

J. Alexander's Holdings, Inc.
Form 10-K
March 14, 2019

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 30, 2018.

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	47-1608715
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification Number)

3401 West End Avenue, Suite 260	
Nashville, Tennessee	37203
(Address of principal executive offices)	(Zip Code)

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

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

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Title of Class: Name of each exchange on which registered:
Common stock, par value \$0.001 per share 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller Reporting Company
Emerging growth company	

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 1, 2018, 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 \$142,142,363. 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 13, 2019 was 14,695,176.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 2019 Annual Meeting of Shareholders are incorporated by reference into Part II and Part III hereof.

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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 complementary upscale dining restaurants including: J. Alexander's, Redlands Grill, Lyndhurst Grill, Overland Park 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 2017, we successfully converted one of our previous J. Alexander's locations in Ohio to the Lyndhurst Grill. Further, in 2018, we successfully converted one of our previous J. Alexander's locations in Kansas to the Overland Park Grill. Each of these recently converted locations will continue to offer a contemporary American menu.

By offering a collection of restaurants 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 multiple restaurants 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 existing concepts in the future.

While each restaurant concept operates under a unique trade name, each of our restaurants is identified as a "J. Alexander's Holdings Restaurant." As of December 30, 2018, we operated a total of 46 locations across 16 states. During 2018, we opened one J. Alexander's location in King of Prussia, Pennsylvania and one Stoney River location in Troy, Michigan. Additionally, as discussed above, during 2018, we converted one J. Alexander's location to the Overland Park 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 2018 generally refer to our fiscal year 2018, which ended on December 30, 2018. Fiscal years 2018, 2017 and 2016 each included 52 weeks of operations, respectively. Our next 53-week fiscal year will occur in 2020.

The locations operating under the names Redlands Grill, Overland Park Grill and Lyndhurst Grill have been included with the J. Alexander's locations in the disclosures of key operating metrics such as average weekly sales, average weekly same store sales, average check and other applicable disclosures, and are collectively referred to herein as "J. Alexander's / Grill" restaurants.

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 13, 2019, we operated 19 J. Alexander's restaurants located in Florida, Georgia, Illinois, Kentucky, Louisiana, Michigan, North Carolina, Ohio, Pennsylvania, 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 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 13, 2019, we operated 13 Stoney River restaurants located in Georgia, Illinois, Kentucky, Maryland, Michigan, 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 13, 2019, 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 in Lyndhurst, Ohio and an Overland Park Grill in Overland Park, Kansas as of March 13, 2019.

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 restaurants 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 restaurants. 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 a Redlands Grill and anticipate that we could transition additional locations to a Redlands Grill in the future. 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 a Lyndhurst Grill. Further, during 2018, we transitioned a J. Alexander's location to the Overland Park Grill.

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 Restaurants

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 13, 2019, 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 \$12.00 to \$36.00, while appetizers and entrée salads range from approximately \$8.00 to \$20.00. Dinner entrée prices range from approximately \$13.00 to \$37.00, and dinner appetizers and entrée salads range from approximately \$8.00 to \$21.00. In 2018, 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 2018, and our highest volume restaurant exceeded \$9,300 in annual sales. The average check for J. Alexander's in 2018 was \$32.01.

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 restaurant 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 13, 2019, we had 13 Stoney River restaurants in eight 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 72% 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 \$45.00, 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 2018. Our average weekly same store sales for 2018 were \$80,000. During 2018, the average check for Stoney River was \$42.71. 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. 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 5.9% of net sales in 2018. Going forward, 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 13, 2019, we operated 12 Redlands Grills in eight states.

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 restaurant 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 restaurant 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 restaurants 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 restaurants offer.

Premium, Freshly Made Cuisine. All of our restaurants 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'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 restaurant, 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 restaurants. 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 restaurants 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 restaurants 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 2018 for the J. Alexander’s / Grill restaurant concepts. Our highest volume J. Alexander’s / Grill restaurant generated net sales of approximately \$9,300 in 2018. 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 locations. We believe that additional remodels of locations in each of our restaurants 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 restaurants. 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 25 years of restaurant experience, and our 46 general managers, as of December 30, 2018, have an average tenure at J. Alexander's / Grill restaurants and Stoney River of approximately 12.4 years and 7.7 years, respectively.

Our Growth Strategies

We believe there are significant opportunities to grow our business, strengthen our competitive position and enhance our restaurants 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 restaurant 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. In addition, 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.

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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 restaurants. 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 Stoney River restaurant in Troy, Michigan during October 2018 and a J. Alexander's restaurant in King of Prussia, Pennsylvania in April 2018. In addition, the Company expects to open two new J. Alexander's / Grill restaurants in the fourth quarter of 2019, the first of which will be located in Houston, Texas.

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, over time, 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 restaurants, 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 / Grill locations and, where applicable, 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 restaurant 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 / 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 / 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 / Grill locations, we estimate that a new build, excluding land, will typically 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 5.9% of sales at Stoney River in 2018. Historically, the majority of our Stoney River locations have operated as a dinner service only restaurant traditionally found within the steakhouse category of restaurants. Beginning with the new Stoney River restaurant in Troy, Michigan which opened in October 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 typically 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 70 to 85 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 2018. 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,” “Lyndhurst Grill,” “Black River Angus Beef,” “Black River Premium Beef,” “Legendary Steaks,” “Stoney River,” “Stoney River Legendary Steaks,” “Stoney River Steakhouse and Grill,” “Stoney River Legendary Filet,” “Seahorse” and “Birmingham Grill.” In addition, we have also registered the Internet domain names jalexanders.com, jalexandersholdings.com, redlandsgrill.com, lyndhurstgrill.com and 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 16 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 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. Specifically, in fiscal year 2019 we expect to commit significant resources to the implementation of both a new restaurant back-office system that will handle inventory management, theoretical food costing, labor scheduling and other core restaurant-level processes, as well as a new human capital management solution that will encompass payroll

processing, human resources and benefits management, learning management and other key talent management functions. We believe the investment in these technologies will allow management to have greater visibility into day-to-day operations, reduce compliance costs and risks, improve efficiency and better leverage existing talent in managing the business on a long-term basis.

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, overall dining experience and the ability to make a reservation.

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 / 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 30, 2018, we employed approximately 3,800 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.

Name and Age	Position
[REDACTED]	President, Chief Executive Officer and Director
Lonnie J. Stout II, 72	Executive Vice President, Chief Financial Officer and Treasurer
Mark A. Parkey, 56	Executive Vice President and Chief Operating Officer
J. Michael Moore, 59	Vice President, Controller, Chief Accounting Officer and Secretary
Jessica L. Hagler, 39	Vice President and Chief Information Officer
Jason S. Parks, 47	Officer

Lonnie Mr. Stout has been a director, President and Chief Executive Officer of the Company since its formation. J. Stout Prior to that time, he was a director/manager (as applicable), President and Chief Executive Officer of JAC, J. II 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. Effective May 1, 2019, Mr. Stout's position will change to Executive Chairman of the Board.

Mark A. Mr. Parkey has served as Executive Vice President, Chief Financial Officer and Treasurer of the Company Parkey 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. Effective May 1, 2019, Mr. Parkey's

position will change to President and Chief Executive Officer.

- 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 L. Hagler Ms. Hagler has served as Vice President, Controller and Chief Accounting Officer of the Company since October 2015, and as the Secretary of the Company since 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. Hagler was a Senior Manager in Audit at KPMG LLP. Effective May 1, 2019, Ms. Hagler's position will change to Vice President, Chief Financial Officer, Treasurer and Secretary.
- Jason S. Parks Mr. Parks has served as Vice President and Chief Information Officer of the Company since 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 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," "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 obtain financing on favorable terms, or at all;
- the strain on our infrastructure caused by the implementation of our growth strategy;
- our ability to successfully transition certain of our existing J. Alexander's locations to Redlands Grill locations and any other future concept locations;
- 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 our existing 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, including minimum wage rates, 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 adverse weather conditions, including hurricanes and other weather-related disturbances; 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 restaurants’ 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 restaurants, including the image and condition of our restaurant facilities and the quality of our guest experience. Consequently, we may need to evolve our restaurants 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 restaurants 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, we completed the remodel of two J. Alexander's restaurants, one Redlands Grill restaurant, and the Overland Park Grill restaurant during 2018, which resulted in an average capitalized cost of approximately \$460. Further, we completed the remodel of three Stoney River restaurants in 2018, and capitalized costs on average of approximately \$250. We expect to complete three to eight remodels each year at an average cost of approximately \$425 per location. For 2019, we intend to complete reinvestments and improvements at our existing locations across all of our restaurants at an approximate total cost of \$8,600 and to invest approximately \$11,000 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 locations, 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, and we anticipate that we will open two locations 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 restaurant identity and 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 locations 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 13, 2019, we operated 46 restaurants in 16 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 3.8% of our revenues in 2018, 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 / 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 / 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 restaurants 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 2018. 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 2019 will be consistent with or perhaps experience modest increases relative to fiscal year 2018.

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 restaurant 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 came into effect on May 7, 2018.

While we do not anticipate that we will have more than 20 locations operating under the same name, 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