



Key Facts

Business address: **Nashville, Tennessee, United States**

Industry: **Full-Service Restaurants** (NAICS 722110)

SEC filer status: **Accelerated Filer** as of Apr 2018

Index member: **Russell 2000**

Market Cap: **\$184m** as of May 10, 2018

Annual revenue: **\$233m** as of Dec 31, 2017

Corporate Governance

CEO: **Lonnie J. Stout II** since 1991

CFO: **Mark A. Parkey** since 1991

1st level

Board Chairman: **Lonnie J. Stout II** since 2015

Audit Committee Chair: **Douglas K. Ammerman**

2nd level

Auditor: **KPMG LLP** since 2004

Outside Counsel (most recent): **Fox Rothschild LLP**

3rd level

SEC Reviewer: **Justin Dobbie**

4th level

Information in this report is effective Jun 13, 2018 and was drawn from the company's public financial and regulatory filings covering five years or since the date of IPO. Latest filing 10-Q filed 05/10/2018. Over 75 accounting and data analysts scrutinize and review crucial information, footnotes, disclosures, etc., from these filings. Material facts are captured and processed using our proprietary methods which identify key risk factors our readers need to know. Each Corporate Watchdog Report represents 30 or more hours of analysis and processing.

[Market Data](#) by Xignite.

Executive compensation data from [Shore Group and Intrinio](#).

Data from [Sharadar](#).

Jun 13, 2018

Jan 1, 2017

Jan 1, 2015

RECENT

HISTORICAL

10-Q for period ending Apr 2018 filed on May 10, 2018

Reporting Irregularities

RECENT		HISTORICAL
✓	Financial Restatements	✓
✓	Late Filings	✓
✓	Impairments	✓
✓	Changes in Accounting Estimates	!
✓	Material Weakness: Disclosure Controls	✓
✓	Material Weakness: Internal Controls	✓

Anomalies in the Numbers

RECENT		HISTORICAL
✓	Benford's Law	✓
✓	Beneish M-Score	✓
✓	Accounting Disclosure Complexity	✓

Securities & Exchange Commission Concerns

RECENT		HISTORICAL
!	SEC Letters to Management	✓

Lawsuits

RECENT		HISTORICAL
✓	Significant Litigation	✓

External Pressures

RECENT		HISTORICAL
!	Shareholder Activism	!

Management Review

RECENT		HISTORICAL
✓	CEO Changes	✓
✓	CFO Changes	✓

Auditor Assessment

RECENT		HISTORICAL
✓	Auditor Experience	✓
✓	Auditor Tenure	✓
!	Audit Fees	!
✓	Non-Audit Fees	!



Overview

Price and Volume History

This graph shows the price and trading history for J. Alexander. Warning signs and red flags are marked on the graph according to their disclosure dates.



1 Feb 9, 2018 - SEC letters to management

2 Nov 9, 2015 - Change in Accounting Estimates



Peer Group

Peer groups are used by companies to benchmark executive compensation and performance. Each company identifies its own peer group. Peer groups vary from company to company.

Peer Group

Company	Ticker	Market Cap
El Pollo Loco Holdings, Inc. *	LOCO	\$408m
Del Frisco's Restaurant Group, Inc. *	DFRG	\$319m
Zoe's Kitchen, Inc. *	ZOES	\$284m
Habit Restaurants, Inc. *	HABT	\$224m
J. Alexander's Holdings, Inc.	JAX	\$184m
Famous Daves of America Inc. *	DAVE	\$70.7m
ONE Group Hospitality, Inc. *	STKS	\$61m
Flanigans Enterprises Inc. *	BDL	\$44.4m
Good Times Restaurants Inc. *	GTIM	\$41m
Kona Grill Inc. *	KONA	\$31.5m

* Suggested by Corporate Watchdog.

Companies Who Named J. Alexander as a Peer

Company	Ticker	Market Cap
Zoe's Kitchen, Inc.	ZOES	\$284m
J. Alexander's Holdings, Inc.	JAX	\$184m

Peer Group Flags

Peer groups are used by companies to benchmark executive compensation and performance. Each company identifies its own peer group. Peer groups vary from company to company.

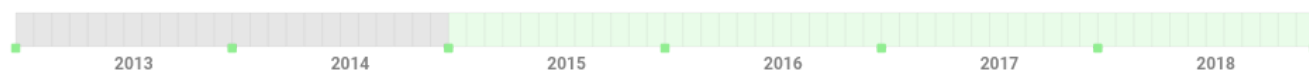
	JAX	PEER GROUP FLAGS			JAX	PEER GROUP FLAGS		
Reporting Irregularities								
Financial Restatements	✓	7	1	1	✓	5	1	3
Late Filings	✓	6	1	2				
Impairments	✓	3	6		!	4	5	
Changes in Accounting Estimates	!	7	2					
Material Weakness: Disclosure Controls	✓	3		6	✓	5	2	2
Material Weakness: Internal Controls	✓	4		5	✓	4	3	2
Anomalies in the Numbers								
Benford's Law	✓	7		2	✓	6	3	
Beneish M-Score	✓	1	2		✓	8	1	
Accounting Disclosure Complexity	✓	9			!	1	8	
Securities & Exchange Commission Concerns								
SEC Letters to Management	!		9		!	6	3	
Lawsuits								
Significant Litigation	✓	5	1	3				
External Pressures								
Shareholder Activism	!	4	5					
Management Review								
CEO Changes	✓	5	2	2				
CFO Changes	✓	4	3	2				
Auditor Assessment								
Auditor Experience	✓	6	3					
Auditor Tenure	✓	8	1					
Audit Fees	!	1	8					
Non-Audit Fees	!	6	3					



Reporting Irregularities

✓ Financial Restatements

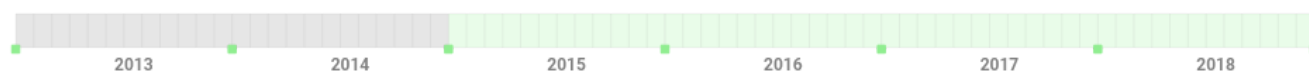
A financial restatement is a serious event in the financial life of a company. When previous estimates of revenue, earnings, or equity are significantly affected, financial restatements can have a dramatic impact on the valuation of a company.



J. Alexander has not restated their financials at least since 2015.

✓ Late Filings

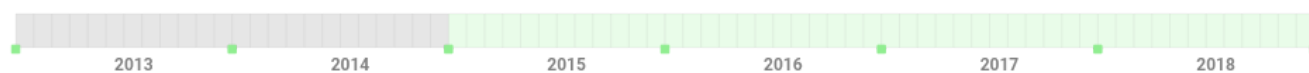
Late filings can be significant warning signs. Why didn't the company file its financial report on time? Late filings may signal an impending financial restatement or deeper problems with a company's accounting processes.



J. Alexander has not filed any late financial statements at least since 2015. All financial statements have been filed on or before the appropriate deadline.

✓ Impairments

An impairment is a permanent reduction in the value of an asset.

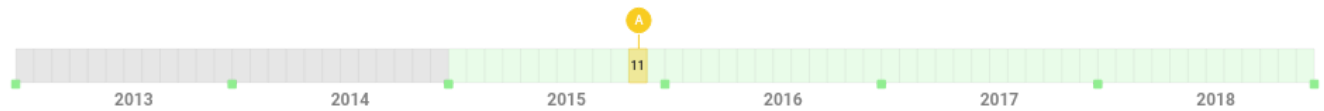


J. Alexander has not reported any impairments at least since 2015.



✓ Changes in Accounting Estimates

Some assets and liabilities require accountants to make assumptions about future performance in order to estimate their value. Occasionally, economic conditions cause these assumptions to be revised, resulting in a change in accounting estimates. A change in accounting estimates can have a significant impact on the bottom line and may be used strategically by management to disguise otherwise weak financial results. The impact of changes in accounting estimates on pretax income are provided when available. If the impact of changes is measured in terms of net income, it is denoted with an asterisk (*).



J. Alexander has reported changes in accounting estimates on one report since 2015.

DISCLOSURE DATE A

11/09/2015 via SEC form [10-Q](#)

IMPACT OF THE CHANGE

\$373k

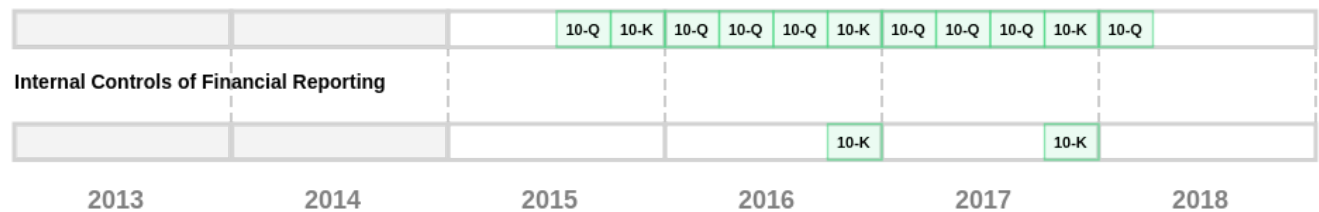
DESCRIPTION

Revenue Recognition - gift cards and aircraft miles breakage

✓ Material Weakness

Internal controls are put in place in order to prevent financial misstatements. A company with ineffective internal controls is said to have a "material weakness". A material weakness is a serious warning sign about a company's accounting quality.

Disclosure Controls



J. Alexander has not reported any material weakness at least since 2015.

Management attests that the disclosure controls are effective as of 03/01/2018.

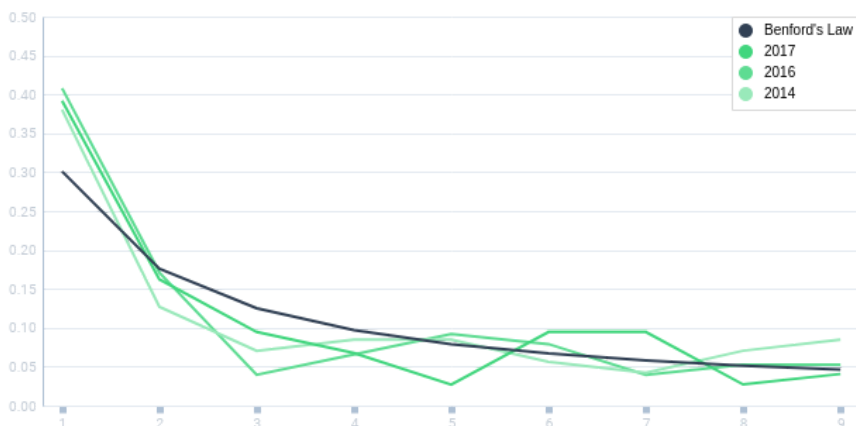
The auditor and management attest that internal controls of financial reporting are effective as of 12/31/2017.



Anomalies in the Numbers

✓ Benford's Law

Benford's Law is used to detect financial manipulation and fraud. When financial statements do not follow Benford's Law, there is reason to suspect problems with the accounting or financial reporting process.

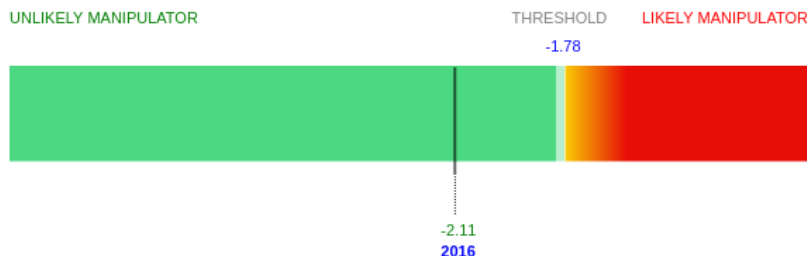


Numbers generated by natural processes conform to Benford's Law.

All of J. Alexander's financial statements conform to Benford's Law. J. Alexander is at low risk for financial manipulation or fraud.

✓ Beneish M-Score

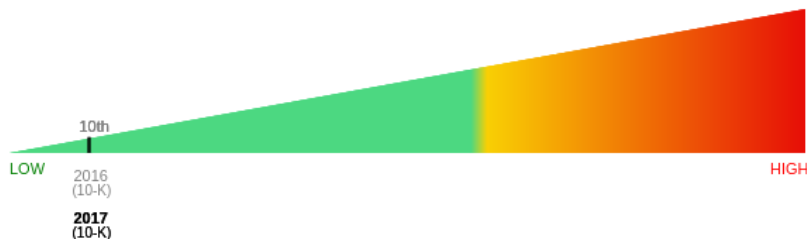
The Beneish M-Score is used to check whether a company has manipulated its financial statements and is compared to a threshold to find out what it means. If the M-Score is greater than the threshold, then the company is likely to be a manipulator. However, a high Beneish M-Score is not proof of manipulation.



All Beneish M-Scores are below the threshold. There is no indication from the Beneish M-Score that reported earnings have been manipulated.

✓ Accounting Disclosure Complexity

Companies committed to transparency make their reports easier for investors to understand and compare. By contrast, a high degree of Accounting Disclosure Complexity makes it difficult to measure executive performance and the company's financial health. Accounting Disclosure Complexity may also be used to obfuscate serious accounting problems and other issues.



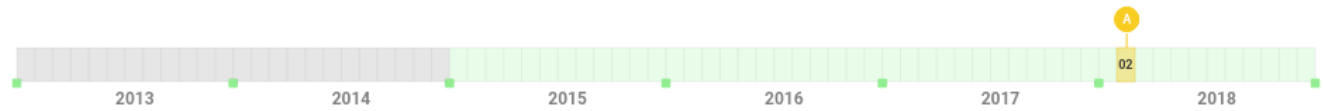
J. Alexander's highest level of accounting disclosure complexity was in the 10th percentile in 2017.



Securities & Exchange Commission Concerns

! SEC Letters to Management

Regulators at the Securities and Exchange Commission (SEC) review each company's financial reporting. When the SEC has questions about a company's filing, they will write letters to the company asking for clarification about different accounting issues.



J. Alexander has had 1 conversations with the SEC since 2015.

FROM

Justin Dobbie (SEC)

TO

Lonnie J Stout

DISSEMINATION DATE

02/09/2018

LETTERS

5

FIRST LETTER

[11/07/2017](#)

LAST LETTER

12/15/2017

ISSUES CITED

Board of Directors oversight and fiduciary duty issues

Questions about company bylaws or articles of incorporation

Questions about the fairness of acquisition, share placement and similar transactions



Lawsuits



Significant Litigation

Is the company involved in any lawsuits? This part of the Corporate Report summarizes recent and ongoing litigation that may have a significant impact on your investment.

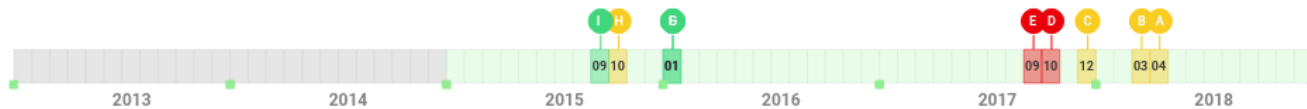
J. Alexander has no significant litigation at least since 2015.



External Pressures

Shareholder Activism

An activist shareholder uses his ownership stake to influence management and affect the strategy and direction of the company. While these shareholders contribute to oversight and may push for better financial performance or even a change in leadership, they may also pursue social, political, or environmental goals that can adversely affect a company's operations and profitability.



J. Alexander has activist shareholders that have reported significant conflicts with management.

<p>ACTIVE SHAREHOLDER A</p> <p>Marathon Partners Equity Management, LLC</p> <p>DISCLOSURE</p> <p>04/24/2018 via SEC form SC 13D/A</p> <p>REASONS</p> <p>Suggested to management strategy</p>	<p>ACTIVE SHAREHOLDER B</p> <p>Marathon Partners Equity Management, LLC</p> <p>DISCLOSURE</p> <p>03/01/2018 via SEC form SC 13D/A</p> <p>REASONS</p> <p>Concern about stock price</p> <p>Investment purposes</p> <p>Transaction (Securities, Warrants, Options, Debt, Bonds etc)</p>	<p>ACTIVE SHAREHOLDER C</p> <p>Marathon Partners Equity Management, LLC</p> <p>DISCLOSURE</p> <p>12/06/2017 via SEC form SC 13D/A</p> <p>REASONS</p> <p>Demand information from management</p> <p>Merger or acquisition agreement</p> <p>Transaction (Securities, Warrants, Options, Debt, Bonds etc)</p>
<p>ACTIVE SHAREHOLDER D</p> <p>Marathon Partners Equity Management, LLC</p> <p>DISCLOSURE</p> <p>10/20/2017 via SEC form SC 13D/A</p> <p>REASONS</p> <p>Disagree with management actions or strategy</p> <p>Suggested to management strategy</p> <p>Oppose a future acquisition</p>	<p>ACTIVE SHAREHOLDER E</p> <p>Marathon Partners Equity Management, LLC</p> <p>DISCLOSURE</p> <p>09/26/2017 via SEC form SC 13D</p> <p>REASONS</p> <p>Disagree with management actions or strategy</p> <p>Concern about stock price</p> <p>Oppose a future acquisition</p> <p>Investment purposes</p> <p>Transaction (Securities, Warrants, Options, Debt, Bonds etc)</p>	<p>ACTIVE SHAREHOLDER F</p> <p>Newport Global Opportunities Fund I-A LP</p> <p>DISCLOSURE</p> <p>01/11/2016 via SEC form SC 13D</p> <p>REASONS</p> <p>Collaborative or licensed business agreement</p>



ACTIVE SHAREHOLDER

G

Newport Global Opportunities Fund AIV-A
LP

DISCLOSURE

01/11/2016 via SEC form [SC 13D/A](#)

REASONS

Not applicable, no change or no intent
stated

ACTIVE SHAREHOLDER

H

Newport Global Opportunities Fund AIV-A
LP

DISCLOSURE

10/07/2015 via SEC form [SC 13D](#)

REASONS

May (or reserves the right to) have
discussions with management

ACTIVE SHAREHOLDER

I

Fidelity National Financial Ventures, LLC

DISCLOSURE

09/22/2015 via SEC form [SC 13D](#)

REASONS

Not applicable, no change or no intent
stated



Management Review



Management Turnover

Investors should always pay attention to CEO and CFO changes. These two officers are responsible for a company's performance and financial reporting. Why did they depart? There are many possible answers to this question, not all of them good.



Reported CEO Changes

J. Alexander has not reported a CEO change at least since 2015.



Reported CFO Changes

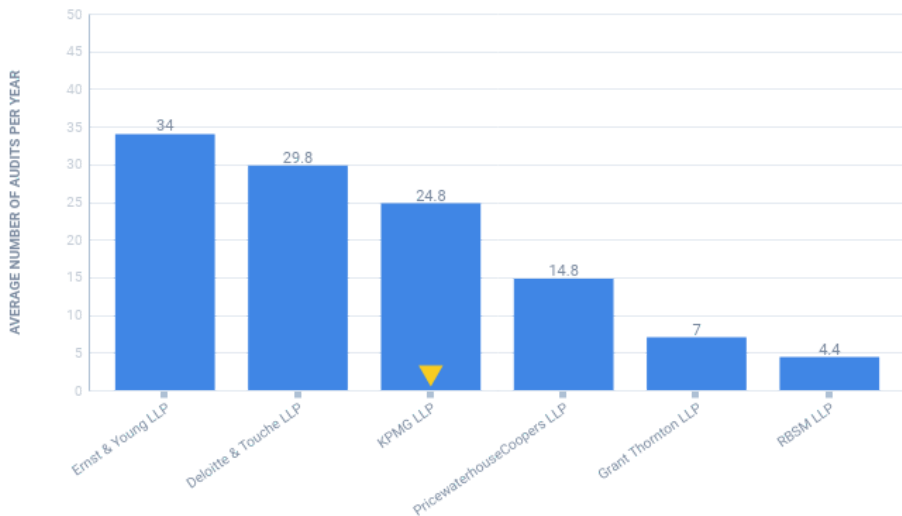
J. Alexander has not reported a CFO change at least since 2015.



Auditor Assessment

✓ Auditor Experience

How much experience does the auditor have in this industry? This graph shows the average number of audits of the largest auditors in this industry in the last five years (based on our population). The current auditor is marked with an arrow.

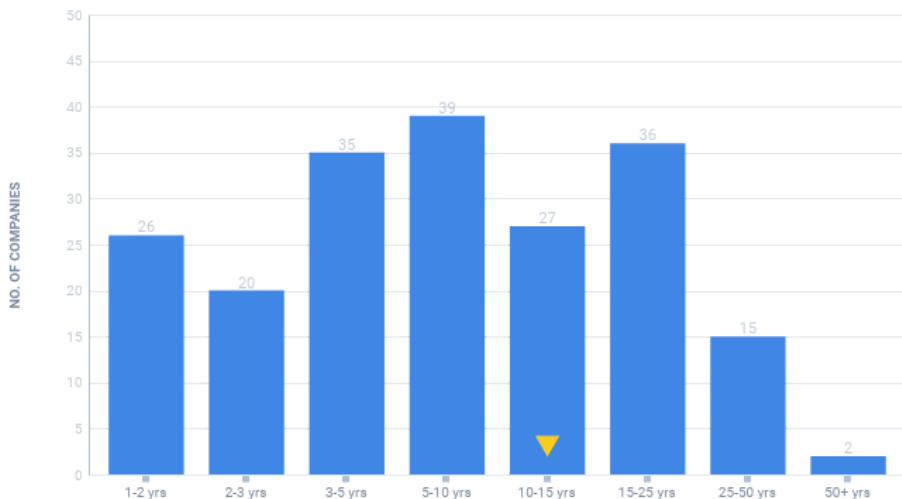


Current auditor is KPMG LLP.

Auditors with relatively little industry experience may be more likely to make mistakes. Auditors that do more audits tend to have greater industry expertise.

✓ Auditor Tenure

How long have they had the same auditor? This graph shows a histogram of the number of companies in the industry (from our population) and the corresponding auditor tenure. Current auditor tenure for J. Alexander is marked with an arrow.



KPMG LLP has been J. Alexander's auditor for the last 14 years.

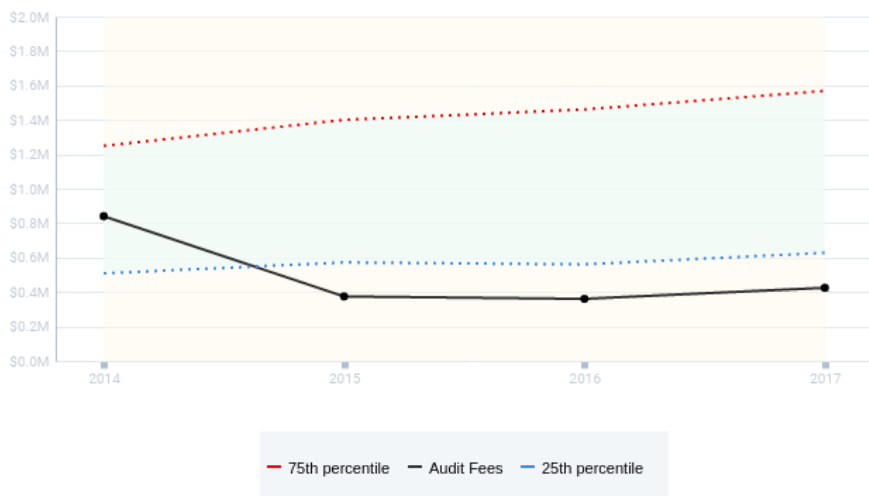
Mistakes may be more common in the early years of an auditor's tenure as they gain knowledge of a company's accounting policies and processes. On the other hand, there is some concern that a lengthy tenure may make auditors too "cozy" with the company and reluctant to report on issues or problems.



Auditor Assessment

! Audit Fees

Audit fees are fees paid to the auditor for the audit and services related to the audit. This graph compares recent audit fees to the rest of the industry based on audit fee to revenue ratios (or audit fees to asset ratios for financial companies).



MOST RECENT AUDIT FEES

\$424k ▲ 17.86%

AUDIT FEES TO REVENUE RATIO

0.18%

J. Alexander's audit fees increased by 17.86% from last year. J. Alexander's most recent audit fees are relatively low.

High audit fees create incentives that undermine auditor independence. On the other hand, low audit fees may result in a lower quality audit.

✓ Non-Audit Fees

Non-audit fees are fees paid to the auditor for the services unrelated to the audit.



MOST RECENT NON-AUDIT FEES

\$1.78k ▼ -91.82%

NON-AUDIT FEES TO AUDIT FEES RATIO

0.42%

J. Alexander's most recent non-audit fees are in the normal range.

Relatively high non-audit fees create incentives that undermine the auditor's objectivity and are often used as a proxy measure of auditor independence.



Appendix

Appendix A. SEC Letters to Management

A Conversation disseminated on 02/09/2018

FROM: Justin Dobbie (SEC) TO: Lonnie J Stout

5 
LETTERS

ISSUES CITED

- Board of Directors oversight and fiduciary duty issues
- Questions about company bylaws or articles of incorporation
- Questions about the fairness of acquisition, share placement and similar transactions

LETTERS

dated [11/07/2017](#)
dated [11/17/2017](#)
dated [12/01/2017](#)
dated [12/08/2017](#)
dated [12/15/2017](#)

RELATED FILINGS

[PRER14A](#) 12/08/2017
[PRER14A](#) 11/17/2017
[PREM14A](#) 10/11/2017



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Watchdog Reports are designed to assist investment professionals fulfill their fiduciary or suitability obligations and to help investors, executives, board members, regulators and educators learn what they need to know about publicly traded companies.

The company is headquartered in Naples, FL. Watchdog Research, Inc. utilizes over 75 specialists and analysts to provide accurate and timely information to our readers.

Our management team is:

CEO: Brian Lawe. Brian has been part of the corporate staff at The New York Times Company and IBM. He has created and operated several technology companies including MyStoreCredit, OnPage Ideas and HelloCampus. He holds an MBA from Harvard Business School and a BBA from Texas Christian University. He and his wife have four children and live in the Naples, FL area. One son is deployed with the US Marine Corps in Afghanistan.

CTO: Radu Cugut. Radu has led the award-winning technology team that developed the Corporate Watchdog Report and services. He, his wife and son split their time between his home in Naples, FL and his home in Timisoara, Romania where he oversees five talented development professionals. Radu has a bachelors in Computer Science and a masters in Banking and Financial Information Systems, both from the West University of Timisoara.

Chief Content Officer: Joseph Burke, Ph.D. is responsible for the content development, analysis, and quality control for the Corporate Watchdog Report. He also edits the blog and directs our custom research. Joseph worked previously as a professor of economics at Ave Maria University. He received his Ph.D. from the University of Wisconsin-Madison and resides with his family in the Naples area.



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