ALEXANDERS J CORP
Form 10-K
March 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

þ **Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934.**
For the fiscal year ended December 28, 2008.

OR

o **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 1-8766
J. ALEXANDER S CORPORATION
(Exact name of Registrant as specified in its charter)

Tennessee	**62-0854056**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
P.O. Box 24300 **3401 West End Avenue** **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:

Title of Class:	**Name of each exchange on which registered:**
Common stock, par value $.05 per share, with associated Series A junior preferred stock purchase rights.	The NASDAQ Stock Market LLC

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 o No þ

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 o No þ

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 þ No o

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the last sales price on The NASDAQ Stock Market LLC (NASDAQ Stock Market) of such stock as of June 27, 2008, the last business day of the Company s most recently completed second fiscal quarter, was $28,408,572, assuming that (i) all shares held by officers of the Company are shares owned by affiliates , (ii) all shares beneficially held by members of the Company s Board of Directors are shares owned by affiliates, a status which each of the directors individually disclaims and (iii) all shares held by the Trustee of the J. Alexander s Corporation Employee Stock Ownership Plan are shares owned by an affiliate .

The number of shares of the Company s Common Stock, $.05 par value, outstanding at March 27, 2009, was 6,754,860.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive Proxy Statement for its Annual Meeting of Shareholders scheduled to be held on May 19, 2009 are incorporated by reference into Part III hereof.

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PART I

Item 1. Business

J. Alexander s Corporation (the Company or J. Alexander s) was organized in 1971 and, as of December 28, 2008, operated as a proprietary concept 33 J. Alexander s full-service, casual dining restaurants located in Alabama, Arizona, Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Michigan, Ohio, Tennessee and Texas. J. Alexander s is a traditional restaurant with an American menu featuring prime rib of beef; hardwood-grilled steaks, seafood and chicken; pasta; salads and soups; assorted sandwiches, appetizers and desserts; and a full-service bar.

Unless the context requires otherwise, all references to the Company include J. Alexander s Corporation and its subsidiaries.

RESTAURANT OPERATIONS

General. J. Alexander s is a quality casual dining restaurant with a contemporary American menu. J. Alexander s strategy is to 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, friendly and well-trained service staff. The Company believes that quality food, outstanding service, attractive ambiance and value are critical to the success of J. Alexander s.

Each restaurant is generally open from 11:00 a.m. to 11:00 p.m. Monday through Thursday, 11:00 a.m. to 12:00 midnight on Friday and Saturday, and 11:00 a.m. to 10:00 p.m. on Sunday. Entrees available at lunch and dinner generally range in price from $9.00 to $30.00. The Company estimates that the average check per customer for fiscal 2008, including alcoholic beverages, was $24.48. J. Alexander s net sales during fiscal 2008 were $139.8 million, of which alcoholic beverage sales accounted for 17.5%.

Company opened its first J. Alexander s restaurant in Nashville, Tennessee in 1991. The number of J. Alexander s restaurants opened by year is set forth in the following table:

Year	Restaurants Opened
1991	1
1992	2
1994	2
1995	4
1996	5
1997	4
1998	2
1999	1
2000	1
2001	2
2003	3
2005	1
2007	2
2008	3

Menu. Emphasis on quality is present throughout the entire J. Alexander s menu, which is designed to appeal to a wide variety of tastes. The menu features prime rib of beef; hardwood-grilled steaks, seafood and chicken; pasta; salads and soups; and assorted sandwiches, appetizers and desserts. As a part of the Company s commitment to quality, soups, sauces, salsa, salad dressings and desserts are made daily from scratch; fresh steaks, chicken and seafood are grilled over genuine hardwood; and all steaks are U.S.D.A. midwestern, corn-fed choice beef or higher, with a targeted aging of 24 to 41 days.

Guest Service. Management believes that prompt, courteous and efficient service is an integral part of the J. Alexander s concept. The management staff of each restaurant are referred to as coaches and the other employees as champions . The Company seeks to hire coaches who are committed to the principle that quality products and service are key factors to success in the restaurant industry. Each J. Alexander s restaurant typically employs four to five fully-trained concept coaches and two kitchen coaches. Many of the coaches have previous experience in full-service restaurants and all complete an intensive J. Alexander s development program, generally lasting for 19 weeks, involving all aspects of restaurant operations.

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Each J. Alexander s restaurant employs approximately 30 to 50 service personnel, 20 to 25 kitchen employees, 8 to 10 hosts or hostesses and six to eight pubkeeps. The Company places significant emphasis on its initial training program. In addition, the coaches hold training breakfasts for the service staff to further enhance their product knowledge. Management believes J. Alexander s restaurants have a low table to server ratio compared to many other casual dining restaurants, which is designed to provide better, more attentive service. The Company is committed to employee empowerment, and each member of the service staff is authorized to provide complimentary food in the event that a guest has an unsatisfactory dining experience or the food quality is not up to the Company s standards. Further, all members of the service staff are trained to know the Company s product specifications and to alert management of any potential problems.

Quality Assurance. A key position in each J. Alexander s restaurant is the quality control coordinator. This position is staffed by a coach who inspects each plate of food before it is served to a guest. The Company believes that this product inspection by a member of management is a significant factor in maintaining consistent, high food quality in its restaurants.

Another important component of the quality assurance system is the preparation of taste plates. Certain menu items are taste-tested daily by a coach to ensure that only the highest quality food meeting the Company s specifications is served in the restaurant. The Company also uses a service evaluation program to monitor service staff performance, food quality and guest satisfaction.

Restaurant Design and Site Selection. The J. Alexander s restaurants are generally free-standing structures that typically contain approximately 7,000 to 8,000 square feet and seat approximately 230 people. The restaurants interiors are designed to provide an upscale ambiance and feature an open kitchen. The Company has used a variety of interior and exterior finishes and materials in its building designs which are intended to provide a high level of curb appeal as well as a comfortable dining experience.

The design of J. Alexander s restaurant exteriors has evolved through the years. Several of the Company s newer restaurants feature a patio complemented by an exposed fire pit, designed to enhance the guests overall dining experience. The Company s restaurants opened from 2001 through 2003 in Boca Raton, Florida, Atlanta, Georgia and Northbrook, Illinois utilize a Wrightian architectural style featuring a high central-barreled roof and exposed structural steel system over an open, symmetrical floor plan. Angled window wall projections from the dining room provide a focus into the interior and create an anchor for the building. A garden seating area for waiting is provided by the patio and open trellis adjacent to the entrance, integrating the building into the adjacent landscape.

From 1996 through 2000, the Company s building designs generally utilized craftsman-style architecture, which featured natural materials such as stone, wood and weathering copper, as well as a blend of international and craftsman architecture featuring elements such as steel, concrete, stone and glass, subtly incorporated to give a contemporary feel. Prior to 1996, the building style most frequently used by the Company featured high ceilings, wooden trusses and exposed ductwork.

Departures from the more typical building designs have also been made as necessary to accommodate unique situations. For example, the Company s restaurant in Nashville, Tennessee, which opened in 2005 required the complete renovation of an older building to incorporate the development of 8,100 square feet of contemporary restaurant space along a busy thoroughfare just outside downtown Nashville, with a special emphasis on providing views both into and out of the dining area. The Company s restaurant in Chicago, Illinois is located in a developing upscale urban shopping district and prominently occupies over 9,000 square feet of a restored warehouse building. The J. Alexander s restaurant located in Troy, Michigan is located inside the prestigious Somerset Collection Mall and features a very upscale, contemporary design developed specifically for that location. The Company s Houston restaurant, which opened in 2003 and was previously operated by another full service, upscale casual dining concept, required minimal changes to the building s exterior and interior finishes while the restaurant opened in Atlanta during 2007 and also previously operated by another full-service, upscale casual dining concept required substantial changes to the interior finishes prior to opening.

Management does not plan to open any new restaurants in 2009 and is opting to be cautious and conserve the Company s capital until there is a clearer picture of the future of the economy before making any additional commitments for new restaurants. Capital expenditures for 2009 are estimated to total $3.3 million and are primarily for additions and improvements to existing restaurants. Excluding the cost of land acquisition, the Company estimates that the cash investment for site preparation and for constructing and equipping a new, free-standing J. Alexander s restaurant is currently approximately $4.0 to $4.9 million, although costs could be much higher in certain locations. The Company has generally preferred to own its sites because of the long-term value of real estate ownership. However, because of the Company s current development strategy, which focuses on markets with high population densities and household incomes, it has become increasingly difficult to locate sites that are available for purchase and the Company has leased the sites for all but two of its 15 restaurants opened since 1997 and has not purchased a restaurant site since 2002. Management anticipates that the cost of future sites, when and if purchased, will range from $1.5 to $2.5 million, and could exceed this range for exceptional properties.

The Company intends to resume new restaurant development in the future. The timing and number of restaurant openings will depend, however, upon a number of factors including improvement in the state of the U.S. economy, the operating and financial condition of the Company, the selection and availability of suitable sites, and the Company s ability to finance new restaurant development on a basis satisfactory to the Company. The Company has no plans to franchise J. Alexander s restaurants.

The Company believes that its ability to select high profile restaurant sites is critical to the success of the J. Alexander s operations. Once a prospective site is identified and preliminary site analysis is performed and evaluated, members of the Company s senior management team visit the proposed location and evaluate the particular site and the surrounding area. The Company analyzes a variety of factors in the site selection process, including local market demographics, the number, type and success of competing restaurants in the immediate and surrounding area and accessibility to and visibility from major thoroughfares. The Company believes that this site selection strategy generally results in quality restaurant locations.

Information Systems. The Company utilizes a Windows-based accounting software package and a network that enables electronic communication throughout the Company. In addition, all of the Company s restaurants utilize touch screen point-of-sales and electronic gift card systems, and also employ a theoretical food costing program. The Company utilizes its management information systems to develop pricing strategies, identify food cost issues, monitor new product reception and evaluate restaurant-level productivity. The Company expects to continue to develop its management information systems to assist management in analyzing business issues and to improve efficiency.

SERVICE MARK

The Company has registered the service mark J. Alexander s Restaurant with the United States Patent and Trademark Office and believes that it is of material importance to the Company s business.

COMPETITION

The restaurant industry is highly competitive. The Company believes that the principal competitive factors within the industry are site location, product quality, service and price; however, menu variety, attractiveness of facilities and customer recognition are also important factors. The Company s restaurants compete not only with numerous other casual dining restaurants with national or regional images, but also with other types of food service operations in the vicinity of each of the Company s restaurants. These include other restaurant chains or franchise operations with greater public recognition, substantially greater financial resources and higher total sales volume than the Company. The restaurant business is often affected by changes in consumer tastes, national, regional or local economic conditions, demographic trends, traffic patterns and the type, number and location of competing restaurants.

PERSONNEL

As of December 28, 2008, the Company employed approximately 2,850 persons. The Company believes that its employee relations are good. It is not a party to any collective bargaining agreements.

GOVERNMENT REGULATION

Each of the Company s restaurants is subject to various federal, state and local laws, regulations and administrative practices relating to the sale of food and alcoholic beverages, and sanitation, fire and building codes. Restaurant operating costs are also affected by other governmental actions that are beyond the Company s control, which may include increases in the minimum hourly wage requirements, workers compensation insurance rates and unemployment and other taxes. Restaurant operating costs may also be affected by federal government actions related to energy policies, particularly those affecting the price of petroleum products and development of alternative fuel sources such as ethanol. In addition, difficulties or failures in obtaining any required governmental licenses or approvals could delay or prevent the opening of a new restaurant.

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Alcoholic beverage control regulations require each of the Company s J. Alexander s restaurants to apply for and obtain from state and local authorities a license or permit to sell alcoholic beverages on the premises and, in some states, to provide service for extended hours and on Sundays. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. The failure of any restaurant to obtain or retain any required alcoholic beverage licenses would adversely affect the restaurant s operations. In certain states, the Company may be subject to dram-shop statutes, which generally provide a person injured by an intoxicated person the right to recover damages from the establishment which wrongfully served alcoholic beverages to the intoxicated person. Of the 13 states where J. Alexander s operates, 11 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. The Company carries liquor liability coverage with an aggregate limit and a limit per common cause of $1 million as part of its comprehensive general liability insurance.

The Americans with Disabilities Act (ADA) prohibits discrimination on the basis of disability in public accommodations and employment. The ADA became effective as to public accommodations and employment in 1992. Construction and remodeling projects completed by the Company since January 1992 have taken into account the requirements of the ADA. While no further expenditures relating to ADA compliance in existing restaurants are anticipated, the Company could be required to further modify its restaurants physical facilities to comply with the provisions of the ADA.

EXECUTIVE OFFICERS OF THE COMPANY

The following list includes names and ages of all of the executive officers of the Company indicating all positions and offices with the Company 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	Background Information
R. Gregory Lewis, 56	Chief Financial Officer since July 1986; Vice-President of Finance and Secretary since August 1984.
J. Michael Moore, 49	Vice-President of Human Resources and Administration since November 1997; Director of Human Resources and Administration from August 1996 to November 1997; Director of Operations, J. Alexander s Restaurants, Inc. from March 1993 to April 1996.
Mark A. Parkey, 46	Vice-President since May 1999; Controller since May 1997; Director of Finance from January 1993 to May 1997.
Lonnie J. Stout II, 62	Chairman since July 1990; Director, President and Chief Executive Officer since May 1986.

Available Information

The Company s internet website address is http://www.jalexanders.com. The Company makes available free of charge through its website the Company s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practical after it electronically files or furnishes such materials to the Securities and Exchange Commission. Information contained on the Company s website is not part of this report.

FORWARD-LOOKING STATEMENTS

The forward-looking statements included in this Annual Report on Form 10-K relating to certain matters involve risks and uncertainties, including anticipated financial performance, business prospects, economic conditions, anticipated capital expenditures, financing arrangements and other similar matters, which reflect management s best judgment based on factors currently known. Actual results and experience could differ materially from the anticipated results or other expectations expressed in the Company s forward-looking statements as a result of a number of factors.

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. In addition, the Company disclaims any intent or obligation to update these forward-looking statements.

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Item 1A. Risk Factors

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company is including the following cautionary statements identifying important factors that could cause the Company s actual results to differ materially from those projected in forward looking statements made by, or on behalf of, the Company.

Economic conditions are affecting consumer spending and may continue to harm the Company s business and operating results. The current recession and continuing deterioration in the U.S. economy have negatively affected the Company s business and operating results and are expected to continue to do so for an additional period of time. Dramatic declines in home values, tightening credit, increasing unemployment, investment losses and turmoil in the financial markets have led to lack of consumer confidence and lower discretionary consumer spending. Continued weakness in consumer spending is expected to continue to have an adverse impact on the Company s revenues and results of operations, and could potentially result in the Company recording asset impairment charges in the future.

Management does not believe that economic conditions are likely to improve significantly in the near future, and the effects of future recessionary conditions on the Company are unknown. There can be no assurance that the government s plan to stimulate the economy will restore consumer confidence, stabilize the financial markets, increase liquidity and the availability of credit, or result in lower unemployment. Additionally, management believes there is a risk that if the current negative economic conditions persist for a long period of time and become more pervasive, consumers might make long-lasting changes to their discretionary spending behavior, including dining out less frequently on a more permanent basis.

Failure to maintain the Company s bank credit facility could have a material adverse effect on its liquidity and financial condition. The Company maintains a $10 million bank line of credit facility which expires on July 1, 2009. Additionally, while the Company was in compliance with all financial covenants required by the line of credit agreement at December 28, 2008, management does not expect the Company will be in compliance with certain of those covenants as of the end of the first quarter of 2009. Accordingly, management intends to attempt to amend and extend the bank line of credit agreement in the near future. Nevertheless, management believes that cash and cash equivalents on hand at December 28, 2008 and cash flow generated by future operations will be adequate to meet the Company s operating and capital needs at least through 2009, and therefore the Company does not currently intend to incur any borrowings under the line of credit unless the Company amends and extends the bank line of credit agreement. The inability of the Company to amend and renew the agreement on a satisfactory basis could require the Company to seek additional financing. If additional financing is needed but not available on acceptable terms, or at all, the Company s financial condition and liquidity could be materially adversely affected.

The Company Faces Challenges in Opening New Restaurants. The Company s continued growth depends in part on its ability to open new J. Alexander s restaurants and to operate them profitably, which will depend on a number of factors, including the selection and availability of suitable locations, the hiring and training of sufficiently skilled management and other personnel and other factors, some of which are beyond the control of the Company. The Company s growth strategy includes opening restaurants in markets where it has little or no meaningful operating experience and in which potential customers may not be familiar with its restaurants. The success of these new restaurants may be affected by different competitive conditions, consumer tastes and discretionary spending patterns, and the Company s ability to generate market awareness and acceptance of J. Alexander s. As a result, costs incurred related to the opening, operation and promotion of these new restaurants may be greater than those incurred in other areas. In addition, it has been the Company s experience that new restaurants generate operating losses while they build sales levels to maturity. Further, the Company anticipates that some newer restaurants will require longer periods to build sales in the current recessionary economy. At December 28, 2008, the Company operated 33 J. Alexander s restaurants. Because of the Company s relatively small restaurant base, an unsuccessful new restaurant could have a more adverse effect in relation to the Company s consolidated results of operations than would be the case in a restaurant company with a greater number of restaurants.

The Company Faces Intense Competition. The restaurant industry is intensely competitive with respect to price, service, location and food quality, and there are many well-established competitors with substantially greater financial and other resources than the Company. Some of the Company s competitors have been in existence for a substantially longer period than the Company and may be better established in markets where the Company s restaurants are or may be located. The restaurant business is often affected by changes in consumer tastes, national, regional or local economic conditions, demographic trends, traffic patterns and the type, number and location of competing restaurants. The Company s inability to compete successfully with other restaurants in new or existing markets could prevent it from increasing or sustaining revenues and profitability and could have a material adverse effect on its business, results of operations and financial condition.

The Company May Experience Fluctuations in Quarterly Results. The Company s quarterly results of operations are affected by sales levels, the timing of the opening of new J. Alexander s restaurants, and fluctuations in the cost of food, labor, employee benefits, utilities and similar costs over which the Company has limited or no control. The Company s operating results may also be affected by inflation or other non-operating items which the Company is unable to predict or control. In the past, management has attempted to anticipate and avoid material adverse effects on the Company s profitability due to increasing costs through its purchasing practices and menu price adjustments, but there can be no assurance that it will be able to do so in the future.

The Company s Operating Strategy is Dependent on Providing Exceptional Food Quality and Outstanding Service. The Company s success depends largely upon its ability to attract, train, motivate and retain a sufficient number of qualified employees, including restaurant managers, kitchen staff and servers who can meet the high standards necessary to deliver the levels of food quality and service on which the J. Alexander s concept is based. Qualified individuals of the caliber and number needed to fill these positions are in short supply in some areas and competition for qualified employees could require the Company to pay higher wages to attract sufficient employees. Also, increases in employee turnover could have an adverse effect on food quality and guest service resulting in an adverse effect on net sales and results of operations.

Significant Capital is Required to Develop New Restaurants. The Company s capital investment in its restaurants is relatively high as compared to some other casual dining companies. Failure of a new restaurant to generate satisfactory net sales and profits in relation to its investment could result in failure of the Company to achieve the desired financial return on the restaurant. Also, the Company has at times required capital beyond the cash flow provided from operations in order to expand, resulting in a significant amount of long-term debt and interest expense. The Company s future growth could be limited by the availability of additional financing sources or future growth could involve additional borrowing which would further increase the Company s debt and interest expense.

Changes In Food Costs Could Negatively Impact The Company s Net Sales and Results of Operations. The Company s profitability is dependent in part on its ability to purchase food commodities which meet its 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 food prices, failure to perform by suppliers or distributors or limited availability of products at reasonable prices could cause the Company s food costs to fluctuate and/or cause the Company to make adjustments to its menu offerings. While the Company has entered into fixed price beef purchase agreements in recent years in an effort to minimize the impact of significant increases in the market price of beef, it did not enter into such an agreement following the expiration of its most recent contract in March of 2008 and has purchased beef at weekly market prices since that date because uncertainty in the beef market has resulted in high quoted prices at which beef could be purchased on a forward fixed price basis relative to market prices. This strategy exposes the Company to variable market conditions and there can be no assurance that the price of beef will not increase significantly in the future. Should circumstances change and management believes it would be to the Company s advantage to enter into a fixed price agreement, it will consider doing so at that time. Additional factors beyond the Company s control, including adverse weather and market conditions, disease and governmental regulation, may also affect food costs and product availability. The Company may not be able to anticipate and react to changing food costs or product availability issues through its purchasing practices and menu price adjustments in the future, and failure to do so could negatively impact the Company s net sales and results of operations.

Hurricanes and Other Weather Related Disturbances Could Negatively Affect the Company s Net Sales and Results of Operations. Certain of the Company s restaurants are located in regions of the country which are commonly affected by hurricanes. Restaurant closures resulting from evacuations, damage or power or water outages caused by hurricanes could adversely affect the Company s net sales and profitability.

Litigation Could Have a Material Adverse Effect on the Company s Business. From time to time, the Company is the subject of complaints or litigation from guests alleging food-borne illness, injury or other food quality or operational concerns. The Company is also subject to complaints or allegations from current, former or prospective employees based on, among other things, wage or other discrimination, harassment or wrongful termination. Any claims may be expensive to defend and could divert resources which would otherwise be used to improve the performance of the Company. A lawsuit or claim could also result in an adverse decision against the Company that could have a materially adverse effect on the Company s business.

The Company is also subject to state dram-shop laws and regulations, which generally provide that a person injured by an intoxicated person may seek to recover damages from an establishment that wrongfully served alcoholic beverages to such person. While the Company carries liquor liability coverage as part of its existing comprehensive general liability insurance, the Company could be subject to a judgment in excess of its insurance coverage and might not be able to obtain or continue to maintain such insurance coverage at reasonable costs, or at all.

Nutrition and Health Concerns Could Have an Adverse Effect on the Company. Nutrition and health concerns are receiving increased attention from the media and government as well as from the health and academic communities. Food served by restaurants has sometimes been suggested as the cause of obesity and related health disorders. Certain restaurant foods have also been argued to be unsafe because of possible allergic reactions to them which may be experienced by guests, or because of alleged high toxin levels. Some restaurant companies have been the target of consumer lawsuits, including class action suits, claiming that the restaurants were liable for health problems experienced by their guests. Continued focus on these concerns by activist groups could result in a perception by consumers that food served in restaurants is unhealthy, or unsafe, and is the cause of a significant health crisis. Additional food labeling and disclosures could also be mandated by government regulators. Adverse publicity, the cost of any litigation against the Company, and the cost of compliance with new regulations related to food nutritional and safety concerns could have an adverse effect on the Company s net sales and operating costs.

The Company s Current Insurance Policies May Not Provide Adequate Levels of Coverage Against All Claims. The Company currently maintains insurance coverage that management believes is reasonable for businesses of its size and type. However, there are types of losses the Company may incur that cannot be insured against or that management believes are not commercially reasonable to insure. These losses, if they occur, could have a material and adverse effect on the Company s business and results of operations.

Expanding the Company s Restaurant Base By Opening New Restaurants in Existing Markets Could Reduce the Business of its Existing Restaurants. The Company s growth strategy includes opening restaurants in markets in which it already has existing restaurants. The Company may be unable to attract enough guests to the new restaurants for them to operate at a profit. Even if enough guests are attracted to the new restaurants for them to operate at a profit, those guests may be former guests of one of the Company s existing restaurants in that market and the opening of new restaurants in the existing market could reduce the net sales of its existing restaurants in that market.

Government Regulation and Licensing May Delay New Restaurant Openings or Affect Operations. The restaurant industry is subject to extensive state and local government regulation relating to the sale of food and alcoholic beverages, and sanitation, fire and building codes. Termination of the liquor license for any J. Alexander s restaurant would adversely affect the net sales for the restaurant. Restaurant operating costs are also affected by other government actions that are beyond the Company s control, which may include increases in the minimum hourly wage requirements, workers compensation insurance rates and unemployment and other taxes. If the Company experiences difficulties in obtaining or fails to obtain required licensing or other regulatory approvals, this delay or failure could delay or prevent the opening of a new J. Alexander s restaurant. The suspension of, or inability to renew, a license could interrupt operations at an existing restaurant, and the inability to retain or renew such licenses would adversely affect the operations of the restaurants.

Future Changes in Financial Accounting Standards May Cause Adverse Unexpected Operating Results and Affect the Company s Reported Results of Operations. A change in accounting standards can have a significant effect on the Company s reported results and may affect the reporting of transactions completed before the change is effective. New pronouncements and evolving interpretations of pronouncements have occurred and may occur in the future. Changes to the existing rules or differing interpretations with respect to the Company s current practices may adversely affect its reported financial results.

The Company s business may be adversely affected if its network security is compromised. In connection with credit card sales, the Company transmits confidential credit card information by way of secure private retail networks and relies on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure transmission and storage of confidential information, such as guest credit card information. If any compromise of the Company s security were to occur, it could have a material adverse effect on the reputation, business, operating results and financial condition of the Company, and could result

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in a loss of guests. A party who is able to circumvent existing security measures could damage the Company s reputation, cause interruptions in its operations and/or misappropriate proprietary information which, in turn, could disrupt its operations and cause it to incur liability for any resulting losses or damages.

The Company has made significant efforts to secure its computer network. However, the Company s computer network could be compromised and confidential information such as guest credit card information could be misappropriated. This could lead to adverse publicity, loss of sales and profits, or cause the Company to incur significant costs to reimburse third parties for damages which could impact profits. Although the Company has upgraded its systems and procedures to meet the Payment Card Industry (PCI) data security standards, failure by the Company to maintain compliance with the PCI security requirements or rectify a security issue may result in fines and the imposition of restrictions on the Company s ability to accept payment cards.

Compliance With Changing Regulation of Corporate Governance and Public Disclosure May Result in Additional Expenses. Keeping abreast of, and in compliance with, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, various SEC regulations and NASDAQ Stock Market rules, has required an increased amount of management attention and external resources. The Company remains committed to maintaining high standards of corporate governance and public disclosure and intends to invest all reasonably necessary resources to comply with evolving standards. This investment will, however, result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

The Fact that a Relatively Small Number of Investors Hold a Significant Portion of the Company s Outstanding Common Stock Could Cause the Stock Price to Fluctuate. The market price of the Company s common stock could fluctuate as a result of sales by the Company s existing stockholders of a large number of shares of the Company s common stock in the market. A significant amount of the Company s common stock is concentrated in the hands of a small number of investors and is thinly traded. An attempt to sell by a large holder could adversely affect the price of the stock.

Tennessee Anti-takeover Statutes and the Company s Shareholder Rights Plan Could Delay or Prevent Offers to Acquire the Company. As a Tennessee corporation, the Company is subject to various legislative acts which impose restrictions on and require compliance with procedures designed to protect shareholders against unfair or coercive mergers and acquisitions. In addition, the Company has in place a shareholder rights plan as described in Note I to its Consolidated Financial Statements. These statutes and the shareholder rights plan may delay or prevent offers to acquire the Company and increase the difficulty of consummating any such offers, even if an acquisition of the Company would be in the best interests of the Company s shareholders.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

As of December 28, 2008, the Company had 33 J. Alexander s casual dining restaurants in operation. The following table gives the locations of, and describes the Company s interest in, the land and buildings used in connection with its restaurants:

Location	Site and Building Owned by the Company	Site Leased and Building Owned by the Company	Space Leased to the Company	Total
Alabama	1	0	0	1
Arizona	0	1	0	1
Colorado	1	0	0	1
Florida	2	4	1	7
Georgia	1	1	0	2
Illinois	2	0	1	3
Kansas	1	0	0	1
Kentucky	0	1	0	1
Louisiana	0	1	0	1
Michigan	1	1	1	3
Ohio	3	2	0	5
Tennessee	3	0	2	5
Texas	0	1	1	2
Total	15	12	6	33

(a) See Item 1 for additional information concerning the Company s restaurants.

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

Corporate offices for the Company are located in leased office space in Nashville, Tennessee.

Certain of the Company s owned restaurants are mortgaged as security for the Company s mortgage loan and secured line of credit. See Note D, Long-Term Debt and Obligations Under Capital Leases, to the Consolidated Financial Statements.

Item 3. Legal Proceedings

As of March 27, 2009, the Company was not a party to any pending legal proceedings considered material to its business.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2008.

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PART II

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

The common stock of J. Alexander s Corporation is listed on the NASDAQ Stock Market under the symbol JAX. For 2007 and a portion of 2008, the Company s common stock was listed on the American Stock Exchange. The approximate number of record holders of the Company s common stock at March 27, 2009, was 1,100. The following table summarizes the price range of the Company s common stock for each quarter of 2008 and 2007, as reported from price quotations from the NASDAQ Stock Market (after May 27, 2008) or the American Stock Exchange, and the dividends declared and paid per share with respect to the periods indicated:

2008:	Low	High	Dividends Paid	Dividends Declared
1 st Quarter	$ 6.90	$11.60	$.10	$
2 nd Quarter	6.36	8.50		
3 rd Quarter	5.00	7.00		
4 th Quarter	1.54	6.08		

2007:	Low	High	Dividends Paid	Dividends Declared
1 st Quarter	$ 8.65	$11.49	$.10	$
2 nd Quarter	11.14	15.39		
3 rd Quarter	11.00	14.52		
4 th Quarter	9.21	13.72		.10

The Company s Board of Directors determined not to pay a dividend in January of 2009 in order to conserve capital and maintain the Company s financial flexibility in the current economic environment. Payment of future dividends will be within the discretion of the Company s Board of Directors and will depend, among other factors, on earnings, capital requirements and the operating and financial condition of the Company.

While the Company believes the Company s Employee Stock Ownership Plan (the ESOP) and its independent trustee act independently of the Company and is not an affiliated purchaser of the Company pursuant to applicable SEC rules and regulations, the following disclosure regarding the ESOP s purchase of the Company s stock is made in the event that the ESOP is deemed to be an affiliated purchaser of the Company. The following table provides information relating to the ESOP s purchase of common stock for the fourth quarter of 2008.

Period	Total of Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate) Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) [2]

October 2008			
09-29-08 to 10-26-08		$	N/A
November 2008			
10-27-08 to 11-23-08	1,000	2.64	N/A
December 2008			
11-24-08 to 12-28-08	42,465	2.31	N/A

[1] All purchases were made through open market transactions.

[2] The ESOP may make additional purchases in the future in connection with the administration of the ESOP.

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Equity Compensation Plan Information

Information about the Company s equity compensation plans at December 28, 2008 was as follows:

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans) (1)
Equity compensation plans approved by security holders	1,036,450	$ 8.62	132,716
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	1,036,450	$ 8.62	132,716

(1) Includes 57,169 shares available to be issued under the Company s Amended and Restated 2004 Equity Incentive Plan and 75,547 shares available to be issued under the Company s Employee Stock Purchase Plan. See Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements, Note G for more information on these plans.

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Item 6. Selected Financial Data

The following table sets forth selected financial data for each of the years in the five-year period ended December 28, 2008:

	Years Ended				
(Dollars in thousands, except per share data)	**December 28 2008**	December 30 2007	December 31 2006	January 1 2006	January 2 2005 [1]
Operations					
Net sales	**$139,755**	$141,268	$137,658	$126,617	$122,918
Pre-opening expense	**1,626**	939		411	
Income (loss) before income taxes	**(912)**	5,694	6,185	4,425	4,378
Net income	**105**	4,554	4,717	3,560	4,822[2]
Depreciation and amortization	**6,101**	5,482	5,391	5,039	4,923
Cash flows provided by operations	**6,680**	9,198	10,862	7,406	8,936
Purchase of property and equipment	**14,248**	11,876	3,632	6,461	3,010
Financial Position (end of period)					
Cash and cash equivalents	**$ 2,505**	$ 11,325	$ 14,688	$ 8,200	$ 6,129
Property and equipment, net	**86,547**	78,551	71,815	74,187	72,425
Total assets	**105,569**	104,463	99,414	94,300	89,554
Long-term debt and obligations under capital leases (excluding current portion)	**20,401**	21,349	22,304	23,193	24,017
Deferred compensation obligations	**2,414**	1,823	1,622	1,422	1,288
Deferred rent obligations and other deferred credits	**6,340**	4,608	3,931	3,681	3,255
Stockholders equity	**63,396**	62,581	57,830	53,107	49,602
Per Share Data					
Basic earnings per share	**$ .02**	$ .69	$ .72	$ .55	$ .75
Diluted earnings per share	**.02**	.65	.69	.52	.71
Dividends declared per share		.10	.10	.10	
Stockholders equity	**9.39**	9.40	8.80	8.13	7.68
Market price at year-end	**2.01**	9.95	8.91	8.02	7.40
J. Alexander s Restaurant Data					
Weighted average annual sales per restaurant	**$ 4,566**	$ 4,971	$ 4,909	$ 4,644	$ 4,462