is comprised primarily of food and beverage expenses and is presented net of earned vendor rebates. Food and beverage expenses are generally influenced by the cost of food and beverage items, distribution costs and menu mix. The components of cost of sales are variable in nature, increase with revenues, are subject to increases or decreases based on fluctuations in commodity costs, including beef prices, and depend in part on the controls we have in place to manage cost of sales at our restaurants.

*Restaurant Labor and Related Costs.* Restaurant labor and related costs includes restaurant management salaries, hourly staff payroll and other payroll-related expenses, including management bonus expenses, vacation pay, payroll taxes, fringe benefits and health insurance expenses.

*Depreciation and Amortization.* Depreciation and amortization principally includes depreciation on restaurant fixed assets, including equipment and leasehold improvements, and amortization of certain intangible assets for restaurants. We depreciate capitalized leasehold improvements over the shorter of the total expected lease term or their estimated useful life. As we continue our restaurant openings, depreciation and amortization is expected to increase as a result of our increased capital expenditures.

*Other Operating Expenses.* Other operating expenses includes repairs and maintenance, credit card fees, rent, property taxes, insurance, utilities, operating supplies and other restaurant-level related operating expenses.

*Pre-opening Expenses.* Pre-opening expenses are costs incurred prior to opening a restaurant, and primarily consist of manager salaries, relocation costs, recruiting expenses, employee payroll and related training costs for new employees, including rehearsal of service activities, as well as lease costs incurred prior to opening. We currently target pre-opening costs per restaurant at approximately \$675.

*General and Administrative Expenses.* General and administrative expenses are comprised of costs related to certain corporate and administrative functions that support development and restaurant operations and provide an infrastructure to support future company growth. These expenses reflect management, supervisory and staff salaries and employee benefits, travel, information systems, training, corporate rent, depreciation of corporate assets, professional and consulting fees, technology and market research. These expenses have increased as a result of costs associated with being a public company, and we believe such expenses will continue to increase related to our anticipated growth. However, as we are able to leverage these investments made in our people and systems, we expect these expenses to decrease as a percentage of net sales over time.

*Interest Expense.* Interest expense consists primarily of interest on our outstanding indebtedness. Our debt issuance costs are recorded at cost and are amortized over the lives of the related debt under the effective interest method.

*Income Tax (Expense) Benefit.* This represents expense or benefit related to the taxable income allocated to the Company from J. Alexander's Holdings, LLC at the federal, state and local level. As a partnership, J. Alexander's Holdings, LLC generally pays no tax on its income, and each of its members is required to report such member's allocable share of the partnership's income on such member's income tax returns.

*Discontinued Operations.* In 2013, we closed two locations, and we determined that these closures met the criteria for classification as discontinued operations. Refer to Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - Note 2 (c) Summary of Significant Accounting Policies—Discontinued Operations and Restaurant Closing Costs for more information.

## Results of Operations

### Year Ended December 31, 2017 (52 weeks) Compared to Year Ended January 1, 2017 (52 weeks)

The following tables set forth, for the periods indicated, (i) the items in the Company's Consolidated Statements of Income and Comprehensive Income, including our results expressed as a percentage of net sales, and (ii) other selected operating data:

(Dollars in thousands)	Year Ended		
	December 31, 2017	January 1, 2017	Percent Change 2017 vs. 2016
Net sales .....	\$ 233,255	\$ 219,582	6.2%
Costs and expenses:			
Cost of sales .....	74,548	69,320	7.5
Restaurant labor and related costs .....	71,541	67,102	6.6
Depreciation and amortization of restaurant property and equipment .....	9,999	8,834	13.2
Other operating expenses .....	46,590	43,873	6.2
Total restaurant operating expenses .....	202,678	189,129	7.2
Transaction and integration expenses .....	3,529	64	NCM
General and administrative expenses .....	18,886	18,852	0.2
Pre-opening expenses .....	1,038	1,443	(28.1)
Total operating expenses .....	226,131	209,488	7.9
Operating income .....	7,124	10,094	(29.4)
Other income (expense):			
Interest expense .....	(816)	(662)	23.3
Other, net .....	118	107	10.3
Total other expense .....	(698)	(555)	25.8
Income from continuing operations before income taxes .....	6,426	9,539	(32.6)
Income tax benefit (expense) .....	1,347	(2,062)	NCM
Loss from discontinued operations, net .....	(439)	(434)	1.2
Net income .....	\$ 7,334	\$ 7,043	4.1%

Note: NCM means not considered meaningful.



As a Percentage of Net Sales:	Year Ended	
	December 31, 2017	January 1, 2017
Costs and expenses:		
Cost of sales .....	32.0%	31.6%
Restaurant labor and related costs.....	30.7	30.6
Depreciation and amortization of restaurant property and equipment.....	4.3	4.0
Other operating expenses .....	20.0	20.0
Total restaurant operating expenses .....	86.9	86.1
Transaction and integration expenses .....	1.5	0.0
General and administrative expenses.....	8.1	8.6
Pre-opening expenses.....	0.4	0.7
Total operating expenses.....	96.9	95.4
Operating income .....	3.1	4.6
Other income (expense):		
Interest expense.....	(0.3)	(0.3)
Other, net.....	0.1	0.0
Total other expense .....	(0.3)	(0.3)
Income from continuing operations before income taxes .....	2.8	4.3
Income tax benefit (expense).....	0.6	(0.9)
Loss from discontinued operations, net .....	(0.2)	(0.2)
Net income .....	3.1%	3.2%

Note: Certain percentage totals do not sum due to rounding.

#### Restaurants open at end of period:

J. Alexander's Restaurant / Grills.....	32	32
Stoney River Steakhouse and Grill .....	12	11

#### Average weekly sales per restaurant:

J. Alexander's Restaurant / Grills.....	\$ 112,900	\$ 109,800
Percent change .....	2.8%	
Stoney River Steakhouse and Grill .....	\$ 75,400	\$ 74,200
Percent change .....	1.6%	

#### Average weekly same store sales per restaurant:

J. Alexander's Restaurant / Grills.....	\$ 114,500	\$ 111,200
Percent change .....	3.0%	
Stoney River Steakhouse and Grill .....	\$ 74,700	\$ 72,000
Percent change .....	3.8%	

#### Net Sales

Net sales increased by \$13,673, or 6.2%, in fiscal year 2017 compared to fiscal year 2016 due, in part, to an increase in same store sales at the J. Alexander's / Grills restaurants of \$4,714 and at Stoney River restaurants of \$1,619. Further, sales in fiscal year 2017 attributable to the three restaurant locations opening within the last 18 months, and, therefore, excluded from the same store sales base, totaled \$7,947 and \$2,613 for the J. Alexander's / Grills and Stoney River concepts, respectively. These sales increases were partially offset by the impact of the closure of the J. Alexander's restaurant in Houston, Texas in the first quarter of 2017 which resulted in a sales decrease of \$3,220 relative to fiscal year 2016.

During fiscal year 2017, six of the Company's restaurants in Florida were closed for a total of 36 days due to the impact of Hurricane Irma. Management estimates the impact of such closures was approximately \$650 in lost revenue, and a decrease to income from continuing operations before income taxes of approximately \$400, consisting of approximately \$300 of lost restaurant operating income and approximately \$100 of food spoilage losses, cleanup costs and expenses associated with reopening the restaurants.

We recognize revenue from reductions in liabilities for gift cards which, although they do not expire, are considered to be only remotely likely to be redeemed (based on historical redemption rates). These revenues are included in net sales in the amounts of

\$311 for 2017 and \$347 for 2016. Based on our historical experience, we consider the probability of redemption of a gift card to be remote when it has been outstanding for 24 months.

Average weekly same store sales at J. Alexander's / Grills restaurants for 2017 increased by 3.0% to \$114,500, compared to \$111,200 in 2016. Average weekly same store sales at Stoney River restaurants for 2017 increased by 3.8% to \$74,700, compared to \$72,000 in 2016.

At J. Alexander's / Grills, the average check per guest, including alcoholic beverage sales, increased by 2.6% to \$31.21 in 2017 up from \$30.41 in 2016. Within the same store base of restaurants, the average check per guest also increased by 2.6% in fiscal year 2017 relative to fiscal year 2016. Management estimates that the effect of menu price increases was approximately 1.9% in 2017 compared to 2016. This price increase estimate reflects nominal amounts of menu price changes, without regard to any change in product mix because of price changes, and may not reflect amounts actually paid by guests. Management estimates that weekly average guest counts increased by approximately 0.3% in 2017 compared to 2016 within the same store base of restaurants as well as on a consolidated basis.

At Stoney River, the average check per guest, including alcoholic beverage sales, decreased by 2.4% to \$43.05 in 2017 from \$44.13 in 2016, with the decrease due to notable increases in day part sales with the introduction of lunch and dinner service at certain locations and brunch offerings at other locations as well as certain other initiatives to increase guest traffic. Because brunch and lunch items generally are at a lower price point, these initiatives served to decrease the average check per guest as a concept. For the 11 locations in the same store base of restaurants the average check per guest in 2017 totaled \$43.17 compared to \$44.13 in 2016, a decrease of 2.2%. Management estimates that the effect of menu price increases was even in 2017 compared to 2016. Management estimates that weekly average guest counts within the same store base of restaurants increased by approximately 5.5% in 2017 compared to 2016. For all locations, weekly average guest counts increased by 4.2% in 2017 compared to 2016.

## **Restaurant Costs and Expenses**

Total restaurant operating expenses increased to 86.9% of net sales in 2017 from 86.1% in 2016. The increase in 2017 was due primarily to the effect of higher cost of sales, labor costs and additional depreciation and amortization of restaurant equipment as a result of the opening of two new restaurants and the remodeling of other restaurants.

Cost of sales, which includes the cost of food and beverages, increased to 32.0% of net sales in 2017 compared to 31.6% of net sales in 2016. The Company was impacted by higher input costs in certain food categories including seafood, primarily crab, poultry, produce and dairy, partially offset by decreases in certain other food categories as well as higher input costs for alcoholic beverages. Management estimates that inflation totaled 1.6% within the J. Alexander's / Grills locations and 2.0% at the Stoney River concept for 2017.

Beef purchases represent the largest component of consolidated cost of sales and comprise approximately 30% of the food and beverage cost category. We purchase beef at weekly market prices. Prices paid for beef within the J. Alexander's / Grills restaurants were lower in 2017 than 2016 by approximately 0.6%, and at Stoney River, prices paid for beef were up 1.5% in 2017 compared to 2016. Our beef purchases currently remain subject to variable market conditions. We expect that beef prices in 2018 will be consistent with or perhaps experience modest increases due to a potential rise in shipping and freight costs relative to fiscal year 2017. We continually monitor the beef market and if there are significant changes in market conditions or if attractive opportunities to contract at fixed prices arise, we will consider entering into a fixed price purchasing agreement.

Restaurant labor and related costs totaled 30.7% and 30.6% of net sales in 2017 and 2016, respectively, with the increase in 2017 due primarily to the impact of higher labor costs as a percentage of net sales incurred in the one new J. Alexander's restaurant opened during the latter part of the fourth quarter of 2016 and the one new J. Alexander's restaurant and the one new Stoney River restaurant which opened during the first quarter of 2017. Labor costs in our new restaurants generally run higher in the early months of operations while experience is gained by newer restaurant employees and efficiencies are established in both the front and back-of-house operations. There was only one new Stoney River restaurant and, to a lesser extent, one new J. Alexander's restaurant opened in December 2016 that impacted fiscal year 2016 labor in a similar fashion.

Depreciation and amortization of restaurant property and equipment increased by \$1,165, or 13.2%, in 2017 compared to 2016 primarily due to the impact of the three new restaurants which opened in the fourth quarter of 2016 and the first quarter of 2017. Further, we recorded additional depreciation expense in fiscal year 2017 associated with restaurant remodels which occurred during the latter part of 2016 and during 2017.

Other operating expenses, which include restaurant level expenses such as china and supplies, laundry and linen costs, repairs and maintenance, utilities, credit card fees, rent, property taxes and insurance, remained consistent as a percentage of net sales in fiscal year 2017 relative to fiscal year 2016 at 20.0%. While the Company recorded increased expense in 2017 with respect to contracted

services, rent and various other operating costs as well as additional expenses incurred for labor and clean up at our Florida locations due to the impact of Hurricane Irma, these increases were offset by decreased expense for insurance, menu, laundry and linen and repairs and maintenance costs, as well as the effect of higher same store sales at each concept for the year.

### **General and Administrative Expenses**

Total general and administrative expenses, which include all supervisory costs and expenses, management training and relocation costs, and other costs incurred above the restaurant level, increased by \$34, or 0.2%, in 2017 compared to 2016. The more significant increases in fiscal year 2017 included non-cash share-based compensation related to stock option grants made in November 2016, salaries, including those for restaurant management trainees, incentive compensation, deferred compensation, travel, legal fees, franchise taxes, payroll processing fees, public relations, employee relocation costs and less significant expense categories, which partially offset the favorable impact of lower expense associated with accounting and auditing services, workers' compensation insurance, employee education and training, market research, temporary services and other less significant expense categories. Further, non-cash share-based compensation expense associated with the Black Knight profits interest grant totaled \$942 during fiscal year 2017 compared to \$2,039 recorded during fiscal year 2016, while consulting fees earned by Black Knight during fiscal year 2017, totaled \$809 compared to \$700 during fiscal year 2016. Finally, we recorded \$125 in restaurant closing costs associated with the J. Alexander's restaurant in Houston, Texas which closed during the first quarter of 2017 as a component of "General and administrative expenses" in the Consolidated Statements of Income and Comprehensive Income. Expenses associated with the closure of the Houston, Texas restaurant have not been included in discontinued operations as its closure does not represent a strategic shift that will have a major effect on our operations and financial results.

### **Transaction Costs**

We incurred non-recurring transaction and integration expenses totaling \$3,529 and \$64 during fiscal years 2017 and 2016, respectively. Transaction costs consist primarily of legal and consulting costs, accounting fees, and, to a lesser extent, other professional fees and miscellaneous costs. Integration costs consist primarily of consulting and legal costs. The \$64 of transaction costs incurred in fiscal year 2016 related to the finalization of the Spin-off distribution transaction that occurred in fiscal year 2015. During fiscal year 2017, we incurred transaction costs associated with the proposed acquisition of 99 Restaurants, which consisted primarily of fees associated with obtaining a fairness opinion, legal, consulting and other professional fees as well as other miscellaneous costs. Refer to Item 8. Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - Note 20 – Subsequent Events for more information.

### **Pre-opening Expenses**

Pre-opening expense consists of expenses incurred prior to opening a new restaurant and includes manager salaries and relocation costs, payroll and related costs for training new employees, travel and lodging expenses for employees who assist with training new employees, and the cost of food and other expenses associated with practice of food preparation and service activities. Pre-opening expense also includes rent expense for leased properties for the period of time between taking control of the property and the opening of the restaurant. During fiscal years 2017 and 2016, preopening costs of \$1,038 and \$1,443, respectively, were recorded. During fiscal year 2017, pre-opening expense was primarily associated with a new J. Alexander's restaurant in Lexington, Kentucky which commenced operations in March 2017 and the Stoney River restaurant in Chapel Hill, North Carolina which opened in February 2017. A smaller portion of this expense pertained to the J. Alexander's restaurant in King of Prussia, Pennsylvania, which commenced construction during the year, and the Stoney River restaurant in Troy, Michigan, each of which we currently plan to open in 2018. For fiscal year 2016, the Company incurred pre-opening costs which were the result of the opening of the Stoney River location in Germantown, Tennessee in January 2016 and a new J. Alexander's restaurant in Raleigh, North Carolina in December 2016. Also, a portion of the pre-opening costs in 2016 related to the commencement of construction for the J. Alexander's restaurant in Lexington as well as the Stoney River restaurant in Chapel Hill.

### **Other Income (Expense)**

Interest expense increased by \$154, or 23.3%, in 2017 compared to 2016, primarily as a result of an increase in interest rates with respect to our credit facilities which are discussed in greater detail below. These increases were partially offset by the capitalization of interest related to restaurants under construction during fiscal year 2017.

### **Income Taxes**

We reported an income tax benefit of \$1,347 in 2017 compared to income tax expense of \$2,062 in 2016, reflecting the Company's federal, state and local income tax liability for its allocable share of income of J. Alexander's Holdings, LLC. The decrease of \$3,409 in fiscal year 2017 as compared to fiscal year 2016 primarily relates to the impact of lower pre-tax income as well as the estimated impact of the Tax Act enacted in December 2017.

## Discontinued Operations

In 2013, two J. Alexander's restaurants were closed that were considered to be discontinued operations. Losses from discontinued operations totaling \$439 and \$434 for fiscal years 2017 and 2016, respectively, consist solely of exit and disposal costs which are primarily related to continuing obligations under leases.

### *Year Ended January 1, 2017 (52 weeks) Compared to Year Ended January 3, 2016 (53 weeks)*

The following tables set forth, for the periods indicated, (i) the items in the Company's Consolidated Statements of Income and Comprehensive Income, including our results expressed as a percentage of net sales, and (ii) other selected operating data:

(Dollars in thousands)	<b>Year Ended</b>		<b>Percent Change 2016 vs. 2015</b>
	<b>January 1, 2017</b>	<b>January 3, 2016</b>	
	(52 weeks)	(53 weeks)	
Net sales .....	\$ 219,582	\$ 217,914	0.8%
Costs and expenses:			
Cost of sales .....	69,320	68,806	0.7
Restaurant labor and related costs .....	67,102	65,860	1.9
Depreciation and amortization of restaurant property and equipment .....	8,834	8,222	7.4
Other operating expenses .....	43,873	43,076	1.9
Total restaurant operating expenses .....	189,129	185,964	1.7
Transaction and integration expenses .....	64	7,181	NCM
General and administrative expenses .....	18,852	16,094	17.1
Pre-opening expenses .....	1,443	275	NCM
Total operating expenses .....	209,488	209,514	(0.0)
Operating income .....	10,094	8,400	20.2
Other income (expense):			
Interest expense .....	(662)	(1,158)	(42.8)
Other, net .....	107	97	10.3
Total other (expense) income .....	(555)	(1,061)	(47.7)
Income from continuing operations before income taxes .....	9,539	7,339	30.0
Income tax expense .....	(2,062)	(1,555)	32.6
Loss from discontinued operations, net .....	(434)	(429)	1.2
Net income .....	<u>\$ 7,043</u>	<u>\$ 5,355</u>	<u>31.5%</u>

*Note:* NCM means not considered meaningful.

As a Percentage of Net Sales	Year Ended	
	January 1, 2017 (52 weeks)	January 3, 2016 (53 weeks)
Costs and expenses:		
Cost of sales.....	31.6%	31.6%
Restaurant labor and related costs.....	30.6	30.2
Depreciation and amortization of restaurant property and equipment.....	4.0	3.8
Other operating expenses.....	20.0	19.8
Total restaurant operating expenses.....	86.1	85.3
Transaction and integration expenses.....	0.0	3.3
General and administrative expenses.....	8.6	7.4
Pre-opening expenses.....	0.7	0.1
Total operating expenses.....	95.4	96.1
Operating income.....	4.6	3.9
Other income (expense):		
Interest expense.....	(0.3)	(0.5)
Other, net.....	0.0	0.0
Total other (expense) income.....	(0.3)	(0.5)
Income from continuing operations before income taxes.....	4.3	3.4
Income tax expense.....	(0.9)	(0.7)
Loss from discontinued operations, net.....	(0.2)	(0.2)
Net income.....	3.2%	2.5%

Note: Certain percentage totals do not sum due to rounding.

#### Restaurants open at end of period:

J. Alexander's Restaurant / Redlands Grill.....	32	31
Stoney River Steakhouse and Grill.....	11	10

#### Average weekly sales per restaurant:

J. Alexander's Restaurant / Redlands Grill.....	\$ 109,800	\$ 110,400
Percent change.....	(0.5)%	
Stoney River Steakhouse and Grill.....	\$ 74,200	\$ 70,200
Percent change.....	5.7%	

#### Average weekly same store sales per restaurant:

J. Alexander's Restaurant / Redlands Grill.....	\$ 110,100	\$ 110,600
Percent change.....	(0.5)%	
Stoney River Steakhouse and Grill.....	\$ 70,400	\$ 70,200
Percent change.....	0.3%	

#### Net Sales

Net sales increased by \$1,668, or 0.8%, in fiscal year 2016 compared to fiscal year 2015 due to an increase in sales at Stoney River of \$5,106 which can be attributed to the January 2016 opening of a new location in Germantown, Tennessee that recorded \$5,619 in sales during its first year of operations. The increase in sales at Stoney River was partially offset by a decrease in sales at J. Alexander's and Redlands Grill restaurants of \$3,438. The New Year's Eve week which is historically one of the Company's strongest sales weeks occurred twice during fiscal year 2015, and resulting in a positive impact on both the first and fourth quarters of 2015. Further, the first quarter of fiscal year 2016 began on January 4, 2016 and, as such, did not receive the benefit of the New Year's Eve week. Management estimates that the additional New Year's Eve week included in the first quarter of fiscal year 2015 accounted for \$4,815 in sales including \$3,975 in J. Alexander's / Redlands Grill restaurants and \$840 in Stoney River restaurants. Due to atypically severe winter weather conditions during the first quarter of 2015, our concepts lost 32 days of revenue as a result of weather-related restaurant closures. Additionally, one of the J. Alexander's restaurants was closed for 35 days during the first quarter of 2015 while undergoing a major remodel. During 2016, weather-related restaurant closures resulted in 18 lost revenue days, 10 of which were due to winter storms occurring in the first quarter of 2016, two of which were due to area flooding at one of our locations during the third quarter of 2016 and six lost revenue days occurred due to the effect of a hurricane which impacted certain of our Florida locations in the fourth quarter of 2016.



We recognize revenue from reductions in liabilities for gift cards which, although they do not expire, are considered to be only remotely likely to be redeemed (based on historical redemption rates). These revenues are included in net sales in the amounts of \$347 for 2016 and \$343 for 2015. Based on our historical experience, we consider the probability of redemption of a gift card to be remote when it has been outstanding for 24 months.

Average weekly same store sales at J. Alexander's and Redlands Grill restaurants for 2016 decreased by 0.5% to \$110,100, compared to \$110,600 in 2015. Average weekly same store sales at Stoney River restaurants for 2016 increased by 0.3% to \$70,400, compared to \$70,200 in 2015.

At J. Alexander's / Redlands Grill, the average check per guest, including alcoholic beverage sales, decreased by 1.3% to \$30.41 in 2016 down from \$30.82 in 2015. Management estimates that the effect of menu price decreases was approximately 0.4% in 2016 compared to 2015. This price decrease estimate reflects nominal amounts of menu price changes, without regard to any change in product mix because of price changes, and may not reflect amounts actually paid by guests. Management estimates that weekly average guest counts within the same store base of restaurants increased by 1.0% within the J. Alexander's / Redlands Grill restaurants in 2016 compared to 2015.

Management believes that the decreases in the average check per guest noted above were partially attributable to programs implemented at the beginning of fiscal year 2016 in an effort to improve guest counts within the J. Alexander's / Redlands Grill restaurants. Such programs included emphasizing value oriented feature entrées at both lunch and dinner as well as selected decreases in prices on the printed menus at certain locations, including the Ohio market, and management believes that the resulting improvement in guest counts within the J. Alexander's / Redlands Grill restaurants during fiscal year 2016 is due in large part to these initiatives.

At Stoney River, the average check per guest, including alcoholic beverage sales, decreased by 4.0% to \$44.13 in 2016 from \$45.99 in 2015 reflecting the impact of the new Germantown, Tennessee Stoney River restaurant opened during the January 2016 which has both lunch and dinner service. Because lunch items generally are at a lower price point, the opening of the new location has served to decrease the average check per guest as a concept. For the 10 locations in the same store base of restaurants the average check per guest in 2016 totaled \$46.00 compared to \$45.99 in 2015. Management estimates that the effect of menu price decreases was approximately 0.3% in 2016 compared to 2015. Management estimates that weekly average guest counts within the same store base of restaurants increased by approximately 0.4% in 2016 compared to 2015. For all locations, weekly average guest counts increased by 10.4% in 2016 compared to 2015.

## **Restaurant Costs and Expenses**

Total restaurant operating expenses increased to 86.1% of net sales in 2016 from 85.3% in 2015. The increase in 2016 was due primarily to the effect of lower sales in the J. Alexander's / Redlands Grill same store base of restaurants combined with higher labor costs, additional depreciation and amortization of restaurant equipment as a result of the opening of two new restaurants and the remodeling of other restaurants and increases in certain other operating expenses such as complimentary guest meals and contract services.

Cost of sales, which includes the cost of food and beverages, remained consistent in 2016 relative to 2015 at 31.6% of net sales. While the Company experienced a favorable cost of sales impact due to a decrease in beef prices in 2016, it was also impacted by higher input costs in certain other categories including seafood, primarily salmon, other food items and alcoholic beverages. Management estimates that deflation totaled 1.7% within the J. Alexander's / Redlands Grill locations and 2.9% at the Stoney River concept for 2016.

Beef purchases represented the largest component of consolidated cost of sales and comprised approximately 31% of the food and beverage cost category in 2016. We purchase beef at weekly market prices. Prices paid for beef within the J. Alexander's / Redlands Grill restaurants were lower in 2016 than 2015 by approximately 4.6%, and at Stoney River, prices paid for beef were down 5.3% in 2016 compared to 2015. Our beef purchases currently remain subject to variable market conditions. We continually monitor the beef market and if there are significant changes in market conditions or if attractive opportunities to contract at fixed prices arise, we will consider entering into a fixed price purchasing agreement.

Restaurant labor and related costs totaled 30.6% and 30.2% of net sales in 2016 and 2015, respectively, with the increase in 2016 due primarily to the effect of lower average weekly same store sales in the J. Alexander's / Redlands Grill restaurants as well as the impact of higher labor costs incurred in the new Stoney River restaurant opened during the first quarter of 2016 and, to a lesser extent, the new J. Alexander's restaurant opened during December 2016.

Depreciation and amortization of restaurant property and equipment increased by \$612, or 7.4%, in 2016 compared to 2015 primarily due to additional depreciation expense related to capital expenditures within each concept, including an extensive remodel of

one our J. Alexander's locations in the first quarter of 2015, additional restaurant remodels during the latter part of 2015 coupled with those remodels that occurred in 2016, and the impact of the new Stoney River restaurant opened in the first quarter of 2016.

Other operating expenses, which include restaurant level expenses such as china and supplies, laundry and linen costs, repairs and maintenance, utilities, credit card fees, rent, property taxes and insurance, increased to 20.0% of net sales for 2016 from 19.8% in 2015 due primarily to the effect of lower same store sales in the J. Alexander's / Redlands Grill locations in 2016 as well as increased expense associated with complimentary guest meals and contract services.

### **General and Administrative Expenses**

Total general and administrative expenses, which include all supervisory costs and expenses, management training and relocation costs, and other costs incurred above the restaurant level, increased by \$2,758, or 17.1%, in 2016 compared to 2015. The more significant components of the increase include non-cash share-based compensation expense associated with the Black Knight profits interest grant, which originated in October 2015, and increased by \$1,378 relative to 2015 as well as consulting fees earned by Black Knight in accordance with the Management Consulting Agreement entered into in September 2015 which increased by \$438 compared to 2015. Additional general and administrative expense increases were recorded in non-cash share-based compensation related to stock option grants, insurance costs, accounting and audit fees, salaries and wages, directors' fees, legal fees, investor relations costs, market research costs, employee training and deferred compensation as well as printed materials relative to stockholders' reports, which more than offset the favorable impact of lower expense associated with lower incentive compensation, public relations, employee relocation, franchise taxes and other professional services compared to 2015. Management estimates that costs associated with being a public company totaled approximately \$1,200 in 2016 compared to \$250 in 2015.

### **Transaction and Integration Expenses**

We incurred non-recurring transaction and integration expenses totaling \$64 and \$7,181 during fiscal years 2016 and 2015, respectively. Transaction costs consist primarily of legal and consulting costs, accounting fees, and, to a lesser extent, other professional fees and miscellaneous costs. Integration costs consist primarily of consulting and legal costs. During fiscal year 2015, we incurred transaction costs related to the Spin-off totaling \$5,888, which included the payment of an event bonus and related payroll taxes of \$2,537, legal fees of approximately \$986, and various other professional consulting, accounting and other miscellaneous costs. Further, due to the abandonment of the initial public offering in the second quarter of 2015, deferred offering costs totaling \$1,293 previously capitalized as other current assets were expensed during the second quarter of 2015. The \$64 of transaction costs incurred in fiscal 2016 related to the finalization of the Spin-off distribution transaction that occurred in fiscal 2015.

### **Pre-opening Expenses**

Pre-opening expense consists of expenses incurred prior to opening a new restaurant and includes manager salaries and relocation costs, payroll and related costs for training new employees, travel and lodging expenses for employees who assist with training new employees, and the cost of food and other expenses associated with practice of food preparation and service activities. Pre-opening expense also includes rent expense for leased properties for the period of time between taking control of the property and the opening of the restaurant. For fiscal year 2016, the Company incurred \$1,443 of pre-opening costs which were the result of the opening of the Stoney River location in Germantown, Tennessee and a new J. Alexander's restaurant in Raleigh, North Carolina in December 2016 and the commencement of construction for one new J. Alexander's restaurant in Lexington, Kentucky as well as one new Stoney River restaurant in Chapel Hill, North Carolina. In 2015, pre-opening costs of \$275 were recorded related primarily to the new Stoney River restaurant, which opened in January 2016 in Germantown, Tennessee.

### **Other Income (Expense)**

Interest expense decreased by \$496, or 42.8%, in 2016 compared to 2015, primarily as a result of the refinancing of the remaining \$10,000 balance of the FNF Note on May 20, 2015 at a substantially lower interest rate the benefit of which was experienced for the entirety of fiscal year 2016, as well as debt service payments made over the course of fiscal year 2016 and the capitalization of interest related to the restaurants under construction during a portion of fiscal year 2016.

### **Income Taxes**

We reported income tax expense of \$2,062 in 2016 compared to \$1,555 in 2015. The increase is due to the tax provision recorded in 2016 as a result of the new organizational structure effected by the reorganization transaction which occurred on September 28, 2015. The Company is liable for federal, state and local income taxes for its allocable share of income of J. Alexander's Holdings, LLC. During 2015, income tax expense was lower due to the partnership status of J. Alexander's Holdings, LLC during a significant portion of the year prior to the reorganization transaction mentioned above.

## Discontinued Operations

During 2013, three underperforming J. Alexander's restaurants were closed, and two of these locations were considered to be discontinued operations. Losses from discontinued operations totaling \$434 and \$429 for fiscal years 2016 and 2015, respectively, consist solely of exit and disposal costs which are primarily related to continuing obligations under leases.

## Liquidity and Capital Resources

### Liquidity

The Company is a holding company and the sole managing member of J. Alexander's Holdings, LLC. As such, we control the business and affairs of J. Alexander's Holdings, LLC and its subsidiaries and consolidate J. Alexander's Holdings, LLC and subsidiaries into our consolidated financial statements. Our principal sources of cash are cash and cash equivalents on hand, cash flow from operations and available borrowings under our credit facility. As of December 31, 2017, cash and cash equivalents totaled \$10,711. Our capital needs are primarily for the development and construction of new restaurants, maintenance of and improvements to our existing restaurants and meeting debt service requirements and operating lease obligations. Based on our current growth plans, we believe our cash on hand, expected cash flows from operations and available borrowings under our credit facility will be sufficient to finance our planned capital expenditures, any stock repurchases and other operating activities for the next 12 months.

Consistent with many other restaurant companies, we use operating lease arrangements for many of our restaurants. We believe that these operating lease arrangements provide appropriate leverage for our capital structure in a financially efficient manner.

Our liquidity may be adversely affected by a number of factors, including a decrease in guest traffic or average check per guest due to changes in economic conditions, as described in detail in this Annual Report, under the heading Item 1A. Risk Factors.

### Cash Flows

The table below shows our net cash flows from operating, investing and financing activities for the periods indicated:

	<u>Year Ended</u>		
	<u>December 31, 2017</u>	<u>January 1, 2017</u>	<u>January 3, 2016</u>
<b>Net cash provided by (used in):</b>			
Operating activities .....	\$ 21,260	\$ 16,417	\$ 16,010
Investing activities .....	(13,568)	(21,016)	(13,986)
Financing activities .....	(3,613)	(2,193)	(1,901)
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b><u>\$ 4,079</u></b>	<b><u>\$ (6,792)</u></b>	<b><u>\$ 123</u></b>

*Operating Activities.* Net cash flows provided by operating activities increased to \$21,260 for fiscal year 2017 from \$16,417 for fiscal year 2016, an increase of \$4,843. Our operations generate receipts from guests in the form of cash and cash equivalents, with receivables related to credit card payments considered cash equivalents due to their relatively short settlement period, and the majority of our expenses are paid within a 30-day pay period. In fiscal year 2017, net sales increased by \$13,673 compared to 2016, and total restaurant operating expenses also increased by \$13,549 compared to fiscal year 2016, resulting in a net increase to cash flow from operations of approximately \$124. The additional factors that contributed to increased operating cash inflow include lower payments in 2017 compared to 2016 associated with income taxes and incentive compensation, which were partially offset by increased payments in 2017 over 2016 for transaction costs and consulting fees. Cash used for income tax payments was approximately \$4,136 lower during 2017 compared to 2016 due partially to lower expected taxable income in fiscal year 2017 as compared to fiscal year 2016 and also to the receipt of a refund related to our 2016 federal income tax return. Further, the incentive compensation related to fiscal year 2016 paid during fiscal year 2017 was approximately \$1,006 lower than corresponding payments during fiscal year 2016 related to fiscal year 2015. However, incentive compensation payments made in the third quarter of 2017 to restaurant management related to the first half of fiscal year 2017 were \$147 higher than such payments made in the prior year. Payments associated with transaction costs were higher in fiscal year 2017 by approximately \$1,912 than in fiscal year 2016, thereby reducing cash flow from operations. Additionally, we made a payment during fiscal year 2017 for the annual Black Knight consulting fee of \$729 paid pursuant to the Management Consulting Agreement. This same pro-rated payment was approximately \$207 in fiscal year 2016, resulting in an additional cash outflow of \$522 for 2017 on a comparative basis. Finally, the Company received tenant improvement allowance payments from its lessor at the Stoney River in Chapel Hill, North Carolina pursuant to the terms of its lease agreement during 2017 which totaled \$799. During fiscal year 2016, the Company also received a tenant improvement allowance payment from its lessor at

the Stoney River in Germantown, Tennessee pursuant to the terms of its lease agreement which totaled \$590. The difference between these two payments served to increase cash flow from operations during fiscal year 2017 by \$209.

Net cash flows provided by operating activities increased to \$16,417 for fiscal 2016 from \$16,010 for fiscal 2015, an increase of \$407. During fiscal 2016, net sales increased by \$1,668 as compared to fiscal 2015, and total restaurant operating expenses increased by \$3,165 as compared to fiscal 2015, resulting in a net decrease to cash flow from operations of approximately \$1,497. Additionally, income taxes paid in fiscal 2016 were \$4,541 higher than in fiscal 2015. Also, the Company made a payment during fiscal 2016 for the pro-rated annual Black Knight consulting fee of \$207 earned in fiscal 2015 and paid pursuant to the Management Consulting Agreement. No similar payment existed in fiscal 2015. Insurance prepayments were higher by approximately \$480 in fiscal 2016 compared to fiscal 2015. Due to the timing of payroll payments, payroll taxes deposited with our payroll processor were approximately \$152 higher in fiscal 2016 when compared to fiscal 2015. Finally, a refund related to workers' compensation insurance in the state of Ohio in the amount of \$250 was received in fiscal 2015 with no such refund occurring in fiscal 2016. The factors that contributed to positive operating cash inflow include lower payments in fiscal 2016 associated with incentive compensation, transaction costs and interest relative to fiscal 2015. Transaction cost payments were higher in fiscal 2015 by approximately \$6,674 than in fiscal 2016. Further, the incentive compensation related to fiscal 2015 paid during fiscal 2016 was approximately \$397 lower than corresponding payments during fiscal 2015. Finally, interest payments made during fiscal 2016 were \$418 less than payments made in fiscal 2015.

*Investing Activities.* Net cash used in investing activities for 2017 totaled \$13,568 compared to \$21,016 in 2016, with the 2017 use of cash being attributed primarily to capital expenditures related to the completion of the two new J. Alexander's restaurants, which opened in Raleigh, North Carolina during the latter part of the fourth quarter of 2016 and Lexington, Kentucky during the first quarter of 2017, and the Stoney River restaurant which opened in Chapel Hill, North Carolina during the first quarter of 2017 as well as certain remodels of J. Alexander's / Grills restaurants. Additionally, certain capital expenditures in fiscal year 2017 relate to the two restaurants on which we began construction in the third quarter of 2017 in King of Prussia, Pennsylvania, which will be a J. Alexander's restaurant, and in Troy, Michigan, which will be a Stoney River restaurant.

Net cash used in investing activities for 2016 totaled \$21,016 compared to \$13,986 in 2015, with the cash flow in 2016 being attributed primarily to capital expenditures related to the completion of the Stoney River restaurant which opened in Germantown, Tennessee in January 2016 and the J. Alexander's restaurant which opened in Raleigh, North Carolina in December 2016. Additionally, we remodeled three J. Alexander's / Redlands Grill restaurants and one Stoney River restaurant. Further, there were capital expenditures associated with the two restaurants under construction as of fiscal year end 2016 with operations beginning in the first quarter of 2017.

Net cash used in investing activities for 2015 totaled \$13,986 with the 2015 cash outflow being attributed primarily to capital expenditures related to the completion of the J. Alexander's restaurant which opened in Columbus, Ohio during November 2014, a major remodel of a J. Alexander's restaurant which took place during the first quarter of 2015 and the commencement of construction of the Stoney River restaurant which opened in Germantown, Tennessee in January 2016. The remaining portion of the cash outflows related to the funding of a Rabbi trust during the fourth quarter of 2015.

*Financing Activities.* Net cash used in financing activities for 2017 totaled \$3,613 compared to \$2,193 in 2016. During fiscal year 2017, cash used for financing activities relates primarily to the servicing of the Company's outstanding debt.

Net cash used in financing activities for 2016 totaled \$2,193 compared to \$1,901 in 2015. During fiscal year 2016, cash was used to service the Company's outstanding debt as well as repurchase J. Alexander's Holdings, Inc. common stock under the Company's stock repurchase program in the amount of \$3,203. Further, the Company made tax distributions of \$1,319 in 2016 to former members of J. Alexander's Holdings LLC. Finally, cash used in financing activities in 2016 was partially offset by borrowings on the Development Line of Credit for \$4,000 to fund new restaurant development.

Net cash used in financing activities for 2015 totaled \$1,901 which primarily related to servicing of the outstanding debt. Further, the Company refinanced \$10,000 of the FNF Note with a new term loan by our lender on May 20, 2015, resulting in debt issuance costs associated with the refinancing of \$161.

## **Capital Resources**

### *Long-term Capital Requirements*

Our capital requirements are primarily dependent upon the pace of our growth plan and resulting new restaurants. Our growth plan is dependent on many factors, including economic conditions, real estate markets, restaurant locations and the nature of lease agreements. Our capital expenditure outlays are also dependent on costs for maintenance in our existing restaurants as well as information technology and other general corporate capital expenditures.



The capital resources required for a new restaurant depend on the concept, the size of the building, the day parts the restaurant will offer and whether the restaurant is a ground-up build-out or a conversion. We estimate development costs, net of landlord contributions and excluding pre-opening costs, will range from \$5,000 to \$6,000 for a new J. Alexander's, Redlands Grill, or Stoney River, and anticipate that all new Stoney River restaurants will serve both lunch and dinner. In addition, we expect to spend approximately \$675 per restaurant for pre-opening expenses and pre-opening rent expense, and expect that such expenses will approximate \$1,340 in fiscal year 2018. We anticipate that such costs will be somewhat higher in 2018 as a result of higher rents and other costs anticipated at the restaurant being constructed in King of Prussia, Pennsylvania.

In addition to new store development, we plan to remodel one of our J. Alexander's restaurants and two of our Redlands Grill restaurants in 2018. Further, three of our Stoney River restaurants will undergo extensive exterior reimagining projects and two restaurants will undergo more modest interior reimagining projects during 2018. During 2016, we began remodeling one J. Alexander's restaurant, two Redlands Grill restaurants and one Stoney River restaurant, each of which were completed in 2017. The J. Alexander's / Redlands Grill remodels that began in 2016 and completed in 2017 were routine in nature and resulted in an average cost of approximately \$526 as of December 31, 2017. The one remodel at a Stoney River restaurant started in 2016 and completed in 2017 resulted in a total cost of \$414. During 2017, we began and completed the remodel of one J. Alexander's restaurant and two Redlands Grill restaurants. The J. Alexander's / Redlands Grill remodels were routine in nature and resulted in an average cost of approximately \$515 as of the fiscal year end. We expect to complete three to six J. Alexander's or Redlands Grill remodels each year at an average cost of approximately \$425 per location.

For 2018, we currently estimate capital expenditure outlays will range between \$18,000 and \$20,000, net of any tenant incentives and excluding pre-opening costs. These estimates include the completion of the new J. Alexander's restaurant in King of Prussia, Pennsylvania which is expected to open in the second quarter of 2018 and the completion of the new Stoney River in Troy, Michigan, which is expected to open during the fourth quarter of 2018. Additional capital expenditures will be incurred in connection with the remodels discussed above and to maintain our existing restaurants and for general corporate purposes.

We believe that we can fund our growth plan with cash on hand, cash flows from operations and, if necessary, by the use of our credit facility, depending upon the timing of expenditures.

Additional long-term capital requirements include the funding of the Amended and Restated Salary Continuation Agreements (the "Agreements") in place with certain current and former officers of the Company. Due to the Spin-off, FNF no longer retains a beneficial ownership of at least 40% of J. Alexander's Holdings, LLC, and as such, the Spin-off triggered the obligation of J. Alexander's, LLC, the operating subsidiary of J. Alexander's Holdings, LLC, to establish and fund a "rabbi trust" (the "Trust") under the Agreements. On October 19, 2015, the Trust was established and funded with a total of \$4,304, which was comprised of \$2,415 in cash and \$1,889 in aggregate cash surrender value of whole life insurance policies. These assets are classified as noncurrent within the Company's consolidated financial statements. The Company has made an additional contribution of \$63 to the Trust in fiscal year 2017, and will continue to make additional contributions to the Trust in the future in order to maintain the level of funding required by the agreements.

Additionally, on September 28, 2015, immediately prior to the Spin-off, J. Alexander's Holdings, LLC entered into a Management Consulting Agreement with Black Knight, pursuant to which Black Knight provides corporate and strategic advisory services to J. Alexander's Holdings, LLC. The principal member of Black Knight is William P. Foley, II, Chairman of the board and Chief Executive Officer of Cannae and non-Executive Chairman of the board of FNF. The other members of Black Knight consist of Lonnie J. Stout II, our President, Chief Executive Officer and one of our directors, and other officers of Cannae and FNF.

Under the Management Consulting Agreement, J. Alexander's Holdings, LLC issued to Black Knight non-voting Class B Units, and is required to pay Black Knight an annual fee equal to 3% of J. Alexander's Holdings, Inc.'s Adjusted EBITDA for each fiscal year during the term of the Management Consulting Agreement. J. Alexander's Holdings, LLC also reimburses Black Knight for its direct out-of-pocket costs incurred for management services provided to J. Alexander's Holdings, LLC. Under the Management Consulting Agreement, "Adjusted EBITDA" means J. Alexander's Holdings, Inc.'s net income (loss) before interest expense, income tax (expense) benefit, depreciation and amortization, and adding asset impairment charges and restaurant closing costs, loss on disposals of fixed assets, transaction and integration costs, non-cash compensation, loss from discontinued operations, gain on debt extinguishment and pre-opening expenses. Future cash outlays associated with the Management Consulting Agreement could be significant. The cash fees associated with fiscal years 2017, 2016 and 2015 were approximately \$749, \$729 and \$207, respectively, and we anticipate the payout will be approximately \$825 for fiscal year 2018.

On October 29, 2015, the Company's Board authorized a share repurchase program for up to 1,500,000 shares of the Company's outstanding common stock over the three years ending October 29, 2018. Repurchases will be made in accordance with applicable securities laws and may be made from time to time in the open market. The timing, prices and amount of repurchases will depend upon prevailing market prices, general economic and market conditions and other considerations. The repurchase program does not obligate the Company to acquire any particular amount of stock. As of December 31, 2017, a total of 305,059 shares have



been repurchased and retired under this program at an aggregate purchase price of \$3,203. There was no common stock repurchase activity during fiscal year 2017 or in fiscal year 2018 through the date of this Annual Report.

### *Short-term Capital Requirements*

Our operations have not required significant working capital. Many companies in the restaurant industry operate with a working capital deficit. Guests pay for their purchases with cash or by credit card at the time of the sale while restaurant operations do not require significant inventories or receivables. In addition, trade payables for food and beverage purchases and other obligations related to restaurant operations are not typically due for approximately 30 days after the sale takes place. Since requirements for funding accounts receivable and inventories are relatively insignificant, virtually all cash generated by operations is available to meet current obligations. We had a working capital deficit of \$11,297 at December 31, 2017 compared to a deficit of \$13,331 at January 1, 2017. Management does not believe a low working capital position or working capital deficits impair our overall financial condition.

### *Credit Facility*

Effective September 3, 2013, we obtained a \$16,000 credit facility with our lender that provided for two loans. The borrower under this credit facility was J. Alexander's, LLC, and the credit facility was guaranteed by J. Alexander's Holdings, LLC and all of its significant subsidiaries. The credit facility consisted of a three-year \$1,000 Revolving Line of Credit which may be used for general corporate purposes, and a seven-year \$15,000 mortgage loan (the "Mortgage Loan"). Effective December 9, 2014, we executed an Amended and Restated Loan Agreement which encompasses the two existing loans discussed above dated September 3, 2013 and also included a five-year, \$15,000 Development Line of Credit. Effective May 20, 2015, we executed a Second Amended and Restated Loan Agreement (the "Loan Agreement"), which increased the Development Line of Credit to \$20,000 over a five-year term and also included a five-year, \$10,000 term loan (the "Term Loan"), the proceeds of which were used to repay in full the FNF Note which was scheduled to mature January 31, 2016. Effective September 3, 2016, J. Alexander's, LLC executed a modification agreement with respect to the \$1,000 Revolving Line of Credit originally entered into on September 3, 2013. This modification agreement extended the term of this line of credit from September 3, 2016 to September 3, 2019, with no additional significant changes to the terms of the agreement. The indebtedness outstanding under these facilities is secured by liens on certain personal property of J. Alexander's Holdings, LLC and its subsidiaries, subsidiary guaranties and a mortgage lien on certain real property.

In connection with the refinancing transactions or loan modifications discussed above, lender and legal fees totaling \$465 were incurred, which were capitalized as deferred loan costs and are being amortized over the respective lives of the loans under the credit facility.

Any amount borrowed under the Revolving Line of Credit bears interest at an annual rate of 30 day LIBOR plus a margin equal to 2.50%, with a minimum interest rate of 3.25% per annum. The Mortgage Loan bears interest at an annual rate of 30 day LIBOR plus a margin equal to 2.50%, with a minimum and maximum interest rate of 3.25% and 6.25% per annum, respectively. Both the Development Line of Credit and the Term Loan bear interest at LIBOR plus 220 basis points. The Term Loan is structured on an interest only basis for the first 24 months of the term, followed by a 36 month amortization. The Loan Agreement, among other things, permits payments of tax dividends to members, limits capital expenditures, asset sales and liens and encumbrances, and contains certain other provisions customarily included in such agreements.

The Loan Agreement also includes certain financial covenants. A fixed charge coverage ratio of at least 1.25 to 1 as of the end of any fiscal quarter based on the four quarters then ending must be maintained. The fixed charge coverage ratio is defined in the loan agreement as the ratio of (a) the sum of net income for the applicable period (excluding the effect on such period of any extraordinary or nonrecurring gains or losses, including any asset impairment charges, restaurant closing expenses, changes in valuation allowance for deferred tax assets, and non-cash deferred income tax benefits and expenses and up to \$1,000 (in the aggregate for the term of the loans) in uninsured losses) plus depreciation and amortization plus interest expense plus rent payments plus noncash share based compensation expense minus the greater of either actual store maintenance capital expenditures (excluding major remodeling or image enhancements) or the total number of stores in operation for at least 18 months multiplied by \$40 to (b) the sum of interest expense during such period plus rent payments made during such period plus payments of long-term debt and capital lease obligations made during such period, all determined in accordance with GAAP.

In addition, the maximum adjusted debt to EBITDAR ratio must not exceed 4.0 to 1 at the end of any fiscal quarter. Under the Loan Agreement, EBITDAR is measured based on the then ending four fiscal quarters and is defined as the sum of net income for the applicable period (excluding the effect on such period of any extraordinary or nonrecurring gains or losses, including any asset impairment charges, restaurant closing expenses, changes in valuation allowance for deferred tax assets and non-cash deferred income tax benefits and expenses and up to \$1,000 (in the aggregate for the term of the loans) in uninsured losses) plus an amount that in the determination of net income for the applicable period has been deducted for (i) interest expense; (ii) total federal, state, foreign, or other income taxes; (iii) all depreciation and amortization; (iv) rent payments; and (v) non-cash share based compensation, all as

determined in accordance with GAAP. Adjusted debt is (i) funded debt obligations net of any short-term investments, cash and cash equivalents plus (ii) rent payments multiplied by seven.

If an event of default shall occur and be continuing under the Loan Agreement, the commitment under the Loan Agreement may be terminated, and any principal amount outstanding, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable. J. Alexander's, LLC was in compliance with these financial covenants as of December 31, 2017 and all reporting periods under each covenant prior to that date in fiscal year 2017.

At December 31, 2017, the amounts outstanding under the Development Line of Credit and Revolving Line of Credit were \$4,000 and \$0, respectively, and a total of \$17,000, was available to us for borrowing under these lines of credit on this date. At December 31, 2017, \$7,917 was outstanding under the Mortgage Loan, and an additional \$8,055 was outstanding under the Term Loan. The Second Amended and Restated Loan Agreement in place at December 31, 2017 is secured by the real estate, equipment and other personal property of 12 restaurant locations with an aggregate net book value of \$32,789 at December 31, 2017.

As of December 31, 2017, the aggregate principal amounts of long-term debt maturing for the five fiscal years succeeding December 31, 2017 are as follows:

- 2018—\$9,000;
- 2019—\$5,000;
- 2020—\$5,972;
- 2021—\$0; and
- 2022 and thereafter—\$0.

### Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2017:

	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Long-term debt.....	\$ 19,972	\$ 9,000	\$ 10,972	\$ -	\$ -
Interest payments on long-term debt (1).....	1,129	665	464	-	-
Operating leases.....	43,837	7,774	12,839	8,431	14,793
Total.....	<u>\$ 64,938</u>	<u>\$ 17,439</u>	<u>\$ 24,275</u>	<u>\$ 8,431</u>	<u>\$ 14,793</u>

(1) Interest payments on the Mortgage and Term Loan are estimated at 3.94% and 3.64%, respectively, through the maturity date of each respective loan.

### Off Balance Sheet Arrangements

As of December 31, 2017, we had no financing transactions, arrangements or other relationships with any unconsolidated affiliated entities. Additionally, we are not a party to any financing arrangements involving synthetic leases or trading activities involving commodity contracts.

## Contingent Obligations

From 1975 through 1996, JAC operated restaurants in the quick-service restaurant industry. The discontinuation of these quick-service restaurant operations included disposals of restaurants that were subject to lease agreements which typically contained initial lease terms of 20 years plus two additional option periods of five years each. In connection with certain of these dispositions, the Company through its subsidiaries may remain secondarily liable for ensuring financial performance as set forth in the original lease agreements. We can only estimate our contingent liability relative to these leases, as any changes to the contractual arrangements between the current tenant and the landlord subsequent to the assignment are not required to be disclosed to us. A summary of our estimated contingent liability as of December 31, 2017, is as follows:

Wendy's restaurants (nine leases).....	\$	820
Mrs. Winner's Chicken & Biscuits restaurants (one lease) .....		65
Total contingent liability related to assigned leases .....	\$	<u>885</u>

## Critical Accounting Policies and Estimates

The preparation of our Consolidated Financial Statements, which have been prepared in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management evaluates its estimates and judgments, including those related to its accounting for gift card revenue, property and equipment, investments, leases, impairment of long-lived and indefinite-lived assets, income taxes, share-based compensation, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting estimates are defined as those (a) where the nature of the estimate is material due to the levels of subjectivity and judgement necessary to account for highly uncertain matters or the susceptibility of such matters to change, and (b) the impact of the estimate on financial condition or operating performance is material. Management believes the following critical accounting estimates are those which involve the more significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

## Goodwill and Other Intangible Assets

We account for our goodwill and intangible assets in accordance with Accounting Standards Codification (“ASC”) Topic 350, *Intangibles—Goodwill and Other*. In accordance with ASC Topic 350, goodwill and intangible assets, primarily trade names, which have indefinite useful lives, are not being amortized. However, both goodwill and trade names are subject to annual impairment testing in accordance with ASC Topic 350.

The impairment evaluation for goodwill is conducted annually as of the fiscal year-end date, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. We first perform a qualitative assessment of impairment for these assets, which includes an analysis of macroeconomic factors, industry and market conditions, internal cost factors, overall financial performance and entity-specific events. If the qualitative analysis results in a determination that further testing must be done, a quantitative impairment test is then performed using a two-step process. In the first step, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. The estimated fair value of the reporting unit is generally determined on the basis of discounted future cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, then a second step must be completed in order to determine the amount of the goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit’s goodwill is determined by allocating the reporting unit’s fair value to all of its assets and liabilities other than goodwill in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge is recorded for the difference.

The evaluation of the carrying amount of other intangible assets with indefinite lives is made annually by comparing the carrying amount of these assets to their estimated fair value. The estimated fair value is generally determined on the basis of discounted future cash flows of the restaurant concepts. We make assumptions regarding future profits and cash flows, expected growth rates, terminal value, and other factors which could significantly impact the fair value calculations. If the estimated fair value is less than the carrying amount of the other intangible assets with indefinite lives, then an impairment charge is recorded to reduce the asset to its estimated fair value.

The assumptions used in the estimate of fair value are generally consistent with the past performance of each reporting unit and other intangible assets and are also consistent with the projections and assumptions that are used in current operating plans. These assumptions are subject to change as a result of changing economic and competitive conditions.

### **Lease Accounting**

We are obligated under various lease agreements for certain restaurant facilities and our corporate office. We recognize rent expense on a straight-line basis over the expected lease term. Certain of our leases include rent holidays and/or escalations in payments over the base lease term, as well as the renewal periods. The effects of the rent holidays and escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which begins when we take possession of or are given control of the leased property and includes cancelable option periods when it is deemed to be reasonably assured that we will exercise our options for such periods because we would incur an economic penalty for not doing so. Rent expense incurred during the construction period for a leased restaurant is included in pre-opening expense.

Leasehold improvements for each leased restaurant facility are amortized on the straight-line method over the shorter of the estimated life of the asset or the expected lease term used for lease accounting purposes. Allowances for tenant improvements received from lessors are recorded as deferred rent obligations and credited to rent expense over the term of the lease on a straight-line basis.

Judgments made by management about the probable term for each restaurant facility lease affect the payments that are taken into consideration when calculating straight-line rent expense and the term over which leasehold improvements are amortized. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported if different assumed lease terms were used.

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

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or changes generally include, but are not necessarily limited to, a current period operating loss or cash flow deficit. Our assessment of recoverability of property and equipment is performed on a restaurant-by-restaurant basis. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds the estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The impairment assessment process requires the use of estimates and assumptions regarding future cash flows, operating incomes, and other factors, which are subject to a significant degree of judgment. These include, among other factors, assumptions made regarding a restaurant's future period of operation, sales and operating costs and local market expectations. These estimates can be significantly impacted by changes in the economic environment and overall operating performance. Additional impairment charges could be triggered in the future if expected restaurant performance does not support the carrying amounts of the underlying long-lived restaurant assets or if management decides to close a restaurant location.

### **Share-based Compensation**

We follow the provisions of ASC Topic 718, *Compensation-Stock Compensation*, which requires that we measure and recognize compensation expense for all stock-based payment awards made to employees and directors based on their estimated fair values.

With respect to the management profits interest granted in 2015 and stock option awards granted during fiscal years 2015 and 2016, the grant date fair value was determined using the Black-Scholes-Merton pricing model, and the calculated compensation expense is being recognized on a straight-line basis over the requisite service period under each grant due to their graded vesting schedule. The Black Knight profits interest awards granted on October 6, 2015 are considered non-employee awards as they were granted to the Management Consultant. Therefore, we remeasure the fair value of these awards at each reporting date using the Black-Scholes-Merton pricing model, and the portion of services rendered to each reporting date is applied to the current measure of fair value to determine the expense for the relevant reporting period. The Black-Scholes-Merton pricing model requires assumptions to be made regarding stock price volatility, expected life of the awards and expected dividend rates. Using different assumptions in the pricing model could result in a significantly different valuation of awards and affect stock-based compensation as well as results of operations.

## **Income Taxes**

We account for income taxes in accordance with ASC Topic 740, *Income Taxes*, which establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. The Company recognizes deferred tax assets and liabilities for the future consequences of events that have been recognized in its Consolidated Financial Statements or tax returns. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In establishing deferred tax assets and liabilities, judgements and interpretations are made based on enacted tax laws and published tax guidance applicable to our operations.

In the event the future consequences of differences between financial reporting bases and tax bases of the Company's assets and liabilities result in a net deferred tax asset, an evaluation is made of the probability of the Company's ability to realize the future benefits of such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that all or some portion of the deferred tax asset will not be realized. Management assesses the likelihood of realization of our net deferred tax assets and the need for a valuation allowance with respect to those assets based on the weight of available positive and negative evidence. Such evidence includes future projected taxable income, the expiration dates of operating loss carryforwards and any pre-tax losses. As of December 31, 2017, management determined that a valuation allowance of \$105 was necessary relative to certain state net operating loss carryforwards which are not expected to be realized.

In addition, certain other components of the Company's provision for income taxes must be estimated. These include, but are not limited to, uncertain tax positions, effective state tax rates, and estimates related to depreciation expense allowable for tax purposes. These estimates are made based on the best available information at the time the tax provision is prepared. Income tax returns are generally not filed, however, until several months after year-end. All tax returns are subject to audit by federal and state governments, usually years after the returns are filed, and could be subject to differing interpretations of the tax laws.

The above listing is not intended to be a comprehensive listing of all of the Company's accounting policies and estimates. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. For further information, refer to the Consolidated Financial Statements and notes thereto included elsewhere in this filing which contain accounting policies and other disclosures required by GAAP.

## **Recent Accounting Pronouncements**

Information regarding recent accounting pronouncements may be found in Part II, Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements, Note 2 – Summary of Significant Accounting Policies in this Annual Report.

## **Impact of Inflation and Other Factors**

Over the past three years, inflation has not significantly impacted our operations. However, the impact of inflation on labor, food, energy and occupancy costs could, in the future, significantly impact our operations. We pay many of our employees hourly rates related to the applicable federal or state minimum wage. Food costs as a percentage of revenues have been somewhat stable (with the exception of beef discussed in greater detail below) due to our continued focus on procurement efficiencies and menu price adjustments, although no assurance can be made that we can continue to improve our procurement or that we will be able to raise menu prices in the future. Utilities account for a sizeable portion of operating expense at the restaurant level, a component of which is impacted by fluctuations in energy costs. As a result, utilities impact operating income. By owning a number of our properties, we avoid certain increases in occupancy costs. Costs for construction, taxes, repairs, maintenance and insurance all impact our occupancy costs. We believe our current strategy, which seeks to maintain operating margins through a combination of menu price increases, strategic lunch and dinner features, cost controls, careful evaluation of property and equipment needs, and efficient purchasing practices has been an effective tool for dealing with inflation. There can be no assurances that future inflation or other cost pressures will be offset by this strategy. With respect to beef, prices have fluctuated over the past year. Our beef purchases currently remain subject to variable market conditions. We expect that beef prices in 2018 will be consistent with or perhaps experience modest increases due to a potential rise in shipping and freight costs relative to fiscal year 2017. We continually monitor the beef market and if there are significant changes in market conditions or attractive opportunities to contract at fixed prices arise, we will consider entering into a fixed price purchasing agreement.



## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

### **Interest Rate Risk**

The inherent risk in market risk sensitive instruments and positions primarily relates to potential losses arising from adverse changes in interest rates.

We are exposed to market risk from fluctuations in interest rates. For fixed rate debt, interest rate changes affect the fair market value of the debt but do not impact earnings or cash flows. Conversely for variable rate debt, which represents all borrowings outstanding or available under our credit facility, interest rate changes generally do not affect the fair market value of the debt, but do impact future earnings and cash flows, assuming other factors are held constant. As of the date of this Annual Report, we had no outstanding borrowings on our Revolving Line of Credit and \$4,000 in outstanding borrowings relative to our Development Line of Credit. Both the Mortgage Loan and Revolving Line of Credit bear interest at an annual rate of 30 day LIBOR plus a margin of 2.5%, with a minimum of 3.25% per annum, whereas the Term Loan and the Development Line of Credit bear interest at a rate of 30 day LIBOR plus a margin of 2.2%. Assuming a full drawdown on the \$1,000 Revolving Line of Credit and the \$20,000 Development Line of Credit, and assuming that the variable rate debt was at the minimum rate of 3.25% per annum, a hypothetical immediate one percentage point change in interest rates would be expected to have an impact on pre-tax earnings and cash flows of approximately \$370 over the course of 12 months.

### **Commodity Price Risk**

We are exposed to market price fluctuations in beef, seafood, produce and other food product prices. Given the historical volatility of beef, seafood, produce and other food product prices, these fluctuations can materially impact our food and beverage costs. While we have taken steps to qualify multiple suppliers who meet our standards as suppliers for our restaurants and have entered into agreements with suppliers for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not fluctuate due to weather and other market conditions outside of our control. Consequently, such commodities can be subject to unforeseen supply and cost fluctuations. Dairy costs can also fluctuate due to government regulation. Because we typically set our menu prices in advance of our food product prices, our menu prices cannot immediately take into account changing costs of food items. To the extent that we are unable to pass the increased costs on to our guests through price increases, our results of operations would be adversely affected. We do not use financial instruments to hedge our risk to market price fluctuations in beef, seafood, produce and other food product prices at this time.

**Item 8. Financial Statements and Supplementary Data**

INDEX OF FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm.....	60
Consolidated Balance Sheets - December 31, 2017 and January 1, 2017.....	61
Consolidated Statements of Income and Comprehensive Income - Years Ended December 31, 2017, January 1, 2017 and January 3, 2016 .....	62
Consolidated Statements of Members' / Stockholders' Equity - Years Ended December 31, 2017, January 1, 2017 and January 3, 2016 .....	63
Consolidated Statements of Cash Flows - Years Ended December 31, 2017, January 1, 2017 and January 3, 2016 .....	64
Notes to Consolidated Financial Statements .....	65

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
J. Alexander's Holdings, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of J. Alexander's Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2017 and January 1, 2017, the related consolidated statements of income and comprehensive income, members' / stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and January 1, 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2004.

Nashville, Tennessee  
March 15, 2018

**J. Alexander's Holdings, Inc. and Subsidiaries**  
Consolidated Balance Sheets  
December 31, 2017 and January 1, 2017  
(In thousands, except share and per share amounts)

	December 31, 2017	January 1, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	\$ 10,711	\$ 6,632
Accounts and notes receivable .....	1,446	1,555
Inventories .....	2,804	2,538
Prepaid expenses and other current assets .....	3,769	3,648
Total current assets .....	18,730	14,373
Other assets .....		
Property and equipment, at cost, less accumulated depreciation and amortization of \$43,484 and \$34,164 as of December 31, 2017 and January 1, 2017, respectively .....	103,615	101,470
Goodwill .....	15,737	15,737
Tradenname and other indefinite-lived assets .....	25,202	25,155
Deferred charges, less accumulated amortization of \$247 and \$197 as of December 31, 2017 and January 1, 2017, respectively .....	184	291
Total assets .....	\$ 169,651	\$ 163,038
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable .....	\$ 6,587	\$ 6,929
Accrued expenses and other current liabilities .....	10,745	9,486
Unearned revenue .....	3,695	3,400
Current portion of long-term debt .....	9,000	7,889
Total current liabilities .....	30,027	27,704
Long-term debt, net of portion classified as current and deferred loan costs .....	10,781	15,418
Deferred compensation obligations .....	6,451	6,010
Deferred income taxes .....	2,075	4,031
Other long-term liabilities .....	6,456	5,555
Total liabilities .....	55,790	58,718
Stockholders' Equity:		
Common stock, par value \$0.001 per share: Authorized 30,000,000 shares; issued and outstanding 14,695,176 shares as of December 31, 2017 and January 1, 2017, respectively .....	15	15
Preferred stock, par value \$0.001 per share: Authorized 10,000,000 shares; no shares issued and outstanding as of December 31, 2017 or January 1, 2017 .....	-	-
Additional paid-in capital .....	95,151	94,404
Retained earnings .....	13,495	6,161
Total stockholders' equity attributable to J. Alexander's Holdings, Inc. ....	108,661	100,580
Non-controlling interests .....	5,200	3,740
Total stockholders' equity .....	113,861	104,320
Commitments and contingencies .....		
Total liabilities and stockholders' equity .....	\$ 169,651	\$ 163,038

See accompanying Notes to Consolidated Financial Statements.

**J. Alexander's Holdings, Inc. and Subsidiaries**  
Consolidated Statements of Income and Comprehensive Income  
Years ended December 31, 2017, January 1, 2017 and January 3, 2016  
(In thousands, except per share amounts)

	Year Ended		
	December 31, 2017	January 1, 2017	January 3, 2016
Net sales .....	\$ 233,255	\$ 219,582	\$ 217,914
Costs and expenses:			
Cost of sales .....	74,548	69,320	68,806
Restaurant labor and related costs .....	71,541	67,102	65,860
Depreciation and amortization of restaurant property and equipment .....	9,999	8,834	8,222
Other operating expenses .....	46,590	43,873	43,076
Total restaurant operating expenses .....	202,678	189,129	185,964
Transaction and integration expenses .....	3,529	64	7,181
General and administrative expenses .....	18,886	18,852	16,094
Pre-opening expenses .....	1,038	1,443	275
Total operating expenses .....	226,131	209,488	209,514
Operating income .....	7,124	10,094	8,400
Other income (expense):			
Interest expense .....	(816)	(662)	(1,158)
Other, net .....	118	107	97
Total other expense .....	(698)	(555)	(1,061)
Income from continuing operations before income taxes .....	6,426	9,539	7,339
Income tax benefit (expense) .....	1,347	(2,062)	(1,555)
Loss from discontinued operations, net .....	(439)	(434)	(429)
Net income .....	<u>\$ 7,334</u>	<u>\$ 7,043</u>	<u>\$ 5,355</u>
<b>Basic earnings per share:</b>			
Income from continuing operations, net of tax .....	\$ 0.53	\$ 0.50	\$ 0.39
Loss from discontinued operations, net .....	(0.03)	(0.03)	(0.03)
Basic earnings per share .....	<u>\$ 0.50</u>	<u>\$ 0.48</u>	<u>\$ 0.36</u>
<b>Diluted earnings per share:</b>			
Income from continuing operations, net of tax .....	\$ 0.53	\$ 0.50	\$ 0.38
Loss from discontinued operations, net .....	(0.03)	(0.03)	(0.03)
Diluted earnings per share .....	<u>\$ 0.50</u>	<u>\$ 0.47</u>	<u>\$ 0.36</u>
<b>Weighted-average common shares outstanding:</b>			
Basic .....	14,695	14,821	15,000
Diluted .....	14,768	14,840	15,037
Comprehensive income .....	<u>\$ 7,334</u>	<u>\$ 7,043</u>	<u>\$ 5,355</u>

See accompanying Notes to Consolidated Financial Statements.  
Per share amounts may not sum due to rounding.



**J. Alexander's Holdings, Inc. and Subsidiaries**  
Consolidated Statements of Members' / Stockholders' Equity  
Years ended December 31, 2017, January 1, 2017 and January 3, 2016  
(In thousands, except share amounts)

	Outstanding shares	Common stock	Additional paid-in capital	Retained earnings	Members' equity	Non- controlling interests	Total
Balances at December 28, 2014.....	-	\$ -	-	-	\$ 96,889	-	\$ 96,889
Tax distributions .....	-	-	-	-	(68)	-	(68)
Share-based compensation.....	-	-	-	-	388	-	388
Net income.....	-	-	-	-	3,034	-	3,034
Balances at September 27, 2015 .....	-	-	-	-	100,243	-	100,243
Effect of reorganizational and distribution transactions.....	15,000,235	15	99,840	-	(100,243)	388	-
Tax effect of reorganizational and distribution transactions....	-	-	(4,629)	-	-	-	(4,629)
Share-based compensation.....	-	-	72	-	-	796	868
Net income.....	-	-	-	2,321	-	-	2,321
Balances at January 3, 2016.....	15,000,235	15	95,283	2,321	-	1,184	98,803
Tax distributions .....	-	-	(1,319)	-	-	-	(1,319)
Purchases of common stock.....	(305,059)	-	-	(3,203)	-	-	(3,203)
Share-based compensation.....	-	-	440	-	-	2,556	2,996
Net income.....	-	-	-	7,043	-	-	7,043
Balances at January 1, 2017.....	14,695,176	15	94,404	6,161	-	3,740	104,320
Share-based compensation.....	-	-	747	-	-	1,460	2,207
Net income.....	-	-	-	7,334	-	-	7,334
Balances at December 31, 2017.....	14,695,176	15	\$ 95,151	\$ 13,495	\$ -	\$ 5,200	\$ 113,861

See accompanying Notes to Consolidated Financial Statements.

**J. Alexander's Holdings, Inc. and Subsidiaries**  
Consolidated Statements of Cash Flows  
Years ended December 31, 2017, January 1, 2017 and January 3, 2016  
(In thousands)

	Year Ended		
	December 31, 2017	January 1, 2017	January 3, 2016
<b>Cash flows from operating activities:</b>			
Net income .....	\$ 7,334	\$ 7,043	\$ 5,355
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment .....	10,287	9,110	8,523
Amortization of lease assets and liabilities and deferred charges .....	404	340	339
Equity-based compensation expense .....	2,207	2,996	1,256
Deferred income taxes .....	(2,257)	(895)	334
Other, net .....	147	251	256
Changes in assets and liabilities:			
Accounts and notes receivable .....	109	(1,136)	(169)
Inventories .....	(266)	(340)	108
Prepaid expenses and other current assets .....	(121)	(709)	64
Accounts payable .....	391	(160)	227
Accrued expenses and other current liabilities .....	1,259	(1,839)	(781)
Unearned revenue .....	295	186	(253)
Deferred compensation obligations .....	441	295	161
Other assets and liabilities, net .....	1,030	1,275	590
Net cash provided by operating activities .....	<u>21,260</u>	<u>16,417</u>	<u>16,010</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment .....	(13,312)	(20,777)	(11,431)
Rabbi trust contribution .....	(63)	-	(2,415)
Other investing activities .....	(193)	(239)	(140)
Net cash used in investing activities .....	<u>(13,568)</u>	<u>(21,016)</u>	<u>(13,986)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from borrowing under debt agreement .....	-	4,000	10,000
Payments on long-term debt and obligations under capital leases .....	(3,611)	(1,667)	(11,671)
Purchases of common stock .....	-	(3,203)	-
Tax distributions to J. Alexander's Holdings, LLC members .....	-	(1,319)	-
Other financing activities .....	(2)	(4)	(230)
Net cash used in financing activities .....	<u>(3,613)</u>	<u>(2,193)</u>	<u>(1,901)</u>
Increase (decrease) in cash and cash equivalents .....	4,079	(6,792)	123
Cash and cash equivalents at beginning of year .....	6,632	13,424	13,301
Cash and cash equivalents at end of year .....	<u>\$ 10,711</u>	<u>\$ 6,632</u>	<u>\$ 13,424</u>
<b>Supplemental disclosures:</b>			
Property and equipment obligations accrued at beginning of year .....	\$ 2,587	\$ 1,845	\$ 1,444
Property and equipment obligations accrued at end of year .....	1,854	2,587	1,845
Cash paid for interest .....	797	691	1,109
Cash paid for income taxes .....	850	4,986	445

See accompanying Notes to Consolidated Financial Statements.

**J. Alexander's Holdings, Inc. and Subsidiaries**  
Notes to Consolidated Financial Statements  
December 31, 2017, January 1, 2017 and January 3, 2016  
(Dollars in thousands)

**Note 1 – Organization and Business**

*Separation from FNF and Equity Structure*

On August 15, 2014, J. Alexander's Holdings, Inc. (the "Company") was incorporated in the state of Tennessee as a wholly-owned subsidiary of Fidelity National Financial, Inc. ("FNF"). On September 16, 2015, the Company entered into a separation and distribution agreement with FNF, pursuant to which FNF agreed to distribute one hundred percent of its shares of the Company's common stock, par value \$0.001, on a pro rata basis, to the holders of then Fidelity National Financial Ventures, LLC ("FNFV") Group common stock, FNF's then tracking stock traded on The New York Stock Exchange ("The NYSE"). Holders of then FNFV Group common stock received, as a distribution from FNF, approximately 0.17271 shares of the Company's common stock for every one share of FNFV Group common stock held at the close of business on September 22, 2015, the record date for the distribution (the "Distribution"). Note that FNFV is now conducting business independently as Cannae Holdings, Inc., ("Cannae") subsequent to its split-off from FNF effective November 20, 2017. Concurrent with the Distribution, certain reorganization changes were made, resulting in the Company owning all of the outstanding Class A Units and becoming the sole managing member of J. Alexander's Holdings, LLC, the parent company of all operating subsidiaries. Also concurrent with the Distribution, the Second Amended and Restated LLC Agreement of J. Alexander's Holdings, LLC was entered into, resulting in a total number of Class A Units outstanding of 15,000,235. Additionally, a total of 833,346 Class B Units granted to certain members of management effective on January 1, 2015 were also outstanding at the date of Distribution. The Distribution was completed on September 28, 2015.

On September 28, 2015, immediately prior to the Distribution, J. Alexander's Holdings, LLC entered into the Management Consulting Agreement with Black Knight Advisory Services, LLC ("Black Knight"), pursuant to which Black Knight provides corporate and strategic advisory services to J. Alexander's Holdings, LLC. In accordance with the Management Consulting Agreement, J. Alexander's Holdings, LLC granted 1,500,024 Class B Units to Black Knight as a profits interest grant on October 6, 2015.

As a result of the Distribution, effective September 29, 2015, the Company is an independent public company and its common stock is listed on the NYSE under the symbol "JAX". As of December 31, 2017, a total of 14,695,176 shares of the Company's common stock, par value \$0.001, were outstanding.

On October 29, 2015, the Company's Board of Directors (the "Board") authorized a share repurchase program for up to 1,500,000 shares of the Company's outstanding common stock over the three years ending October 29, 2018. Share repurchases under the program have been made and are expected to be made solely from cash on hand and available operating cash flow. Repurchases will be made in accordance with applicable securities laws and may be made from time to time in the open market. The timing, prices and amount of repurchases will depend upon prevailing market prices, general economic and market conditions and other considerations. The repurchase program does not obligate the Company to acquire any particular amount of stock. As of December 31, 2017, 305,059 shares have been repurchased and retired under this program at an aggregate purchase price of \$3,203.

*Business of J. Alexander's*

The Company, through J. Alexander's Holdings, LLC and its subsidiaries, owns and operates full service, upscale restaurants under the J. Alexander's, Redlands Grill, Lyndhurst Grill and Stoney River Steakhouse and Grill ("Stoney River") concepts. At December 31, 2017 and January 1, 2017, restaurants operating within the J. Alexander's concept consisted of 19 and 20 restaurants, in 11 and 10 states, respectively, as one new J. Alexander's restaurant began operations during the first quarter of 2017 in Lexington, Kentucky, one J. Alexander's restaurant closed during the first quarter of 2017 in Houston, Texas and one J. Alexander's restaurant converted to a Lyndhurst Grill in the first quarter of 2017 in Lyndhurst, Ohio. At December 31, 2017 and January 1, 2017, restaurants operating within the Stoney River concept consisted of 12 and 11 locations within seven and six states, respectively, as one new Stoney River restaurant began operations during the first quarter of 2017 in Chapel Hill, North Carolina. At December 31, 2017, and January 1, 2017, restaurants operating within the Redlands Grill concept consisted of 12 locations within eight states. Each concept's restaurants are concentrated primarily in the East, Southeast, and Midwest regions of the United States. The Company does not have any restaurants operating under franchise agreements.

## Note 2 – Summary of Significant Accounting Policies

### a) *Principles of Consolidation and Basis of Presentation*

The Consolidated Financial Statements are prepared in accordance with United States generally accepted accounting principles (“GAAP”), and include the accounts of the Company as well as the accounts of its majority-owned subsidiaries. All intercompany profits, transactions, and balances between the Company and its subsidiaries have been eliminated. It is the Company’s policy to reclassify prior year amounts to conform to the current year’s presentation for comparative purposes, if such a reclassification is warranted.

As discussed in Note 1, as a result of the Distribution, certain reorganization changes were made resulting in the Company owning all of the outstanding Class A Units and becoming the sole managing member of J. Alexander’s Holdings, LLC. The reorganization transactions were accounted for as a non-substantive transaction in a manner similar to a transaction between entities under common control pursuant to Accounting Standards Codification (“ASC”) 805-50 *Transactions between Entities under Common Control*, and as such, recognized the assets and liabilities transferred at their carrying amounts on the date of transfer. The Company is a holding company with no direct operations that holds as its sole asset an equity interest in J. Alexander’s Holdings, LLC, and relies on J. Alexander’s Holdings, LLC to provide it with funds necessary to meet any financial obligations. The Consolidated Financial Statements for periods prior to the Distribution date of September 28, 2015 represents the historical operating results and financial position of J. Alexander’s Holdings, LLC.

### b) *Fiscal Year*

The Company utilizes a 52- or 53-week accounting period which ends on the Sunday closest to December 31, and each quarter typically consists of 13 weeks. Fiscal years 2017 and 2016 each included 52 weeks of operations, and fiscal year 2015 included 53 weeks of operations, including a 14-week fourth quarter.

### c) *Discontinued Operations and Restaurant Closing Costs*

During 2013, three J. Alexander’s restaurants were closed, and two of these restaurants were considered to be discontinued operations. Additionally, the Company closed one J. Alexander’s location during the first quarter of 2017 as the restaurant’s lease had reached the end of its term. Since the closure of this restaurant does not represent a strategic shift that will have a major effect on the Company’s operations and financial results, its results of operations and expenses associated with its closure have not been included in discontinued operations. Income (loss) from continuing operations before income taxes associated with this location was \$30, \$(179) and \$47 for fiscal years 2017, 2016 and 2015, respectively. During fiscal years 2017, 2016 and 2015, restaurant closing costs totaled \$571, \$437 and \$432, respectively, \$439, \$434 and \$429, respectively, of which related to locations included in discontinued operations and consist solely of exit and disposal costs which are primarily related to a continuing obligation under a lease agreement for one of these closed locations. The remaining costs associated with the two locations which are not considered discontinued operations are presented in the “General and administrative expenses” line item on the Consolidated Statements of Income and Comprehensive Income, and consist largely of restaurant employee severance, travel costs and various other exit and disposal expenses.

### d) *Cash and Cash Equivalents*

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased. Cash also consists of payments due from third-party credit card issuers for purchases made by guests using the issuers’ credit cards. The issuers typically remit payment within three to four days of a credit card transaction.

### e) *Accounts and Notes Receivable*

Accounts receivable are primarily related to amounts due from third-party gift card sellers, expected workers’ compensation rebates and vendor rebates, which have been earned but not yet received.

### f) *Inventories*

Inventories are stated at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis.

**g) Property and Equipment, Net**

The Company states property and equipment at cost less accumulated depreciation and amortization. Depreciation and amortization expense is calculated using the straight-line method. The useful lives of assets are typically 30–40 years for buildings and land improvements and two–10 years for furniture, fixtures, and equipment. Leasehold improvements are amortized over the lesser of the useful life or the remaining lease term, generally inclusive of renewal periods. Equipment under capital leases is amortized to its expected residual value at the end of the lease term. Gains or losses are recognized upon the disposal of property and equipment, and the asset and related accumulated depreciation and amortization are removed from the accounts. Maintenance, repairs and betterments that do not enhance the value of or increase the life of the assets are expensed as incurred. The Company capitalizes all direct external costs associated with obtaining the land, building, and equipment for each new restaurant, as well as construction period interest. All direct external costs associated with obtaining the dining room and kitchen equipment, signage, and other assets and equipment are also capitalized.

Certain direct and indirect costs are capitalized as building and leasehold improvement costs in conjunction with capital improvement projects at existing restaurants and acquiring and developing new restaurant sites. Such costs are amortized over the life of the related assets.

**h) Goodwill and Other Intangible Assets**

Goodwill represents the excess of cost over fair value of net assets acquired in a previous acquisition of the Company's predecessor by FNF in 2012. Intangible assets include trade names, deferred loan costs, and liquor licenses at certain restaurants. Goodwill, trade names, and liquor licenses are not subject to amortization, but are tested for impairment annually as of the fiscal year-end date, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount of the goodwill or indefinite-lived intangible asset exceeds its fair value.

The Company performed the fiscal year 2017 annual review of goodwill in accordance with Accounting Standards Update ("ASU") No. 2011-08, *Testing Goodwill for Impairment*, which allows for the performance of a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test. The qualitative assessment includes an analysis of macroeconomic factors, industry and market conditions, internal cost factors, overall financial performance and entity-specific events. ASU No. 2012-02, *Testing Indefinite-lived Intangible Assets for Impairment*, also provides an entity the option to perform a qualitative assessment with regard to the testing of its indefinite-lived intangible assets. The Company performed the fiscal year 2017 annual review of impairment for its indefinite-lived intangibles in accordance with this guidance. It was determined that no impairment of goodwill or indefinite-lived intangible assets existed as of December 31, 2017, January 1, 2017 or January 3, 2016 and, accordingly, no impairment losses were recorded.

Deferred loan costs are subject to amortization and are classified in the "Long-term debt, net of portion classified as current and deferred loan costs" line item on the Consolidated Balance Sheets. Deferred loan costs are amortized principally by the interest method over the life of the related debt. For the next five fiscal years, scheduled amortization of deferred loan costs is as follows: 2018 – \$86; 2019 – \$83; 2020 – \$22; 2021 – \$0; 2022 and thereafter – \$0.

**i) Impairment of Long-Lived Assets**

In accordance with ASC Topic 360, *Property, Plant, and Equipment*, long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge may be recognized for the amount by which the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group based upon the future highest and best use of the impaired asset or asset group. Fair value is determined by projected future discounted cash flows for each location or the estimated market value of the assets. The asset impairment charges are generally recorded in the Consolidated Statements of Income and Comprehensive Income in the financial statement line item "Asset impairment charges and restaurant closing costs," but are also recorded in the line item "Loss from discontinued operations, net" when applicable. Assets to be disposed of are separately presented in the Consolidated Balance Sheets and reported at the lower of carrying amount or fair value less costs to sell, and are no longer depreciated.

No impairment charges were recorded for the years ended December 31, 2017, January 1, 2017 or January 3, 2016.



**j) *Operating Leases***

The Company through its subsidiaries has land only, building only, and land and building leases that are recorded as operating leases. Most of the leases have rent escalation clauses and some have rent holiday and contingent rent provisions. The rent expense under these leases is recognized on the straight-line basis over an expected lease term, including cancelable option periods when it is reasonably assured that such option periods will be exercised because failure to do so would result in a significant economic penalty. The Company begins recognizing rent expense on the date that it or its subsidiaries become legally obligated under the lease and takes possession of or is given control of the leased property. Rent expense incurred during the construction period for a leased restaurant location is included in pre-opening expense. Contingent rent expense is based upon sales levels and is typically accrued when it is deemed probable that it will be payable. Tenant improvement allowances received from landlords under operating leases are recorded as deferred rent obligations.

The same lease life that is used for the straight-line rent calculation is also used for assessing leases for capital or operating lease accounting.

**k) *Revenue Recognition***

Restaurant revenues are recognized when food and service are provided. Unearned revenue represents the liability for gift cards, which have been sold but not redeemed. Upon redemption, net sales are recorded and the liability is reduced by the amount of card values redeemed. Reductions in liabilities for gift cards that, although they do not expire, are considered to be only remotely likely to be redeemed and for which there is no legal obligation to remit balances under unclaimed property laws of the relevant jurisdictions (breakage), have been recorded as revenue and are included in net sales in the Consolidated Statements of Income and Comprehensive Income. Based on historical experience, management currently considers the probability of redemption of a gift card to be remote when it has been outstanding for 24 months.

The Company records breakage related to sold gift cards when the likelihood of redemption becomes remote. Breakage of \$311, \$347 and \$343 related to gift cards was recorded in fiscal years 2017, 2016 and 2015, respectively.

**l) *Vendor Rebates***

Vendor rebates are received from various nonalcoholic beverage suppliers and suppliers of food products and supplies. Rebates are recognized as a reduction to cost of sales in the period in which they are earned.

**m) *Advertising Costs***

Costs of advertising are charged to expense at the time the costs are incurred. Advertising expense totaled \$124, \$92 and \$76, during fiscal years 2017, 2016 and 2015, respectively.

**n) *Transaction and Integration Costs***

The Company and its subsidiaries have historically grown through improving operations, food quality and the guest experience. However, the Company has experienced recent transactions and proposed transactions which have resulted in certain nonrecurring transaction and integration costs being incurred. Transaction costs typically consist primarily of legal and consulting costs, accounting fees, and to a lesser extent other professional fees and miscellaneous costs. Integration costs typically consist primarily of consulting and legal costs.

During fiscal year 2015, transaction costs associated with the Distribution discussed in Note 1 in the amount of \$7,181 were incurred, \$1,675 of which represented the write-off of deferred offering costs previously capitalized in 2014 as a result of the abandonment of the initial public offering in 2015. Deferred offering costs primarily consisted of direct, incremental legal and accounting fees relating to the pursuit of an initial public offering. During fiscal year 2016, transaction and integration costs of \$64 were incurred related to the finalization of the Distribution transaction.

In addition, the Company incurred transaction costs associated with the proposed acquisition of the Ninety Nine Restaurant and Pub concept (“99 Restaurants”) totaling \$3,529 in fiscal year 2017. Such costs consisted primarily of fairness opinion fees, legal, accounting, and consulting fees as well as other miscellaneous costs. During fiscal year 2018, the Company announced that it did not receive the required number of disinterested shareholder votes to approve the proposed acquisition, and the merger agreement was thereafter terminated. Refer to Note 20 – Subsequent Events for additional discussion of the proposed acquisition.

***o) Income Taxes***

Income taxes are accounted for using the assets and liability method, whereby deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and for operating loss and tax credit carryforwards. The deferred taxes generated within the J. Alexander's Holdings, LLC partnership are accounted for using the "outside basis" approach, and the deferred taxes outside of the partnership are accounted for using the "inside basis" approach. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized.

The benefits of uncertain tax positions are recognized in the Consolidated Financial Statements only after determining a more likely than not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, these probabilities are reassessed and any appropriate changes are recorded in the Consolidated Financial Statements. Uncertain tax positions are accounted for by determining the minimum recognition threshold that a tax position is required to meet before being recognized in the Consolidated Financial Statements. This determination requires the use of judgment in assessing the timing and amounts of deductible and taxable items. Tax positions that meet the more likely than not recognition threshold are recognized and measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties accrued related to unrecognized tax benefits or income tax settlements are recognized as components of income tax expense.

***p) Concentration of Credit Risk***

Financial instruments that are potentially exposed to a concentration of credit risk are cash and cash equivalents and accounts receivable. Operating cash balances are maintained in noninterest-bearing transaction accounts, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250. Further, a certain portion of the assets held in a rabbi trust (the "Trust") consists of cash and cash equivalents. The Company places cash with high-credit-quality financial institutions, and at times, such cash may be in excess of the federally insured limit. However, there have been no losses experienced related to these balances, and the credit risk is believed to be minimal. Also, the Company believes that its risk related to cash equivalents from third-party credit card issuers for purchases made by guests using the issuers' credit cards is not significant due to the number of banks involved and the fact that payment is typically received within three to four days of a credit card transaction. Therefore, the Company does not believe it has significant risk related to its cash and cash equivalents accounts. Another portion of the assets held in the Trust consists of U.S. Treasury bonds as well as a small number of corporate bonds with ratings no lower than BBB+. The Company believes the credit risk associated with such bonds to be minimal given the historical stability of the U.S. government and the investment grade bond ratings relative to the corporate issuers. Concentrations of credit risk with respect to accounts receivable are related principally to receivables from governmental agencies related to refunds of franchise and income taxes. The Company does not believe it has significant risk related to accounts receivable due to the nature of the entities involved.

***q) Use of Estimates***

Management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the periods presented to prepare these Consolidated Financial Statements in conformity with GAAP. Significant items subject to such estimates and assumptions include those related to the accounting for gift card breakage, determination of uncertain tax positions and the valuation allowance relative to deferred tax assets, if any, estimates of useful lives of property and equipment and leasehold improvements, the carrying amount of intangible assets, fair market valuations, determination of lease terms, and accounting for impairing losses, contingencies, and litigation. Actual results could differ from these estimates.

***r) Sales Taxes***

Revenues are presented net of sales taxes. The obligation for sales taxes is included in accrued expenses and other current liabilities until the taxes are remitted to the appropriate taxing authorities.

***s) Pre-opening Expense***

Pre-opening costs are accounted for by expensing such costs as they are incurred.

**t) *Comprehensive Income***

Total comprehensive income or loss is comprised solely of net income or net loss for all periods presented. Therefore, a separate statement of comprehensive income is not included in the accompanying Consolidated Financial Statements.

**u) *Segment Reporting***

The Company through its subsidiaries owns and operates full-service, upscale restaurants under four concepts exclusively in the United States that have similar economic characteristics, products and services, class of customer and distribution methods. The Company believes it meets the criteria for aggregating its operating segments into a single reportable segment.

**v) *Non-controlling Interests***

Non-controlling interests on the Consolidated Balance Sheets represents the portion of the Company's net assets of attributable to the non-controlling J. Alexander's Holdings, LLC Class B Unit holders. As of December 31, 2017 and January 1, 2017, the non-controlling interest presented on the Consolidated Balance Sheets is \$5,200 and \$3,740, respectively, and consists solely of the non-cash compensation expense relative to the profits interest awards to management and Black Knight discussed in Note 14 – Share-based Compensation below. The Hypothetical Liquidation of Book Value method was used as of December 31, 2017 and January 1, 2017 to determine allocations of non-controlling interests consistent with the terms of the Second Amended and Restated LLC Agreement of J. Alexander's Holdings, LLC, and pursuant to that calculation, no allocation of net income was made to non-controlling interests for fiscal years 2017 and 2016, respectively.

**w) *Earnings per Share***

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding for the reporting period. Diluted earnings per share gives effect during the reporting period to all dilutive potential shares outstanding resulting from share-based compensation awards. Diluted earnings per share of common stock is computed similarly to basic earnings per share except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of any common stock equivalents, if dilutive. J. Alexander's Holdings, LLC Class B Units are considered common stock equivalents for this purpose. The number of additional shares of common stock related to these common stock equivalents is calculated using the if-converted method, if dilutive. The number of additional shares of common stock related to stock option awards is calculated using the treasury method, if dilutive. Refer to Note 3 – Earnings per Share for the basic and diluted earnings per share calculations and additional discussion.

As stated above, the periods prior to the Distribution presented in the accompanying Consolidated Financial Statements represents the historical operating results and financial position of J. Alexander's Holdings, LLC. For comparison purposes, earnings per share amounts are calculated for such periods using a weighted-average number of common shares outstanding based on the number of shares outstanding on the Distribution date as if all shares had been outstanding since the first day of the earliest period presented.

**x) *Recently Issued Accounting Standards***

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU No. 2014-09") which created ASC Topic 606. The core principle of the standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 will replace most existing revenue recognition guidance in GAAP. New qualitative and quantitative disclosure requirements aim to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Since the issuance of ASU No. 2014-09, certain updates have been issued to clarify the implementation guidance, and the effective dates for ASU No. 2014-09 have been updated by ASU No. 2015-14, *Deferral of the Effective Date*. The requirements are effective for annual and interim periods in fiscal years beginning after December 15, 2017 for public business entities. Earlier application is permitted for annual and interim reporting periods in fiscal years beginning after December 15, 2016. ASU No. 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company has selected the cumulative effect transition method. The Company does not currently have any franchise or similar arrangements that will need to be evaluated under ASU No. 2014-09, and the Company does not believe that this guidance will materially impact the recognition of revenue from sales within our restaurant operations. Gift card breakage has historically been recognized when redemption is unlikely to occur and there is no legal obligation to remit the value of the unredeemed gift cards. Based on our historical experience, we have considered the probability of redemption of our concepts' gift cards to be remote when cards have been outstanding for 24 months. With the adoption of ASU No. 2014-09 during the first quarter of 2018, the Company will analyze gift card breakage based upon

company-specific historical redemption patterns, and gift card breakage will be recognized in revenue in proportion to redemptions. The Company does not believe that the adoption of ASU No. 2014-09 in fiscal year 2018 will have a significant effect on the Company's Consolidated Financial Statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU No. 2016-01”). The pronouncement requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These changes become effective for the Company's 2018 fiscal year. The expected adoption method of ASU No. 2016-01 is being evaluated by the Company, and the adoption is not expected to have a significant impact on its Consolidated Financial Statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU No. 2016-02”), which supersedes ASC Topic 840, *Leases*, and creates a new topic, ASC Topic 842, *Leases*. This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The update also expands the required quantitative and qualitative disclosures surrounding leases. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier adoption permitted. This update will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the Consolidated Financial Statements. The Company anticipates that the adoption of ASU No. 2016-02 will materially increase the assets and liabilities on the Company's Consolidated Balance Sheets and related disclosures since the Company has a significant number of operating lease arrangements for which it is the lessee. The Company is still evaluating the impact that the adoption of this ASU will have on the Company's Consolidated Statements of Income and Comprehensive Income. The impact of this ASU is non-cash in nature, and as such, it is not expected to have a material impact on the Company's cash flows and liquidity. The Company is assessing this ASU's impact, if any, on our existing debt covenants. However, the Company anticipates that consideration will be given by its lender with respect to the adoption of this ASU and its impact on components within the related debt covenant calculation once the ASU becomes effective in fiscal year 2019.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* (“ASU No. 2016-15”). This update is intended to clarify the presentation of cash receipts and payments in specific situations. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2017, including interim periods within those annual periods, and early application is permitted. The Company does not expect the adoption of ASU No. 2016-15 to have a significant impact on its Consolidated Financial Statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU No. 2017-04”). This update simplifies the subsequent measurement of goodwill by eliminating the second step of the two-step quantitative goodwill impairment test. An entity will no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured at the amount by which the carrying value exceeds the fair value of a reporting unit. The option remains for an entity to perform a qualitative assessment of a reporting unit to determine if the quantitative impairment test is necessary. ASU No. 2017-04 requires prospective adoption and is effective commencing in fiscal years beginning after December 15, 2019. The Company does not expect the adoption of this guidance to have an impact on its Consolidated Financial Statements and related disclosures.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting* (“ASU No. 2017-09”), which provides clarity and reduces complexity when an entity has changes to the terms or conditions of a share-based payment award, and when an entity should apply modification accounting. The amendments in ASU No. 2017-09 are effective for financial statements issued for annual periods beginning after December 15, 2017, including interim periods within those annual periods, and early adoption is permitted for interim or annual periods. The Company is evaluating the impact that the adoption of ASU No. 2017-09 will have on its Consolidated Financial Statements and related disclosures.

**y) Recently Adopted Accounting Standards**

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory* (“ASU No. 2015-11”). ASU No. 2015-11 states that entities should measure inventory that is not measured using last-in, first-out or the retail inventory method, including inventory that is measured using first-in, first-out or average cost, at the lower of cost or net realizable



value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU No. 2015-11 is effective for reporting periods beginning after December 15, 2016 and is to be applied prospectively. The Company adopted this guidance during fiscal year 2017, and it did not have a significant impact on the Company's Consolidated Financial Statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation* (Topic 718), Improvements to Employee Share-Based Payment Accounting ("ASU No. 2016-09"), which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, forfeitures and statutory withholding requirements and classification on the statement of cash flows. This update also impacts the earnings per share calculation. ASU No. 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company adopted this guidance in fiscal year 2016, and no cumulative-effect adjustments were required to be recorded upon adoption of any of the provisions of ASU No. 2016-09. Further, ASU No. 2016-09 did not have a significant impact on the Company's Consolidated Financial Statements and related disclosures.

### Note 3 – Earnings per Share

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

(Dollars and shares in thousands, except per share amounts)	Year Ended		
	December 31, 2017	January 1, 2017	January 3, 2016
<b>Numerator:</b>			
Income from continuing operations, net of tax .....	\$ 7,773	\$ 7,477	\$ 5,784
Loss from discontinued operations, net.....	(439)	(434)	(429)
Net income .....	<u>\$ 7,334</u>	<u>\$ 7,043</u>	<u>\$ 5,355</u>
<b>Denominator:</b>			
Weighted average shares (denominator for basic earnings per share) .....	14,695	14,821	15,000
Effect of dilutive securities.....	73	19	37
Adjusted weighted average shares and assumed conversions (denominator for diluted earnings per share) .....	<u>14,768</u>	<u>14,840</u>	<u>15,037</u>
<b>Basic earnings per share:</b>			
Income from continuing operations, net of tax.....	\$ 0.53	\$ 0.50	\$ 0.39
Loss from discontinued operations, net.....	(0.03)	(0.03)	(0.03)
Basic earnings per share .....	<u>\$ 0.50</u>	<u>\$ 0.48</u>	<u>\$ 0.36</u>
<b>Diluted earnings per share:</b>			
Income from continuing operations, net of tax.....	\$ 0.53	\$ 0.50	\$ 0.38
Loss from discontinued operations, net.....	(0.03)	(0.03)	(0.03)
Diluted earnings per share .....	<u>\$ 0.50</u>	<u>\$ 0.47</u>	<u>\$ 0.36</u>

Note: Per share amounts may not sum due to rounding.

Diluted earnings per share of common stock is computed similarly to basic earnings per share except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of any common stock equivalents, if dilutive. The J. Alexander's Holdings, LLC Class B Units are considered common stock equivalents for this purpose. The number of additional shares of common stock related to these common stock equivalents is calculated using the if-converted method. The 833,346 Class B Units associated with management's profits interest awards are not considered to be dilutive as the applicable hurdle rate had not been met as of December 31, 2017, January 1, 2017 or January 3, 2016, and, therefore, are excluded for the purpose of the diluted earnings per share calculation. However, the Black Knight profits interest Class B Units are considered to be dilutive for certain quarterly periods within the years ended December 31, 2017, January 1, 2017 and January 3, 2016, and are included in the diluted earnings per share calculation for each of the years then ended accordingly. The impact of the exchange of the 1,500,024 Black Knight Class B Units on the diluted earnings per share calculation was additional shares of 72,579, 18,519 and 36,776 for the years ended December 31, 2017, January 1, 2017 and January 3, 2016, respectively. The number of additional shares of common stock related to stock option awards is calculated using the treasury method, if dilutive. The 985,750, 990,750 and 437,000 stock option awards outstanding as of December 31, 2017, January 1, 2017 and January 3, 2016, respectively, were considered anti-dilutive and, therefore, are excluded from the diluted earnings per share calculation for the years then ended.



The periods prior to the Distribution presented in the accompanying Consolidated Financial Statements represent the historical operating results and financial position of J. Alexander's Holdings, LLC. For comparison purposes, earnings per share amounts are calculated for such periods using a weighted-average number of common shares outstanding based on the number of shares outstanding on the Distribution date as if all shares had been outstanding since the first day of the earliest period presented.

Also, on February 21, 2018, the Company issued 510,000 stock option awards to purchase common stock at an exercise price of \$9.55. These awards are not reflected in the calculations of earnings per share presented for fiscal year 2017.

#### Note 4 – Fair Value Measurements

The Company utilizes the following fair value hierarchy, which prioritizes the inputs into valuation techniques used to measure fair value. Accordingly, the Company uses valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value. The three levels of the hierarchy are as follows:

- Level 1 Defined as observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2 Defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Defined as unobservable inputs for which little or no market data exists, therefore, requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

The following tables present our financial assets and liabilities measured at fair value on a recurring basis as of the dates indicated:

	<b>December 31, 2017</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents*	\$ 212	\$ -	\$ -
U.S. government obligations*	397	-	-
Corporate bonds*	1,841	-	-
Cash surrender value - life insurance*	-	2,106	-
<b>Total</b>	<b>\$ 2,450</b>	<b>\$ 2,106</b>	<b>\$ -</b>

	<b>January 1, 2017</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents*	\$ 45	\$ -	\$ -
U.S. government obligations*	700	-	-
Corporate bonds*	1,683	-	-
Cash surrender value - life insurance*	-	2,017	-
<b>Total</b>	<b>\$ 2,428</b>	<b>\$ 2,017</b>	<b>\$ -</b>

\* - As held in the Trust as defined below.

As discussed in Note 15 below, the Distribution triggered the obligation of J. Alexander's, LLC, the operating subsidiary of the Company, to establish and fund the Trust under the Amended and Restated Salary Continuation Agreements. On October 19, 2015 the Trust was funded with a total of \$4,304, which was comprised of \$2,415 in cash and \$1,889 in cash surrender values of whole life insurance policies. Subsequent to that date, a portion of the cash was invested in certain marketable securities at the direction of the Trust manager. Such investments include U.S. government agency obligations and corporate bonds. The remaining portion is held as cash and cash equivalents.

Cash and cash equivalents are classified as Level 1 in the fair value hierarchy as they represent cash held in a trust managed by our bank. Cash held in the Trust is invested through an overnight repurchase agreement the investments of which may include U.S. Treasury securities, such as bonds or Treasury bills, and other agencies of the U.S. government. Such investments are valued using quoted market prices in active markets.

U.S. government obligations held in the Trust include U.S. Treasury Bonds. These bonds as well as the corporate bonds listed above are classified as Level 1 in the fair value hierarchy given their readily available quoted prices in active markets.

Cash surrender value - life insurance is classified as Level 2 in the fair value hierarchy. The value of each policy was determined by MassMutual Financial Group, an A-rated insurance company, which provides the value of these policies to the Company on a regular basis by which the Company adjusts the recorded value accordingly.

There were no transfers between the levels listed above during either of the reporting periods.

Unrealized gains or losses on investments held in the Trust are presented as a component of “Other, net” on the Consolidated Statements of Income and Comprehensive Income.

As of December 31, 2017 and January 1, 2017, the fair value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities approximated their carrying value due to their short-term nature. The carrying amounts of the long-term debt approximate fair value as interest rates, and negotiated terms and conditions are consistent with current market rates, because of the close proximity of recent refinancing transactions and the quotes obtained for potential financings to the dates of these Consolidated Financial Statements.

There were no assets and liabilities measured at fair value on a nonrecurring basis during the years ended December 31, 2017 and January 1, 2017.

#### Note 5 – Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	December 31, 2017	January 1, 2017
Prepaid insurance.....	\$ 1,239	\$ 1,180
Prepaid rent.....	986	902
Payroll taxes .....	1,252	1,183
Other .....	292	383
Prepaid expenses and other current assets .....	<u>\$ 3,769</u>	<u>\$ 3,648</u>

#### Note 6 – Other Assets

Other assets consisted of the following:

	December 31, 2017	January 1, 2017
Favorable operating leases, net .....	\$ 351	\$ 803
Cash, cash equivalents and securities held in the Trust .....	2,450	2,428
Cash surrender value of life insurance .....	2,106	2,017
Deferred tax assets .....	522	221
Other .....	754	543
Other assets.....	<u>\$ 6,183</u>	<u>\$ 6,012</u>

#### Note 7 – Property and Equipment

Property and equipment, at cost, less accumulated depreciation and amortization, consisted of the following:

	December 31, 2017	January 1, 2017
Land.....	\$ 20,204	\$ 20,204
Buildings .....	31,057	29,879
Leasehold improvements.....	58,233	48,978
Restaurant and other equipment.....	32,036	26,893
Construction in progress.....	5,569	9,680
	<u>147,099</u>	<u>135,634</u>
Less accumulated depreciation and amortization.....	(43,484)	(34,164)
Property and equipment, net.....	<u>\$ 103,615</u>	<u>\$ 101,470</u>

For fiscal years 2017, 2016 and 2015, depreciation expense from continuing operations was \$10,287, \$9,110 and \$8,523, respectively. The loss on disposition of assets from continuing operations included in the “Other operating expenses” line item of the Statements of Income and Comprehensive Income, primarily related to the refreshing of assets through store remodels, was \$147, \$251 and \$256 for fiscal years 2017, 2016 and 2015, respectively.

No impairment charges were recorded during fiscal years 2017, 2016 or 2015.

#### Note 8 – Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets consisted of the following:

	December 31, 2017	January 1, 2017
Goodwill .....	\$ 15,737	\$ 15,737
Tradenname .....	25,053	25,053
Liquor licenses.....	149	102
Intangible assets .....	<u>\$ 40,939</u>	<u>\$ 40,892</u>

#### Note 9 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2017	January 1, 2017
Taxes, other than income taxes .....	\$ 4,236	\$ 4,093
Salaries, wages, vacation, and incentive compensation .....	2,995	2,954
Transaction costs .....	1,060	-
Other .....	2,454	2,439
Accrued expenses and other current liabilities .....	<u>\$ 10,745</u>	<u>\$ 9,486</u>

#### Note 10 – Debt

Debt consisted of the following:

	December 31, 2017 <u>Current</u>	December 31, 2017 <u>Long-term</u>	January 1, 2017 <u>Current</u>	January 1, 2017 <u>Long-term</u>
Mortgage Loan, LIBOR + 2.5% (floor of 3.25%, ceiling of 6.25%), at 3.94% and 3.25% at December 31, 2017 and January 1, 2017, respectively, payable through 2020.....	\$ 1,667	\$ 6,250	\$ 1,667	\$ 7,916
Term Loan, LIBOR + 2.2% on a floating basis at 3.64% and 2.86% at December 31, 2017 and January 1, 2017, respectively, payable through 2020 .....	3,333	4,722	2,222	7,778
Development Revolving Promissory Note, LIBOR + 2.2% on a floating basis at 3.64% and 2.86% at December 31, 2017 and January 1, 2017, respectively, payable through 2020.....	4,000	-	4,000	-
Less: Net deferred loan costs.....	-	(191)	-	(276)
Total debt.....	<u>\$ 9,000</u>	<u>\$ 10,781</u>	<u>\$ 7,889</u>	<u>\$ 15,418</u>

In 2013, a previous line of credit agreement from Pinnacle Bank was refinanced, and a new \$16,000 credit facility that provided two new loans from Pinnacle Bank was obtained. The borrower under this credit facility was J. Alexander’s, LLC, and the credit facility

was guaranteed by J. Alexander's Holdings, LLC and all of its significant subsidiaries. The credit facility consisted of a three-year \$1,000 revolving line of credit ("Revolving Line of Credit"), which replaced the previous line of credit and may be used for general corporate purposes, and a seven-year \$15,000 term loan which is secured by liens on certain properties of J. Alexander's, LLC ("Mortgage Loan"). Effective December 9, 2014, J. Alexander's LLC executed an Amended and Restated Loan Agreement which encompassed the two existing credit facilities discussed above dated September 3, 2013 and also included a five-year, \$15,000 development line of credit ("Development Line of Credit"). Effective May 20, 2015, J. Alexander's, LLC executed a Second Amended and Restated Loan Agreement (the "Loan Agreement"), which increased the Development Line of Credit to \$20,000 over a five-year term and also included a five year, \$10,000 term loan (the "Term Loan"), the proceeds of which were used to repay in full the \$10,000 outstanding under a note to FNF, discussed in greater detail below, which was scheduled to mature January 31, 2016. Effective September 3, 2016, J. Alexander's, LLC executed a modification agreement with respect to the \$1,000 Revolving Line of Credit originally entered into on September 3, 2013. This modification agreement extended the term of this line of credit from September 3, 2016 to September 3, 2019, with no additional significant changes to the terms of the agreement. The indebtedness outstanding under these facilities is secured by liens on certain personal property of the Company and its subsidiaries, subsidiary guaranties, and a mortgage lien on certain real property.

Any amount borrowed under the Revolving Line of Credit bears interest at an annual rate of 30 day LIBOR plus a margin equal to 2.50%, with a minimum interest rate of 3.25% per annum. The Mortgage Loan bears interest at an annual rate of 30 day LIBOR plus a margin equal to 2.50%, with a minimum and maximum interest rate of 3.25% and 6.25% per annum, respectively. Both the Development Line of Credit and the Term Loan bear interest at 30 day LIBOR plus 2.2% per annum. The Term Loan is structured on an interest only basis for the first 24 months of the term, followed by a 36-month amortization. The Loan Agreement, among other things, permits payments of tax dividends to members, limits capital expenditures, asset sales and liens and encumbrances, prohibits dividends, and contains certain other provisions customarily included in such agreements.

In 2013, J. Alexander's Holdings, LLC entered into a \$20,000 note payable to FNF (the "FNF Note"). The note accrued interest at 12.5% annually, and the interest and principal were payable in full on January 31, 2016. Under the terms of the Mortgage Loan dated September 3, 2013, the FNF Note was subordinated to the Mortgage Loan. On December 15, 2014, a payment of \$14,569, representing \$10,000 of principal on the FNF Note and \$4,569 of accrued interest, was made to FNF. As noted above, on May 20, 2015, J. Alexander's, LLC entered into a new \$10,000 Term Loan the purpose of which was to refinance the remaining \$10,000 principal balance of the existing FNF Note. On May 20, 2015, the Company paid the remaining principal balance of \$10,000 as well as accrued interest of \$542 to FNF which resulted in the FNF Note being paid in full.

The Loan Agreement also includes certain financial covenants. A fixed charge coverage ratio of at least 1.25 to 1 as of the end of any fiscal quarter based on the four quarters then ending must be maintained. The fixed charge coverage ratio is defined in the Loan Agreement as the ratio of (a) the sum of net income for the applicable period (excluding the effect on such period of any extraordinary or nonrecurring gains or losses, including any asset impairment charges, restaurant closing expenses (including lease buy-out expenses), changes in valuation allowance for deferred tax assets, and noncash deferred income tax benefits and expenses and up to \$1,000 (in the aggregate for the 5-year term of the Development Loan) in uninsured losses) plus depreciation and amortization plus interest expense plus rent payments plus noncash compensation expense plus any other noncash expenses or charges and plus expenses associated with the public offering/Spin-off process of the Company minus the greater of either actual total store maintenance capital expenditures (excluding major remodeling or image enhancements) or the total number of stores in operation for at least 18 months multiplied by \$40, to (b) the sum of interest expense during such period plus rent payments made during such period plus payments of long-term debt and capital lease obligations made during such period, all determined in accordance with GAAP.

In addition, the maximum adjusted debt to EBITDAR ratio must not exceed 4.0 to 1 at the end of any fiscal quarter. Under the Loan Agreement, EBITDAR is measured based on the then-ending four fiscal quarters and is defined as the sum of net income for the applicable period (excluding the effect on such period of any extraordinary or nonrecurring gains or losses, including any asset impairment charges, restaurant closing expenses (including lease buy-out expenses), changes in valuation allowance for deferred tax assets and noncash deferred income tax benefits and expenses and up to \$1,000 (in the aggregate for the term of the loans) in uninsured losses) plus an amount that in the determination of net income for the applicable period has been deducted for (i) interest expense; (ii) total federal, state, foreign, or other income taxes; (iii) all depreciation and amortization; (iv) rent payments; and (v) noncash compensation expenses, plus any other noncash expenses or charges and plus expenses associated with the public offering/Spin-off process, all as determined in accordance with GAAP. Adjusted debt is (i) funded debt obligations net of any short-term investments, cash and cash equivalents plus (ii) rent payments multiplied by seven.

If an event of default shall occur and be continuing under the Loan Agreement, the commitment under the Loan Agreement may be terminated and any principal amount outstanding, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable. J. Alexander's, LLC was in compliance with these financial covenants as of December 31, 2017 and for all reporting periods during the year then ended.

At December 31, 2017, the amounts outstanding under the Development Line of Credit and Revolving Line of Credit were \$4,000 and \$0, respectively, and a total of \$17,000 was available to us for borrowing under these lines of credit on this date. At December 31, 2017, \$7,917 was outstanding under the Mortgage Loan and an additional \$8,055 was outstanding under the Term Loan. The Second Amended and Restated Loan Agreement in place at December 31, 2017 is secured by the real estate, equipment and other personal property of 12 restaurant locations with an aggregate net book value of \$32,789 at December 31, 2017.

Deferred loan costs are \$465 and \$463, net of accumulated amortization expense of \$274 and \$187 at December 31, 2017 and January 1, 2017, respectively. Deferred loan costs are being amortized to interest expense using the effective-interest method over the life of the related debt.

The carrying value of the debt balance under both the Mortgage Loan and Term Loan as of December 31, 2017 and January 1, 2017 are considered to approximate their fair value because of the proximity of the debt refinancing and the quotes obtained for potential financings discussed above to the 2017 and 2016 fiscal year-ends.

The aggregate maturities of long-term debt for the five fiscal years succeeding December 31, 2017 are as follows: 2018 – \$9,000; 2019 – \$5,000; 2020 – \$5,972; 2021 – \$0; 2022 and thereafter – \$0.

#### Note 11 - Other Long-Term Liabilities

Other long-term liabilities consisted of the following:

	December 31, 2017	January 1, 2017
Deferred rent .....	\$ 6,094	\$ 4,735
Unfavorable lease liabilities, net.....	347	563
Uncertain tax positions .....	15	257
Other long-term liabilities .....	<u>\$ 6,456</u>	<u>\$ 5,555</u>

#### Note 12 - Leases

At December 31, 2017, subsidiaries of the Company were lessees under both ground leases (the subsidiaries lease the land and build their own buildings) and improved leases (lessor owns the land and buildings) for restaurant locations. These leases are operating leases.

Terms for these leases are generally for 15 to 20 years and, in many cases, the leases provide for rent escalations and for one or more five-year renewal options. The Company and its subsidiaries are generally obligated for the cost of property taxes, insurance, and maintenance. Certain real property leases provide for contingent rentals based upon a percentage of sales. In addition, a subsidiary of the Company is a lessee under other noncancelable operating leases, principally for office space. Amortization of leased assets is included in depreciation and amortization of restaurant property and equipment expense and general and administrative expense in the Consolidated Statements of Income and Comprehensive Income.

The following table summarizes future minimum lease payments under operating leases (excluding renewal options), including those restaurants reported as discontinued operations, having an initial term of one year or more:

	December 31, 2017
2018.....	\$ 7,774
2019.....	6,937
2020.....	5,902
2021.....	4,721
2022.....	3,710
2023 and thereafter.....	14,793
Total minimum lease payments <sup>(1)</sup> .....	<u>\$ 43,837</u>

<sup>(1)</sup> Total minimum lease payments under operating leases have not been reduced by minimum sublease rentals of \$256 due in future periods under noncancelable subleases.

For fiscal years 2017, 2016 and 2015, straight-line base rent expense included in continuing operations was \$7,814, \$7,490 and \$6,934, respectively. In addition to the aforementioned amounts, there was straight-line base rent expense included in discontinued



operations of \$266 for each of fiscal years 2017, 2016 and 2015, respectively. There was no significant contingent rent expense for the any of the periods presented. During fiscal years 2017 and 2016, the Company received a tenant improvement allowance of \$799 and \$590, respectively, which were each recorded as a deferred rent obligation, and are being credited to straight-line rent expense over the term of the associated leases.

### Note 13 – Income Taxes

Significant components of the Company’s income tax expense (benefit) for the periods indicated below are as follows:

	Year Ended		
	December 31, 2017	January 1, 2017	January 3, 2016
Current income taxes:			
Federal .....	\$ 264	\$ 2,189	\$ 946
State and local .....	743	774	359
Total current income taxes .....	1,007	2,963	1,305
Deferred income taxes:			
Federal .....	(1,881)	(922)	217
State and local .....	(473)	21	33
Total deferred income taxes .....	(2,354)	(901)	250
Income tax expense (benefit) .....	<u>\$ (1,347)</u>	<u>\$ 2,062</u>	<u>\$ 1,555</u>

The Company’s effective tax rate differs from the federal statutory rate as set forth in the following table for the periods indicated:

	Year Ended		
	December 31, 2017	January 1, 2017	January 3, 2016
Federal income tax .....	35.0%	35.0%	34.0%
Federal tax reform .....	(22.4)%	-	-
Effect of rates due to pass-through entities .....	-	-	(14.7)%
State income tax .....	6.4%	6.5%	6.9%
Transaction costs .....	-	-	2.0%
FICA tip credit .....	(32.8)%	(20.1)%	(6.9)%
Uncertain tax positions .....	(3.9)%	(0.1)%	(1.3)%
Return to provision .....	(4.5)%	-	-
Rate differential between current and deferred taxes .....	(1.7)%	-	2.5%
Incentive stock options .....	2.0%	0.9%	-
Other .....	(0.6)%	0.4%	-
Effective tax rate .....	<u>(22.5)%</u>	<u>22.6%</u>	<u>22.5%</u>

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes a number of changes to the U.S. tax code that affected fiscal year 2017, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017 and the acceleration of depreciation for certain assets placed into service after September 27, 2017.

In connection with its initial analysis of the impact of the Tax Act, the Company has recorded a net tax benefit of \$(1,345) in fiscal year 2017 related to the revaluation of the Company's deferred tax assets and liabilities. Since the Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid, the Company’s deferred tax assets and liabilities were re-measured to reflect the reduction in the U.S. corporate income tax rate from 35% to 21%, resulting in a \$(1,345) decrease in income tax expense for the year ended December 31, 2017, and a corresponding decrease in net deferred tax liabilities as of December 31, 2017.

There are also provisions in the Tax Act that are effective for tax years beginning after December 31, 2017, that have no impact on the deferred tax balance for fiscal year 2017. Therefore, the tax impact of these provisions will be reflected in the fiscal year 2018 Consolidated Financial Statements. The accounting for the income tax effects of these provisions is not yet complete.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address situations where a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting under ASC Topic 740 for certain income tax effects of the Tax Act for the reporting period of enactment. SAB 118 allows the Company to provide a provisional estimate of the impacts of the Tax Act during a measurement period similar to the measurement period used when accounting for business combinations. Adjustments to provisional estimates and additional impacts from the Tax Act must be recorded as they are identified during the measurement period as provided for in SAB 118. The Company has not completed its accounting for the income tax effects of the Tax Act, including, but not limited to, the impacts of depreciation, compensation and fringe benefits. Where the Company has been able to make reasonable estimates of the effects for which its analysis is not yet complete, the Company has recorded provisional amounts in accordance with SAB 118.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2017, and January 1, 2017, are as follows:

	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Deferred tax assets:		
Net operating loss carryforwards .....	\$ 173	\$ 182
Accrued bonuses .....	17	108
Stock options .....	159	97
State bonus depreciation .....	400	74
Other .....	-	8
Total deferred tax assets .....	<u>749</u>	<u>469</u>
Less: deferred tax assets valuation allowance .....	<u>(105)</u>	<u>(68)</u>
Total net deferred tax assets .....	644	401
Deferred tax liabilities:		
Partnership differences .....	(2,119)	(4,211)
Other .....	(78)	-
Total deferred tax liabilities .....	<u>(2,197)</u>	<u>(4,211)</u>
Net deferred tax (liability) asset .....	<u>\$ (1,553)</u>	<u>\$ (3,810)</u>

ASC Topic 740, Income Taxes, establishes procedures to measure deferred tax assets and liabilities and assess whether a valuation allowance relative to existing deferred tax assets is necessary. Management assesses the likelihood of realization of the Company's deferred tax assets and the need for a valuation allowance with respect to those assets based on the weight of available positive and negative evidence. As of December 31, 2017, management determined that a valuation allowance of \$105 was necessary relative to certain state net operating loss carryforwards which are not expected to be realized. Management also determined at December 31, 2017 that it is more likely than not that the results of future operations and reversal of deferred tax liabilities will generate sufficient taxable income to realize the remaining deferred tax assets not covered by this valuation allowance.

As of December 31, 2017, the Company has state gross operating loss carryforwards gross of the valuation allowance discussed above of approximately \$3,570 expiring in years 2027 through 2037, and federal gross operating loss carryforwards of \$195 expiring in year 2037.

Additionally, the Company recorded a liability (including interest) in connection with uncertain tax positions related to state tax issues totaling \$66 and \$299 as of December 31, 2017 and January 1, 2017, respectively. The Company elected to accrue interest and penalties related to unrecognized tax benefits in its provision for income taxes. The Company accrued interest related to unrecognized tax benefits of approximately \$3 and \$109 as of December 31, 2017 and January 1, 2017, respectively. A reconciliation of the beginning and ending unrecognized tax benefit associated with these positions (excluding federal benefit and the aforementioned accrued interest) is as follows:

	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Balance at the beginning of the year .....	\$ 294	\$ 228
Changes based on tax positions taken during the current year .....	-	-
Changes based on tax positions taken during prior years .....	-	66
Reductions related to settlements with taxing authorities and lapses of statutes of limitations .....	<u>(214)</u>	<u>-</u>
Balance at the end of the year .....	<u>\$ 80</u>	<u>\$ 294</u>

As of December 31, 2017, the total amount of gross unrecognized tax benefit that, if recognized, would impact the effective tax rate was \$15. Within the next twelve months, the Company estimates that the gross unrecognized benefits will decrease by \$15 due to state statute expiration.

The Company and its subsidiaries file a partnership federal income tax return, consolidated corporate federal income tax return, and a separate corporate federal income tax return as well as various state and local income tax returns. The earliest year open to examination in the Company’s major jurisdictions is 2014 for federal and state income tax returns.

Since the proposed acquisition of 99 Restaurants was abandoned in fiscal year 2018, as discussed in Notes 2 and 20, the transaction costs that were treated as a deferred tax asset in fiscal 2017 will be deductible in fiscal year 2018, and, therefore, should have no impact on the 2018 effective tax rate.

**Note 14 – Share-based Compensation**

For the years ended December 31, 2017, January 1, 2017 and January 3, 2016, the Company recorded total share-based compensation expense of \$2,207, \$2,996 and \$1,256, respectively, the components of which are discussed in further detail below.

*Stock Option Awards*

Under the J. Alexander’s Holdings, Inc. 2015 Equity Incentive Plan, directors, officers and key employees of the Company may be granted equity incentive awards, such as stock options, restricted stock and stock appreciation rights in an effort to retain qualified management and personnel. This plan authorizes a maximum of 1,500,000 shares of the Company’s common stock to be issued to holders of these equity awards. No awards were made by the Company under this plan during fiscal year 2017. During fiscal years 2016 and 2015, the Compensation Committee and the Board of the Company awarded stock option grants totaling 553,750 and 467,000 options, respectively, to certain members of management and the members of the Board, and the contractual term for each grant is seven years. The requisite service period for each grant is four years with each vesting in four equal installments on the first four anniversaries of their respective grant dates.

The Company uses the Black-Scholes-Merton option pricing model to estimate the fair value of stock option awards and used the following assumptions for the indicated periods during which grants were made as noted above:

	<b>Year Ended</b>	
	<b>January 1, 2017</b>	<b>January 3, 2016</b>
Dividend yield.....	0.00%	0.00%
Volatility factor.....	34.51%	35.00%
Risk-free interest rate.....	1.34%	1.36%
Expected life of options (in years).....	4.75	4.75
Weighted-average grant date fair value.....	\$ 2.82	\$ 3.33

The expected life of stock options granted during the periods presented was calculated in accordance with the simplified method described in SEC Staff Accounting Bulletin (“SAB”) Topic 14.D.2 in accordance with SAB 110. This approach was utilized due to the lack of exercise history and the anticipated behavior of the overall group of grantees. The risk-free rate for periods within the contractual life of the options is based on the 5-year U.S. Treasury bond rate in effect at the time of grant. The Company utilized a weighted rate for expected volatility based on a representative peer group within the industry. The dividend yield was set at zero as the underlying security does not pay a dividend. Additionally, management has made an accounting policy election in accordance with ASU No. 2016-09 to account for forfeitures when they occur. A grant of 5,000 shares was forfeited during fiscal year 2017. No such forfeitures occurred during 2016, and no cumulative-effect adjustment to equity was required upon adoption of this policy in 2016 as the previously assumed forfeiture rate in 2015 was 0% for then outstanding awards.

A summary of stock options under the Company's equity incentive plan is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 28, 2014.....	-	\$ -
Issued.....	467,000	10.39
Exercised.....	-	-
Forfeited.....	(30,000)	10.39
Outstanding at January 3, 2016.....	437,000	10.39
Issued.....	553,750	8.93
Exercised.....	-	-
Forfeited.....	-	-
Outstanding at January 1, 2017.....	990,750	9.58
Issued.....	-	-
Exercised.....	-	-
Forfeited.....	(5,000)	8.90
Outstanding at December 31, 2017.....	<u>985,750</u>	<u>\$ 9.58</u>

At December 31, 2017, stock options exercisable and shares available for future grant were 355,687 and 514,250, respectively. At January 1, 2017, stock options exercisable and shares available for future grant were 109,250 and 509,250, respectively. At January 3, 2016, stock options exercisable and shares available for future grant were zero and 1,063,000, respectively.

As these awards contain only service conditions for vesting purposes and have a graded vesting schedule, the Company has elected to recognize the expense over the requisite service period for the entire award. Stock option expense totaling \$747, \$439 and \$72 was recognized for fiscal years 2017, 2016 and 2015, respectively, which is included in the "General and administrative expenses" line item on the Consolidated Statements of Income and Comprehensive Income. At December 31, 2017, the Company had \$1,743 of unrecognized compensation cost related to these share-based payments which is expected to be recognized over a period of approximately 2.85 years.

The aggregate intrinsic value of stock options represents the total pre-tax intrinsic value (the difference between the Company's closing stock price and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options. This amount changes based on the fair market value of the Company's common stock and totaled \$428, \$1,163 and \$232 at December 31, 2017 January 1, 2017 and January 3, 2016, respectively, for options outstanding. The intrinsic value of options exercisable at December 31, 2017 and January 1, 2017 totaled \$107 and \$39, respectively. No options were exercised in fiscal years 2017 or 2016.

The following table summarizes the Company's non-vested stock option activity for the year ended December 31, 2017:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested stock options at January 1, 2017.....	881,500	\$ 3.01
Granted.....	-	-
Vested.....	(246,437)	3.05
Forfeited.....	(5,000)	2.81
Non-vested stock options at December 31, 2017.....	<u>630,063</u>	<u>\$ 3.00</u>

The total fair value of stock options vested during fiscal years 2017, 2016 and 2015 was \$751, \$364 and \$0, respectively.

The following table summarizes information about the Company's stock options outstanding at December 31, 2017:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at December 31, 2017	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2017	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$8.90	535,000	5.85 years	\$ 8.90	133,750	5.85 years	\$ 8.90
\$10.24	13,750	5.32 years	10.24	3,437	5.32 years	10.24
\$10.39	437,000	4.78 years	10.39	218,500	4.78 years	10.39
<u>\$8.90 - \$10.39</u>	<u>985,750</u>	<u>5.37 years</u>	<u>\$ 9.58</u>	<u>355,687</u>	<u>5.19 years</u>	<u>\$ 9.83</u>

#### Management Profits Interest Plan

On January 1, 2015, J. Alexander's Holdings, LLC adopted its 2015 Management Incentive Plan and granted equity incentive awards to certain members of its management in the form of Class B Units. The Class B Units are profits interests in J. Alexander's Holdings, LLC. Class B Units in the amount of 1,770,000 were reserved for issuance under the plan and a total of 885,000 Class B Units were granted on January 1, 2015. Each Class B Unit represents a non-voting equity interest in J. Alexander's Holdings, LLC that entitles the holder to a percentage of the profits and appreciation in the equity value of J. Alexander's Holdings, LLC arising after the date of grant and after such time as an applicable hurdle amount is met. The hurdle amount for the Class B Units issued to our management in January 2015 was set at \$180,000, which at such time was a reasonable premium to the estimated liquidation value of the equity of J. Alexander's Holdings, LLC. The Class B Units issued to management vested with respect to 50% of the grant units on the second anniversary of the date of grant and with respect to the remaining 50% on the third anniversary of the date of grant and require a six-month holding period post vesting.

Vested Class B Units may be exchanged for, at the Company's option, either (i) cash in an amount equal to the amount that would be distributed to the holder of those Class B Units by J. Alexander's Holdings, LLC upon a liquidation of J. Alexander's Holdings, LLC assuming the aggregate amount to be distributed to all members of J. Alexander's Holdings, LLC were equal to the Company's market capitalization on the date of exchange, (net of any assets and liabilities of the Company that are not assets or liabilities of J. Alexander's Holdings, LLC) or (ii) shares of the Company's common stock with a fair market value equal to the cash payment under (i) above.

The Class B Units issued to the Company's management have been classified as equity awards and share-based compensation expense is based on the grant date fair value of the awards. At December 31, 2017, the applicable hurdle rate for these Class B Units was not met.

The Company used the Black-Scholes-Merton pricing model to estimate the fair value of management profits interest awards and used the following assumptions:

	<b>Grant Date Fair Value</b>
Member equity price per unit .....	\$ 10.00
Class B hurdle price .....	\$ 11.30
Dividend yield .....	0%
Volatility factor .....	35%
Risk-free interest rate .....	1.24%
Time to liquidity (in years).....	3.5
Lack of marketability discount.....	23%
Grant date fair value.....	\$ 1.76

The member equity price per unit was based on a recent enterprise valuation of J. Alexander's Holdings, LLC divided by the number of Class A Units outstanding at the date of grant. The Class B hurdle price is based on the hurdle rate divided by the number of Class A Units outstanding at the time of grant. The expected life of management profits interest awards granted during the period presented was determined based on the vesting term of the award which also includes a six-month holding period subsequent to meeting the requisite vesting period. The risk-free rate for periods within the contractual life of the profit interest award is based on an extrapolated 4-year U.S. Treasury bond rate in effect at the time of grant given the expected time to liquidity. The Company utilized a weighted rate for expected volatility based on a representative peer group of comparable public companies. The dividend yield was set at zero as the underlying security does not pay a dividend. The protective put method was used to estimate the discount for lack of marketability



inherent to the awards due to the lack of liquidity associated with the post-vesting requirement and other restrictions on the Class B Units.

As a result of the reorganization transactions on September 28, 2015 and as evidenced in the executed Second Amended and Restated LLC Agreement of J. Alexander’s Holdings, LLC, entered into in connection with the reorganization transactions, the members’ equity of J. Alexander’s Holdings, LLC was recapitalized such that the total outstanding Class B Units granted to management as discussed above was reduced on a pro rata basis from 885,000 to 833,346 which is also the number of Class B Units outstanding as of December 31, 2017, and resulted in an adjusted grant date fair value relative to these units of \$1.87.

The following table summarizes the Management Incentive Plan activity:

	<b>Number of Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Non-vested management profits interest awards at January 1, 2017.....	416,673	\$ 1.87
Granted.....	-	-
Vested.....	-	-
Forfeited.....	-	-
Non-vested management profits interest awards at December 31, 2017.....	<u>416,673</u>	<u>\$ 1.87</u>

As these awards contain only service conditions for vesting purposes and have a graded vesting schedule, the Company has elected to recognize the expense over the requisite service period for the entire award. Management profits interest expense totaling \$518, \$517 and \$523 was recognized for fiscal year 2017, 2016 and 2015, respectively, which is included in the “General and administrative expense” line item on the Consolidated Statements of Income and Comprehensive Income. At December 31, 2017, the Company had \$0 of unrecognized compensation cost related to these awards as the remaining unvested units vest on January 1, 2018. The total grant date fair value of units vested during fiscal years 2017, 2016 and 2015 was \$0, \$779 and \$0, respectively. There was no redemption value of the outstanding management profits interest awards as of December 31, 2017 as the fair value was less than the hurdle rate.

*Black Knight Advisory Services Profits Interest Plan*

On September 28, 2015, immediately prior to the Distribution, J. Alexander’s Holdings, LLC entered into a Management Consulting Agreement with Black Knight, pursuant to which Black Knight provides corporate and strategic advisory services to J. Alexander’s Holdings, LLC. Pursuant to the terms of the Management Consulting Agreement between Black Knight and J. Alexander’s Holdings, LLC, a significant portion of the compensation to Black Knight for services rendered under the agreement was to be in the form of a profits interest grant, the terms of which are outlined in the Management Company Grant Agreement.

On October 6, 2015, J. Alexander’s Holdings, LLC granted 1,500,024 Class B Units representing profits interests to Black Knight. The hurdle rate stated in the agreement of \$151,052 was determined based on the number of shares of the Company’s common stock issued multiplied by \$10.07, which was the volume weighted average closing price of the common stock over the five days following the reorganization transaction discussed in Note 1 above. The awards vest at a rate of one-third of the Class B Units on each of the first, second and third anniversaries of the grant date and require a six-month holding period post vesting. The Class B Units contain exchange rights which will allow for them to be converted once vested into shares of the Company’s common stock based upon the value of the Class B Units at that date. The value is determined in reference to the market capitalization of the Company, with certain adjustments made for assets or liabilities contained at the Company’s level which are not also assets and liabilities of J. Alexander’s Holdings, LLC. These awards may not be settled with a cash payment.

The Class B Units issued to Black Knight have been classified as equity awards. Because the hurdle amount for these awards had been met at January 1, 2017 and January 3, 2016, the awards had intrinsic value of \$1,020 and \$1,275, respectively. The hurdle rate had not been met as of December 31, 2017, and, therefore, the intrinsic value as of this date was \$0.

The Company used the Black-Scholes-Merton pricing model to estimate the fair value of Black Knight profits interest awards which included the following assumptions for the indicated period:

	<b>Year Ended December 31, 2017</b>
Member equity price per unit .....	\$ 9.70
Class B hurdle price.....	\$ 10.07
Dividend yield .....	0%
Volatility factor .....	38%
Risk-free interest rate .....	2.20%
Time to liquidity (in years).....	4.5
Estimated fair value.....	\$ 3.25

The member equity price per unit represents the share price of the Company on the reporting date. The Class B hurdle price represents the market value of J. Alexander’s Holdings, LLC on the grant date. The expected term of the Black Knight profits interest awards granted during the period presented was determined based on the mid-point between the full remaining economic term of the Management Consulting Agreement and the full vesting term of three years plus the six-month holding period. The risk-free rate is based on the U.S. Treasury bond rates in effect at the reporting date given the expected time to liquidity. A rate for expected volatility was based on a historical volatility analysis using daily stock price information for select comparable public companies based on the relative expected holding period of the Units. The dividend yield was set at zero as the underlying security does not pay a dividend.

The following table summarizes the Black Knight profits interest plan activity:

	<b>Number of Units</b>	<b>Weighted Average Fair Value</b>
Non-vested Black Knight profits interest awards at January 1, 2017.....	1,000,016	\$ 4.34
Granted.....	-	-
Vested.....	(500,008)	3.25
Forfeited.....	-	-
Non-vested Black Knight profits interest awards at December 31, 2017.....	<u>500,008</u>	<u>\$ 3.25</u>

These awards constitute nonemployee awards. Therefore, the Company will remeasure the fair value of the awards at each reporting date until performance is complete using the valuation model applied in previous periods. The portion of services rendered to each reporting date will be applied to the current measure of fair value to determine the expense for the relevant period. Because these awards have a graded vesting schedule, the Company has elected to recognize the compensation cost on a straight-line basis over the three-year requisite service period for the entire award. Black Knight profits interest expense totaling \$942, \$2,039 and \$661 was recognized for fiscal years 2017, 2016 and 2015, respectively, which is included in the “General and administrative expense” line item on the Consolidated Statements of Income and Comprehensive Income. Based on the valuation of the awards at December 31, 2017, the Company had \$1,233 of unrecognized compensation cost related to these awards which is expected to be recognized over a period of approximately 0.75 years. The total weighted average fair value of units vested during fiscal years 2017, 2016 and 2015 was \$1,625, \$2,170 and \$0, respectively.

#### **Note 15 – Other Employee Benefits**

A subsidiary of the Company maintains a Savings Incentive and Salary Deferral Plan under Section 401(k) of the Internal Revenue Code (the “Plan”) for the benefit of its employees and their beneficiaries. Under the Plan, qualifying employees can defer a portion of their income on a pretax basis through contributions to the Plan, subject to an annual statutory limit. All employees with at least 1,000 hours of service during the 12-month period subsequent to their hire date, or any calendar year thereafter, and who are at least 21 years of age are eligible to participate. For each dollar of participant contributions, up to 3% of each participant’s salary, the Company makes a minimum 25% matching contribution to the Plan. Matching contributions vest according to a vesting schedule defined in the plan document. Matching contributions totaled \$130, \$115 and \$105 for fiscal years 2017, 2016 and 2015, respectively.

A subsidiary of the Company also has a nonqualified deferred compensation plan under which executive officers and certain senior managers may defer receipt of their compensation, including up to 25% of applicable salaries and bonuses, and be credited with matching contributions under the same matching formula and limitations as the Savings Incentive and Salary Deferral Plan. Amounts that are deferred under this plan, and any matching contributions, are increased by earnings and decreased by losses based on the performance of one or more investment measurement funds elected by the participants from a group of funds, which the plan

administrator has determined to make available for this purpose. Participant account balances totaled \$668 and \$507 at December 31, 2017 and January 1, 2017, respectively.

A subsidiary of the Company has Salary Continuation Agreements, which provide retirement and death benefits to certain executive officers and certain other members of management. The recorded liability associated with these agreements totaled \$5,782 and \$5,503 at December 31, 2017 and January 1, 2017, respectively. The expense recognized under these agreements was \$336, \$175 and \$72 for fiscal years 2017, 2016 and 2015, respectively.

Due to the Distribution discussed in Note 1 above, FNF no longer retains a beneficial ownership of at least 40% of J. Alexander's Holdings, LLC, and as such, the Distribution triggered the obligation of J. Alexander's, LLC, the operating subsidiary of the Company, to establish and fund the Trust (as defined in Note 2 above) under the Amended and Restated Salary Continuation Agreements with each of the named executive officers and one former executive officer. On October 19, 2015, the Trust was funded with a total of \$4,304, which was comprised of \$2,415 in cash and \$1,889 in aggregate cash surrender value of whole life insurance policies. These assets are classified as noncurrent within the Company's Consolidated Financial Statements. J. Alexander's, LLC made an additional contribution of \$63 to the Trust in fiscal year 2017, and will continue to make additional contributions to the Trust in the future in order to maintain the level of funding required by the agreements. The Trust is subject to creditor claims in the event of insolvency, but the assets held in the Trust are not available for general corporate purposes. The Trust investments consisted of cash and cash equivalents, U.S government agency obligations and corporate bonds. The aforementioned securities are designated as trading securities and carried at fair value. Refer to Note 4 – Fair Value Measurements for additional discussion regarding fair value considerations. As of December 31, 2017, the Trust balance was \$4,556 consisting of \$2,106 in aggregate cash surrender value of whole life insurance policies and \$2,450 in Trust investments. The Company records changes in the fair value of assets held in the Trust in the "Other, net" line item on the Consolidated Statements of Income and Comprehensive Income.

#### **Note 16 – Members' and Stockholders' Equity**

Prior to the Distribution discussed in Note 1 above, the Members constituted a single class or group of members of J. Alexander's Holdings, LLC, which was formed with a perpetual life. Except as may be provided by the Delaware Limited Liability Company Act, as amended (the "Act"), no Member of J. Alexander's Holdings, LLC was obligated personally for any debt, obligation, or liability of J. Alexander's Holdings, LLC or of any other Member solely by reason of being a Member of J. Alexander's Holdings, LLC. No Member had any responsibility to restore any negative balance in its capital account or contribute to the liabilities or obligations of J. Alexander's Holdings, LLC or return distributions made by J. Alexander's Holdings, LLC, except as may be required by the Act or other applicable law. No Member had any right to resign or withdraw from J. Alexander's Holdings, LLC without the consent of the other Members or to receive any distribution or the repayment of the Member's contribution except as provided in the Amended and Restated Limited Liability Company Agreement.

As a result of the Distribution and reorganization changes discussed in Note 1 above, the Company is an independent public company, and its common stock is listed under the symbol "JAX" on The NYSE, effective September 29, 2015. The Company also now owns, directly or indirectly, all of the outstanding Class A Units and is the sole managing member of J. Alexander's Holdings, LLC. The Company is authorized to issue 40,000,000 shares of capital stock, consisting of 30,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share. As of December 31, 2017 and January 1, 2017, a total of 14,695,176 shares of the Company's common stock were outstanding, respectively. No shares of preferred stock were outstanding during either of the periods presented.

The pertinent rights and privileges of the Company's outstanding common stock are as follows:

*Voting rights.* The holders of common stock are entitled to one vote per share on all matters to be voted upon by the shareholders.

*Dividend rights.* Subject to preferences that may be applicable to any outstanding preferred stock, the holders of shares of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefor. However, the Company does not intend to pay dividends for the foreseeable future.

*Rights upon liquidation.* In the event of any voluntary or involuntary liquidation, dissolution or winding up of affairs, the holders of common stock are entitled to share ratably in all assets remaining after payment of debts and other liabilities, subject to prior distribution rights of preferred stock then outstanding, if any.

*Other rights.* The holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of holders of common stock will be subject to those of the holders of any shares of preferred stock the Company may issue in the future.

## **Note 17 - Commitments and Contingencies**

### **(a) Contingent Leases**

As a result of the disposition of the Company's predecessor's Wendy's operations in 1996, subsidiaries of the Company may remain secondarily liable for certain real property leases with remaining terms of one to five years. The total estimated amount of lease payments remaining on these six leases at December 31, 2017 was approximately \$620. In connection with the sale of the Company's predecessor's Mrs. Winner's Chicken & Biscuit restaurant operations in 1989 and certain previous dispositions, subsidiaries of the Company also may remain secondarily liable for a certain real property lease. The total estimated amount of lease payments remaining on this lease at December 31, 2017 was approximately \$65. Additionally, in connection with the previous disposition of certain other Wendy's restaurant operations, primarily the southern California restaurants in 1982, subsidiaries of the Company may remain secondarily liable for certain real property leases with remaining terms of one to five years. The total estimated amount of lease payments remaining on these three leases as of December 31, 2017 was approximately \$200. There have been no payments by subsidiaries of the Company of such contingent liabilities in the history of the Company or its predecessor. Management does not believe any significant loss is likely.

### **(b) Tax Contingencies**

The Company is subject to real property, personal property, business, franchise and income, and sales and use taxes in various jurisdictions within the United States and is regularly under audit by tax authorities. This is believed to be common for the restaurant industry. Management believes the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position or results of operations for the Company.

### **(c) Litigation Contingencies**

The Company and its subsidiaries are defendants from time to time in various claims or legal proceedings arising in the ordinary course of business, including claims relating to workers' compensation matters, labor-related claims, discrimination and similar matters, claims resulting from guest accidents while visiting a restaurant, claims relating to lease and contractual obligations, federal and state tax matters, and claims from guests or employees alleging illness, injury or other food quality, health or operational concerns, and injury or wrongful death under "dram shop" laws that allow a person to sue the Company based on any injury caused by an intoxicated person who was wrongfully served alcoholic beverages at one of its restaurants.

On December 8, 2017, Margie Elstein, a purported shareholder of the Company, filed a putative class action lawsuit in the Tennessee Chancery Court for Davidson County, 20th Judicial District (the "Elstein Action") against the Company, members of the Board, Fidelity Newport Holdings, LLC ("FNH"), then FNFV and FNF. The Elstein Action alleges that the members of the Board breached their fiduciary duties to shareholders because the directors of the Company and Stephens, Inc. have conflicts of interest related to the Company's acquisition of 99 Restaurants. The Elstein Action also alleges that the Board and the Company made materially inadequate disclosures and material omissions in its preliminary proxy statement for the acquisition of 99 Restaurants. The Elstein Action further alleges that the FNH, then FNFV and FNF defendants aided and abetted the Board's purported breach of its fiduciary duties. As discussed in Note 20 – Subsequent Events, in fiscal year 2018, the merger agreement was terminated. However, this case was pending as of December 31, 2017.

Management does not believe that any of the legal proceedings pending against it as of the date of this report will have a material adverse effect on its liquidity or financial condition. The Company may incur liabilities, receive benefits, settle disputes, sustain judgments, or accrue expenses relating to legal proceedings in a particular fiscal year, which may adversely affect its results of operations, or on occasion, receive settlements that favorably affect its results of operations.

## **Note 18 – Related-Party Transactions**

In 2013, J. Alexander's Holdings, LLC assumed the FNF Note. The \$20,000 FNF Note accrued interest at 12.5% annually, and the interest and principal were payable in full on January 31, 2016. Under the terms of J. Alexander's, LLC's Mortgage Loan dated September 3, 2013, the FNF Note was subordinated to the Mortgage Loan. On December 15, 2014, a payment of \$14,569, representing \$10,000 of principal on the FNF Note and \$4,569 of accrued interest, was made to FNF. Further, as discussed in Note 11, on May 20, 2015, J. Alexander's, LLC entered into a financing arrangement with its lender on its existing Mortgage Loan and lines of credit. Under the terms of the new credit facility, a new \$10,000 Term Loan was put into place, the purpose of which was to refinance the remaining \$10,000 principal balance of the existing FNF Note. On May 20, 2015, J. Alexander's Holdings, LLC paid the remaining principal balance of \$10,000 as well as accrued interest of \$542 to FNF which resulted in the FNF Note being paid in full.

During fiscal years 2017, 2016 and 2015, interest expense of \$0, \$0 and \$493, respectively, was recorded relative to the FNF Note.



As discussed in Note 1 above, on September 28, 2015, immediately prior to the Distribution, J. Alexander's Holdings, LLC entered into a Management Consulting Agreement with Black Knight, pursuant to which Black Knight will provide corporate and strategic advisory services to J. Alexander's Holdings, LLC. The principal member of Black Knight is William P. Foley, II, Chairman of the board and Chief Executive Officer of Cannae and non-Executive Chairman of the board of FNF. The other members of Black Knight consist of Lonnie J. Stout II, our President, Chief Executive Officer and one of our directors, and other officers of Cannae and FNF.

As discussed above, under the Management Consulting Agreement, J. Alexander's Holdings, LLC has issued Black Knight non-voting Class B Units and is required to pay Black Knight an annual fee equal to 3% of the Company's Adjusted EBITDA for each fiscal year during the term of the Management Consulting Agreement. J. Alexander's Holdings, LLC also reimburses Black Knight for its direct out-of-pocket costs incurred for management services provided to J. Alexander's Holdings, LLC. Under the Management Consulting Agreement, "Adjusted EBITDA" means the Company's net income (loss) before interest expense, income tax (expense) benefit, depreciation and amortization, and adding asset impairment charges and restaurant closing costs, loss on disposals of fixed assets, transaction and integration costs, non-cash compensation, loss from discontinued operations, gain on debt extinguishment, pre-opening costs and certain unusual items.

The Management Consulting Agreement will continue in effect for an initial term of seven years and be renewed for successive one-year periods thereafter unless earlier terminated (i) by J. Alexander's Holdings, LLC upon at least six months' prior notice to Black Knight or (ii) by Black Knight upon 30 days' prior notice to us. In the event that the Management Consulting Agreement is terminated by J. Alexander's Holdings, LLC prior to the tenth anniversary thereof, or Black Knight terminates the Management Consulting Agreement within 180 days after a change of control, J. Alexander's Holdings, LLC will be obligated to pay to Black Knight an early termination payment equal to the product of (i) the annual base fee for the most recent fiscal year and (ii) the difference between 10 and the number of years that have elapsed under the Management Consulting Agreement, provided that in the event of such a termination following a change of control event, the multiple of the annual base fee to be paid shall not exceed three.

During fiscal years 2017, 2016 and 2015, management fees and reimbursable out-of-pocket costs of \$809, \$700 and \$262, respectively, were incurred relative to the Black Knight Management Consulting Agreement. Such costs are presented as a component of "General and administrative expenses" on the Consolidated Statements of Income and Comprehensive Income.

As discussed in Note 14 above, a grant of an additional 1,500,024 Class B Units in J. Alexander's Holdings, LLC was made to Black Knight on October 6, 2015 in accordance with the terms of the Management Consulting Agreement (the "Black Knight Grant"). The Black Knight Grant has a hurdle rate of approximately \$151,052, which was calculated as the product of the number of shares of the Company's common stock issued and outstanding and \$10.07, which represents the volume weighted average of the closing price of the Company's common stock over the five trading days following the distribution date of September 28, 2015. The Class B Units granted to Black Knight vest in equal installments on the first, second, and third anniversaries of the grant date, and will be subject to acceleration upon a change in control of the Company or J. Alexander's Holdings, LLC, the termination of the Management Consulting Agreement by J. Alexander's Holdings, LLC without cause or the termination of the Management Consulting Agreement by Black Knight as a result of J. Alexander's Holdings, LLC's breach of the Management Consulting Agreement. The Black Knight Grant will be measured at fair value at each reporting date through the date of vesting, and will be recognized as a component of continuing income in future Consolidated Financial Statements of the Company. As of December 31, 2017, the Black Knight Grant was valued at \$4,876. Vested Class B Units held by Black Knight may be exchanged for shares of the Company's common stock. However, upon termination of the Management Consulting Agreement for any reason, Black Knight must exchange its Class B Units within 90 days or such units will be forfeited for no consideration.

During fiscal years 2017, 2016 and 2015, Black Knight profits interest expense of \$942, \$2,039 and \$661, respectively, was recorded relative to the Black Knight Grant. Such expense is presented as a component of "General and administrative expenses" on the Consolidated Statements of Income and Comprehensive Income.

#### **Note 19 –Non-controlling Interest**

As discussed in Note 14 above, on January 1, 2015, J. Alexander's Holdings, LLC adopted its 2015 Management Incentive Plan and granted equity incentive awards to certain members of management in the form of Class B Units. The Class B Units are profits interests in J. Alexander's Holdings, LLC. Additionally, on October 6, 2015, J. Alexander's Holdings, LLC granted Class B Units representing profits interests to Black Knight. The aforementioned awards allow for the distribution of earnings in J. Alexander's Holdings, LLC in the event that the hurdle amounts and vesting requirements of each respective grant are met and, as such, represent non-controlling interests in J. Alexander's Holdings, LLC. The Hypothetical Liquidation of Book Value method was used as of December 31, 2017 and January 1, 2017 to determine allocations of non-controlling interests consistent with the terms of the Second Amended and Restated LLC Agreement of J. Alexander's Holdings, LLC, and pursuant to that calculation, no allocation of net income was made to non-controlling interests for fiscal years 2017 and 2016, respectively. For fiscal year 2015, no income was attributed to the non-controlling interest as the vesting requirements necessitating such an allocation had not been met. However, a non-controlling interest balance has been presented on the Consolidated Balance Sheets and Statements of Membership /



Stockholders' Equity in the amount of \$5,200 and \$3,740 as of December 31, 2017 and January 1, 2017, respectively, which represents profits interest compensation expense recorded by the Company. Such compensation costs have been reflected in the "General and administrative expenses" line item of the Consolidated Statements of Income and Comprehensive Income for fiscal years 2017 and 2016.

## Note 20 – Subsequent Events

On August 3, 2017, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire 99 Restaurants from FNH and Cannae Holdings, LLC formerly known as Fidelity National Financial Ventures, LLC ("Cannae LLC"), in exchange for the issuance of 16.3 million shares of Class B Common Stock of the Company and an equal number of Class B partnership units of J. Alexander's Holdings, LLC to FNH and Cannae LLC. On February 1, 2018, the Merger Agreement was terminated by the parties pursuant to Section 9.1(b)(iii) thereof as a result of the failure to obtain the requisite disinterested shareholder vote at the Company's special meeting of shareholders convened on such date for purpose of voting on the terms of the proposed Merger Agreement.

Refer to the Company's Current Report on Form 8-K filed with the SEC on February 2, 2018 for additional information.

## Note 21 – Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2017 and January 1, 2017 (in thousands, except per share amounts):

	2017 Quarter Ended			
	April 2	July 2	October 1	December 31
Net sales .....	\$ 59,822	\$ 58,216	\$ 53,879	\$ 61,338
Operating income (loss).....	3,794	215	(1,392)	4,507
<b>Income (loss) from continuing operations</b>				
<b>before income taxes</b> .....	3,641	42	(1,597)	4,340
Net income (loss) .....	2,684	186	(876)	5,340
<b>Basic earnings (loss) per share:</b>				
Income (loss) from continuing operations, net of tax.....	\$ 0.19	\$ 0.02	\$ (0.05)	\$ 0.37
Loss from discontinued operations, net .....	(0.01)	(0.01)	(0.01)	(0.01)
Basic earnings (loss) per share.....	<u>\$ 0.18</u>	<u>\$ 0.01</u>	<u>\$ (0.06)</u>	<u>\$ 0.36</u>
<b>Diluted earnings (loss) per share:</b>				
Income (loss) from continuing operations, net of tax.....	\$ 0.19	\$ 0.02	\$ (0.05)	\$ 0.37
Loss from discontinued operations, net .....	(0.01)	(0.01)	(0.01)	(0.01)
Diluted earnings (loss) per share.....	<u>\$ 0.18</u>	<u>\$ 0.01</u>	<u>\$ (0.06)</u>	<u>\$ 0.36</u>
	2016 Quarter Ended			
	April 3	July 3	October 2	January 1
Net sales .....	\$ 56,879	\$ 53,921	\$ 51,459	\$ 57,323
Operating income.....	3,172	1,822	1,306	3,794
<b>Income from continuing operations</b>				
<b>before income taxes</b> .....	2,999	1,684	1,177	3,679
Net income .....	2,290	1,087	945	2,721
<b>Basic earnings per share:</b>				
Income from continuing operations, net of tax.....	\$ 0.16	\$ 0.08	\$ 0.07	\$ 0.19
Loss from discontinued operations, net .....	(0.01)	(0.01)	(0.01)	(0.01)
Basic earnings per share.....	<u>\$ 0.15</u>	<u>\$ 0.07</u>	<u>\$ 0.06</u>	<u>\$ 0.19</u>
<b>Diluted earnings per share:</b>				
Income from continuing operations, net of tax.....	\$ 0.16	\$ 0.08	\$ 0.07	\$ 0.19
Loss from discontinued operations, net .....	(0.01)	(0.01)	(0.01)	(0.01)
Diluted earnings per share .....	<u>\$ 0.15</u>	<u>\$ 0.07</u>	<u>\$ 0.06</u>	<u>\$ 0.18</u>

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### *(a) Evaluation of disclosure controls and procedures*

The Company's principal executive officer and principal financial officer have conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report. Based on that evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of the period covered by this Annual Report, the Company's disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

#### *(b) Management's Report on Internal Control over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of the Company's internal control over financial reporting as of the end of the period covered by this Annual Report based on the framework established in "Internal Control—Integrated Framework (2013)", issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of the end of the period covered by this Annual Report.

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

Because we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm, KPMG LLP, is not required to and did not issue an attestation report on the Company's internal control over financial reporting.

#### *(c) Changes in internal controls*

There were no changes in the Company's internal control over financial reporting that occurred during quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Item 9B. Other Information**

Not applicable.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required under this Item with respect to directors of the Company will appear in, and is incorporated herein by reference to, our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2017.

The Board has adopted a Code of Business Conduct and Ethics applicable to the members of the Board and the Company's officers, including its Chief Executive Officer and Chief Financial Officer. The Company's Code of Business Conduct and Ethics is posted on its website at [www.jalexandersholdings.com](http://www.jalexandersholdings.com), or a copy can be requested by writing to the following address: J. Alexander's Holdings, Inc., Suite 260, 3401 West End Avenue, Nashville, Tennessee 37203. The Company will make any legally required disclosures regarding amendments to, or waivers of, provisions of the Code of Business Conduct and Ethics on its website.

### **Item 11. Executive Compensation**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2017.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2017.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2017.

### **Item 14. Principal Accountant Fees and Services**

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended December 31, 2017.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

- (a) The following documents are filed as part of this Annual Report:
- (1) The Consolidated Financial Statements of J. Alexander's Holdings, Inc. and its subsidiaries, including the notes thereto, are included in Item 8. Financial Statements and Supplementary Data of this Annual Report.
  - (2) Financial statement schedules are not included because they are inapplicable or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto, included in Item 8. Financial Statements and Supplementary Data of this Annual Report.
  - (3) The exhibits required to be filed as part of this report and exhibits incorporated herein by reference to other documents are listed as follows:

Reference Number per Item 601 of Regulation S-K	Description
2.1	Separation and Distribution Agreement between Fidelity National Financial, Inc. and J. Alexander's Holdings, Inc., dated September 16, 2015 (Exhibit 10.1 of Current Report on Form 8-K filed September 17, 2015 (File No. 1-37473), is incorporated herein by reference).
2.2	Agreement and Plan of Merger, dated August 3, 2017, by and among J. Alexander's Holdings, Inc., J. Alexander's Holdings, LLC, Nitro Merger Sub, Inc., Fidelity National Financial Ventures, LLC, Fidelity Newport Holdings, LLC and 99 Restaurants, LLC (terminated effective February 1, 2018) (Exhibit 2.1 of Current Report on Form 8-K filed August 7, 2017 (File No.001-37473), is incorporated herein by reference).
2.3	Amendment No. 1 to Agreement and Plan of Merger by and among J. Alexander's Holdings, Inc., J. Alexander's Holdings, LLC, Nitro Merger Sub, Inc., Cannae Holdings, LLC, formerly known as Fidelity National Financial Ventures, LLC, Fidelity Newport Holdings, LLC and 99 Restaurants, LLC, dated as of January 30, 2018 (terminated effective February 1, 2018) (Exhibit 2.1 of Current Report on Form 8-K filed January 30, 2018 (File No.001-37473), is incorporated herein by reference).
3.1	Amended and Restated Charter of J. Alexander's Holdings, Inc., dated September 14, 2015 (Exhibit 3.1 of Current Report on Form 8-K filed September 17, 2015 (File No. 1-37473), is incorporated herein by reference).
3.2	Articles of Correction to Amended and Restated Charter of J. Alexander's Holdings, Inc., dated September 22, 2015 (Exhibit 3.2 of Form S-8 filed November 3, 2015 (File No. 1-37473), is incorporated herein by reference).
3.3	Amended and Restated Bylaws of J. Alexander's Holdings, Inc., dated September 14, 2015 (Exhibit 3.2 of Current Report on Form 8-K filed September 17, 2015 (File No. 1-37473), is incorporated herein by reference).
3.4	Second Amended and Restated LLC Agreement of J. Alexander's Holdings, LLC, dated September 28, 2015 (Exhibit 3.4 of Quarterly Report on Form 10-Q filed November 9, 2015 (File No. 1-37473), is incorporated herein by reference).
10.1	Management Consulting Agreement between Black Knight Advisory Services, LLC and J. Alexander's Holdings, LLC, dated September 28, 2015 (Exhibit 10.1 of Quarterly Report on Form 10-Q filed November 9, 2015 (File No. 1-37473), is incorporated herein by reference).
10.2	Management Company Unit Grant Agreement, dated October 6, 2015(Exhibit 10.2 of Quarterly Report on Form 10-Q filed November 9, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.3	Amended and Restated Loan Agreement, dated December 9, 2014, by and between J. Alexander's, LLC and Pinnacle Bank (Exhibit 10.5 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).
10.4	Second Amended and Restated Loan Agreement, dated May 20, 2015, by and between J. Alexander's, LLC and Pinnacle Bank (Exhibit 10.6 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).
10.5	Modification Agreement, dated September 3, 2016, by and between J. Alexander's, LLC and Pinnacle Bank (Exhibit 10.1 of Quarterly Report on Form 10-Q filed November 7, 2016 (File No. 1-37473), is incorporated herein

**Reference Number  
per Item 601 of  
Regulation S-K**

**Description**

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	by reference).
10.6	J. Alexander's Holdings, LLC 2015 Management Incentive Plan (Exhibit 10.7 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.7	J. Alexander's Holdings, Inc. 2015 Equity Incentive Plan (Exhibit 10.1 of Registration Statement on Form S-8 filed November 3, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.8	First Amendment to the J. Alexander's Holdings, Inc. 2015 Equity Incentive Plan (Exhibit 10.9 of Annual Report on Form 10-K filed March 16, 2017 (File No. 1-37473), is incorporated herein by reference).*
10.9	Form of Non-Qualified Stock Option Award Agreement under the J. Alexander's Holdings, Inc. 2015 Stock Incentive Plan (Exhibit 10.2 of Registration Statement on Form S-8 filed November 3, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.10	Form of Incentive Stock Option Award Agreement under the J. Alexander's Holdings, Inc. 2015 Stock Incentive Plan (Exhibit 10.3 of Registration Statement on Form S-8 filed November 3, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.11	J. Alexander's Corporation Deferred Compensation Plan (Exhibit 10.11 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.12	Employment Agreement, dated December 26, 2008, by and among J. Alexander's Corporation and Lonnie J. Stout II (Exhibit 10.12 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.13	Amended and Restated Salary Continuation Agreement, dated December 26, 2008, with Lonnie J. Stout II (Exhibit 10.13 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.14	Severance Benefits Agreement, dated September 13, 1989, between J. Alexander's Corporation and Lonnie J. Stout II, as amended (Exhibit 10.14 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.15	Letter Agreement, dated July 30, 2012, by and among J. Alexander's Corporation, Fidelity National Financial, Inc., Fidelity Newport Holdings, LLC, American Blue Ribbon Holdings, Inc. and Lonnie J. Stout II (Exhibit 10.15 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.16	Employment Agreement, dated December 26, 2008, by and among J. Alexander's Corporation and J. Michael Moore (Exhibit 10.16 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.17	Amended and Restated Salary Continuation Agreement, dated December 26, 2008, with J. Michael Moore (Exhibit 10.17 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.18	Letter Agreement, dated July 30, 2012, by and among J. Alexander's Corporation, Fidelity National Financial, Inc., Fidelity Newport Holdings, LLC, American Blue Ribbon Holdings, Inc. and J. Michael Moore (Exhibit 10.18 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.19	Employment Agreement, dated December 26, 2008, by and among J. Alexander's Corporation and Mark A. Parkey (Exhibit 10.19 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.20	Amended and Restated Salary Continuation Agreement, dated December 26, 2008, with Mark A. Parkey (Exhibit 10.20 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.21	Letter Agreement, dated July 30, 2012, by and among J. Alexander's Corporation, Fidelity National Financial, Inc., Fidelity Newport Holdings, LLC, American Blue Ribbon Holdings, Inc. and Mark A. Parkey (Exhibit 10.21 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.22	Letter Agreement, dated July 1, 2014, by and among J. Alexander's, LLC and Mark A. Parkey (Exhibit 10.22 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*



Reference Number per Item 601 of Regulation S-K	Description
10.23	Employment Agreement dated March 14, 2018 by and among J. Alexander's Holdings, Inc. and Jessica Hagler Root*
10.24	Employment Agreement dated March 14, 2018 by and among J. Alexander's Holdings, Inc. and Jason S. Parks*
10.25	Form of J. Alexander's Holdings, LLC Unit Grant Agreement (Exhibit 10.8 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).*
10.26	Director Indemnification Agreement dated September 28, 2015 by and between J. Alexander's Holdings, Inc. and Douglas K. Ammerman (Exhibit 10.23 of Annual Report on Form 10-K filed March 30, 2016 (File No. 1-37473), is incorporated herein by reference).
10.27	Director Indemnification Agreement dated September 28, 2015 by and between J. Alexander's Holdings, Inc. and Timothy T. Janszen (Exhibit 10.24 of Annual Report on Form 10-K filed March 30, 2016 (File No. 1-37473), is incorporated herein by reference).
10.28	Director Indemnification Agreement dated September 28, 2015 by and between J. Alexander's Holdings, Inc. and Ronald B. Maggard, Sr. (Exhibit 10.25 of Annual Report on Form 10-K filed March 30, 2016 (File No. 1-37473), is incorporated herein by reference).
10.29	Director Indemnification Agreement dated September 28, 2015 by and between J. Alexander's Holdings, Inc. and Frank R. Martire (Exhibit 10.26 of Annual Report on Form 10-K filed March 30, 2016 (File No. 1-37473), is incorporated herein by reference).
10.30	Director Indemnification Agreement dated September 28, 2015 by and between J. Alexander's Holdings, Inc. and Raymond R. Quirk (Exhibit 10.27 of Annual Report on Form 10-K filed March 30, 2016 (File No. 1-37473), is incorporated herein by reference).
10.31	Director Indemnification Agreement dated September 28, 2015 by and between J. Alexander's Holdings, Inc. and Lonnie J. Stout II (Exhibit 10.28 of Annual Report on Form 10-K filed March 30, 2016 (File No. 1-37473), is incorporated herein by reference).
10.32	Officer Indemnification Agreement dated May 10, 2017 by and between J. Alexander's Holdings, Inc. and Lonnie J. Stout II (Exhibit 10.1 of Quarterly Report on Form 10-Q filed May 11, 2017 (File No. 1-37473), is incorporated herein by reference).
10.33	Officer Indemnification Agreement dated May 10, 2017 by and between J. Alexander's Holdings, Inc. and Mark A. Parkey (Exhibit 10.2 of Quarterly Report on Form 10-Q filed May 11, 2017 (File No. 1-37473), is incorporated herein by reference).
10.34	Officer Indemnification Agreement dated May 10, 2017 by and between J. Alexander's Holdings, Inc. and J. Michael Moore (Exhibit 10.3 of Quarterly Report on Form 10-Q filed May 11, 2017 (File No. 1-37473), is incorporated herein by reference).
10.35	Officer Indemnification Agreement dated May 10, 2017 by and between J. Alexander's Holdings, Inc. and Jessica H. Root (Exhibit 10.4 of Quarterly Report on Form 10-Q filed May 11, 2017 (File No. 1-37473), is incorporated herein by reference).
10.36	Officer Indemnification Agreement dated March 14, 2018 by and between J. Alexander's Holdings, Inc. and Jason S. Parks
10.37	J. Alexander's Holdings, Inc. 2018 Summary of Director and Executive Officer Compensation*
10.38	Tax Matters Agreement between Fidelity National Financial, Inc. and J. Alexander's Holdings, Inc., dated September 16, 2015 (Exhibit 10.2 of Current Report on Form 8-K filed September 17, 2015 (File No. 1-37473), is incorporated herein by reference).
21.1	List of subsidiaries of J. Alexander's Holdings, Inc. (Exhibit 21.1 of Information Statement on Form 10 filed June 25, 2015 (File No. 1-37473), is incorporated herein by reference).
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

**Reference Number  
per Item 601 of  
Regulation S-K**

**Description**

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32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	XBRL (Extensible Business Reporting Language) The following materials from the Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Cash Flows and (iv) Notes to Consolidated Financial Statements.

\* Denotes executive compensation plan or arrangement.

**Item 16. Form 10-K Summary**

None.

## SIGNATURES

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

J. ALEXANDER'S HOLDINGS, INC.

Date: March 15, 2018

By: /s/ Lonnie J. Stout II  
Lonnie J. Stout II  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Lonnie J. Stout II</u> Lonnie J. Stout II	President, Chief Executive Officer and Director (Principal Executive Officer)	<u>March 15, 2018</u>
<u>/s/ Mark A. Parkey</u> Mark A. Parkey	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	<u>March 15, 2018</u>
<u>/s/ Jessica H. Root</u> Jessica H. Root	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	<u>March 15, 2018</u>
<u>/s/ Douglas K. Ammerman</u> Douglas K. Ammerman	Director	<u>March 15, 2018</u>
<u>/s/ Timothy T. Janszen</u> Timothy T. Janszen	Director	<u>March 15, 2018</u>
<u>/s/ Ronald B. Maggard, Sr.</u> Ronald B. Maggard, Sr.	Director	<u>March 15, 2018</u>
<u>/s/ Frank R. Martire</u> Frank R. Martire	Director	<u>March 15, 2018</u>
<u>/s/ Raymond R. Quirk</u> Raymond R. Quirk	Director	<u>March 15, 2018</u>

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Lonnie J. Stout II, certify that:

1. I have reviewed this Annual Report on Form 10-K of J. Alexander's Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2018

/s/ Lonnie J. Stout II  
\_\_\_\_\_  
Lonnie J. Stout II  
Chief Executive Officer and President  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark A. Parkey, certify that:

1. I have reviewed this Annual Report on Form 10-K of J. Alexander's Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2018

/s/ Mark A. Parkey

Mark A. Parkey  
Executive Vice President, Chief  
Financial Officer and Treasurer  
*(Principal Financial Officer)*



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of J. Alexander's Holdings, Inc. (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lonnie J. Stout II

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Lonnie J. Stout II  
Chief Executive Officer and President  
*(Principal Executive Officer)*  
March 15, 2018

/s/ Mark A. Parkey

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Mark A. Parkey  
Executive Vice President, Chief Financial Officer and Treasurer  
*(Principal Financial Officer)*  
March 15, 2018

## CORPORATE INFORMATION

### TRANSFER AGENT

Computershare Trust Company, N.A.  
P.O. Box 30170  
College Station, TX 77842  
(877) 373-6374

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
Nashville, TN

### CORPORATE OFFICES

3401 West End Avenue,  
Suite 260  
P.O. Box 24300  
Nashville, TN 37202  
(615) 269-1900  
[www.jalexandersholdings.com](http://www.jalexandersholdings.com)

### NYSE SYMBOL

JAX

### ANNUAL MEETING

The Annual Meeting of Shareholders will be held May 30, 2018 at 9:30 a.m., Nashville time, at Redlands Grill, 2609 West End Avenue, Nashville, Tennessee 37203.

### AVAILABLE INFORMATION

The Company's annual reports, shareholders' letters and quarterly and other news releases are posted on the investor relations section of its website ([www.jalexandersholdings.com](http://www.jalexandersholdings.com)). If you would like to have a printed copy of any of this information mailed to you, please call or write Janice Jackson in the corporate offices, and she will send them to you.

### BOARD OF DIRECTORS

Douglas K. Ammerman (1)(2)(3)  
*Retired partner*  
KPMG LLP

Timothy T. Janszen (1)  
*Chief Executive Officer*  
Newport Global Advisors

Ronald B. Maggard, Sr. (2)(3)  
*Chairman of the Board and President*  
Maggard Enterprises, Inc.

Frank R. Martire (1)(2)(4)  
*Chairman of the Board*  
Fidelity National Information Services, Inc.

Raymond R. Quirk  
*Chief Executive Officer*  
Fidelity National Financial, Inc.

Lonnie J. Stout II  
*President and Chief Executive Officer*  
J. Alexander's Holdings, Inc.

- (1) Audit Committee Member
- (2) Compensation Committee Member
- (3) Nominating and Corporate Governance Committee Member
- (4) Chairman

### CORPORATE OFFICERS

Lonnie J. Stout II  
*President and Chief Executive Officer*

J. Michael Moore  
*Executive Vice President and Chief Operating Officer*

Mark A. Parkey  
*Executive Vice President,*  
*Chief Financial Officer and Treasurer*

Jessica L. Hagler  
*Vice President, Controller,*  
*Chief Accounting Officer*  
*and Corporate Secretary*

Jason S. Parks  
*Vice President and*  
*Chief Information Officer*

### CERTIFICATIONS

The Company filed the Chief Executive Officer and Chief Financial Officer certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

## LOCATIONS

### ALABAMA

BIRMINGHAM

### COLORADO

DENVER

### FLORIDA

BOCA RATON

FT. LAUDERDALE

JACKSONVILLE

PALM BEACH GARDENS

PLANTATION

TAMPA

### GEORGIA

ATLANTA (3)

DULUTH

ROSWELL

### ILLINOIS

DEER PARK

NORTHBROOK

OAK BROOK

### KANSAS

OVERLAND PARK

### KENTUCKY

LEXINGTON

LOUISVILLE (2)

### LOUISIANA

BATON ROUGE

### MARYLAND

ANNAPOLIS

TOWSON

### MICHIGAN

LIVONIA

TROY (2)

WEST BLOOMFIELD

### MISSOURI

CHESTERFIELD

### NORTH CAROLINA

CHAPEL HILL

RALEIGH

### OHIO

CINCINNATI

CLEVELAND

COLUMBUS-EASTON GATEWAY

COLUMBUS-VANTAGE DRIVE

DAYTON

TOLEDO

### PENNSYLVANIA

KING OF PRUSSIA

### TENNESSEE

CHATTANOOGA

FRANKLIN (2)

GERMANTOWN

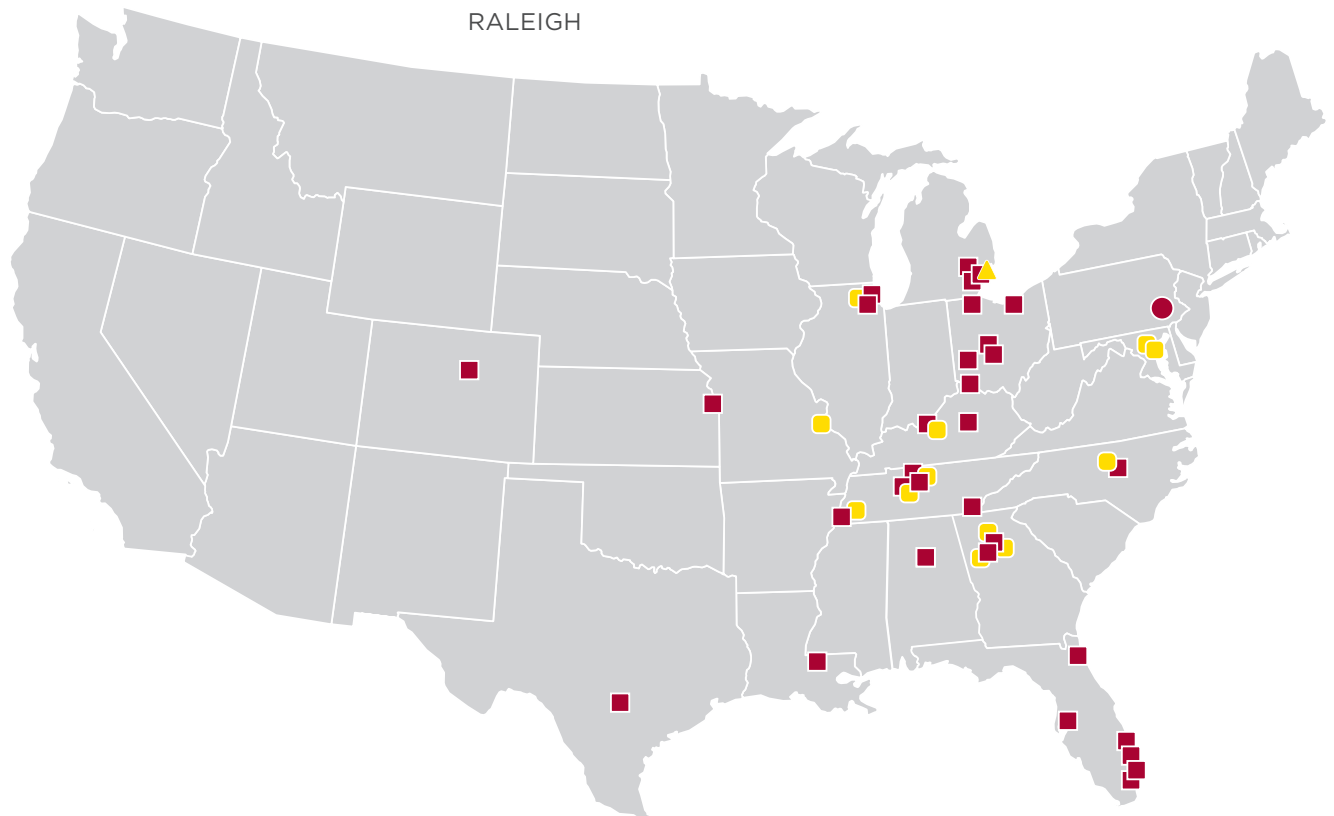
MEMPHIS

NASHVILLE-WEST END (2)

NASHVILLE- WHITE BRIDGE RD

### TEXAS

SAN ANTONIO



■ J. ALEXANDER'S / REDLANDS GRILL / LYNDHURST GRILL

■ STONEY RIVER STEAKHOUSE and GRILL

● J. ALEXANDER'S ANNOUNCED LOCATIONS

▲ STONEY RIVER STEAKHOUSE and GRILL ANNOUNCED LOCATIONS

**J.ALEXANDER'S**  
**HOLDINGS, INC.**

3401 West End Avenue  
Suite 260  
P.O. Box 24300  
Nashville, TN 37202  
615.269.1900  
[www.jalexandersholdings.com](http://www.jalexandersholdings.com)