ALEXANDERS J CORP
Form SC 14D9
August 06, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-9

(Rule 14d-101)

Solicitation/Recommendation Statement Under Section 14(d)(4)

of the Securities Exchange Act of 1934

J. ALEXANDER S CORPORATION

(Name of Subject Company)

J. ALEXANDER S CORPORATION

(Name of Person Filing Statement)

Common Stock (par value $.05 per share) with associated Series A

Junior Preferred Stock Purchase Rights

(Title of Class of Securities)

466096104

(CUSIP Number of Class of Securities)

R. Gregory Lewis

3401 West End Avenue, Suite 260

P.O. Box 24300

Nashville, Tennessee 37202

(615) 269-1900

(Name, Address and Telephone Numbers of Person Authorized to Receive Notices and

Communications on Behalf of Persons Filing Statement)

Copy to:

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¨ Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

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Item 1. Subject Company Information.
Name and Address.

The name of the subject company is J. Alexander s Corporation (J. Alexander s or the Company), a Tennessee corporation. The address of J. Alexander s principal executive offices is 3401 West End Avenue, Suite 260, P.O. Box 24300, Nashville, Tennessee 37202, and J. Alexander s telephone number is (615) 269-1900.

Securities.

This Solicitation/Recommendation Statement on Schedule 14D-9 (this Schedule 14D-9) relates to the J. Alexander s Common Stock, par value $.05 per share, and associated Series A Junior Preferred Stock Purchase Rights (the Common Stock).

The shares of Common Stock are hereinafter referred to as the Shares. As of July 31, 2012, there were (i) 5,999,735 Shares issued and outstanding (inclusive of Shares held pursuant to J. Alexander s Employee Stock Ownership Plan (as amended and restated), effective January 1, 2002 (the ESOP)), and (ii) 1,006,125 Shares issuable upon the exercise of outstanding options (of which 920,625 have an exercise price less than the Offer Price (as defined below)).

Item 2. Identity and Background of Filing Person.
Name and Address.

J. Alexander s is the person filing this Schedule 14D-9 and is the subject company. J. Alexander s name, address and telephone number are set forth in *Item 1 Subject Company Information* above. J. Alexander s website is *www.jalexanders.com*. The website and the information on or connected to the website are not a part of this Schedule 14D-9, are not incorporated herein by reference and should not be considered a part of this Schedule 14D-9.

Tender Offer.

This Schedule 14D-9 relates to the tender offer by New Athena Merger Sub, Inc. (Merger Sub), a Tennessee corporation and an indirect, wholly owned subsidiary of Fidelity National Financial, Inc. (Parent or Fidelity), a Delaware corporation, pursuant to which Merger Sub has offered to purchase all of the outstanding Shares at a price of $13.00 per Share (such amount, the Offer Price), net to the selling shareholder in cash, without interest and less any required withholding taxes, upon the terms and conditions set forth in the Offer to Purchase dated August 6, 2012 (the Offer to Purchase), and the related Letter of Transmittal (which, together with any amendments or supplements, collectively, constitute the Offer). The Offer is described in a Tender Offer Statement on Schedule TO (together with any exhibits thereto, the Schedule TO) filed by Parent and Merger Sub with the Securities and Exchange Commission (the Commission) on August 6, 2012.

This Offer is being made pursuant to an Amended and Restated Agreement and Plan of Merger, dated July 30, 2012 (as such agreement may be amended or supplemented from time to time, the Merger Agreement), by and among J. Alexander s, Parent, Merger Sub, Fidelity Newport Holdings, LLC (the Operating Company), a Delaware limited liability company and an indirect, majority-owned subsidiary of Parent, American Blue Ribbons Holdings, Inc. (ABRH), a Delaware corporation and an indirect, majority-owned subsidiary of Parent and Athena Merger Sub, Inc. (Old Merger Sub), a Tennessee corporation and a direct, wholly owned subsidiary of ABRH, which agreement amended and restated that certain Agreement and Plan of Merger, dated June 22, 2012, by and among J. Alexander s, Parent, the Operating Company, ABRH and Old Merger Sub (the Prior Merger Agreement).

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The Merger Agreement provides, among other things, that following the time Merger Sub accepts for payment any Shares validly tendered and not validly withdrawn pursuant to the Offer (the Acceptance Time), Merger Sub will be merged with and into J. Alexander s (the Merger and together with the Offer, the Top-Up Option (as defined below) and the other transactions contemplated by the Merger Agreement, the Contemplated Transactions) upon the terms and conditions set forth in the Merger Agreement and in accordance with the Tennessee Business Corporation Act (the TBCA). As a result of the Merger, the Shares that are not acquired in the Offer and outstanding immediately prior to the effective time of the Merger (the Effective Time), will be converted into the right to receive an amount equal to the Offer Price, net to the shareholder in cash, without interest and less any required withholding taxes (or, if a higher amount is paid in the Offer, such higher amount). Following the Effective Time J. Alexander s will continue as an indirect, wholly owned subsidiary of Parent (J. Alexander s after the Effective Time is sometimes referred to herein as the Surviving Corporation).

The descriptions of the Merger Agreement contained in this Schedule 14D-9 are qualified in their entirety by reference to the Merger Agreement, a copy of which is filed with this Schedule 14D-9 as Exhibit (e)(1) and is incorporated herein by reference. The Merger Agreement has been filed to provide investors with information regarding its terms. The Merger Agreement is not intended to provide any other factual information about J. Alexander s, Merger Sub or Parent. In particular, the assertions embodied in the representations and warranties contained in the Merger Agreement are qualified by information in confidential disclosure schedules provided by J. Alexander s to Parent and Merger Sub and by Parent and Merger Sub to J. Alexander s in connection with the signing of the Merger Agreement. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, certain representations and warranties in the Merger Agreement were used for the purpose of allocating risk between J. Alexander s and Parent and Merger Sub, rather than establishing matters as facts. Accordingly, you should not rely on the representations and warranties in the Merger Agreement as characterizations of the actual state of facts about J. Alexander s, Parent or Merger Sub.

The initial expiration date of the Offer is 5:00 p.m., New York City time, on Wednesday, September 5, 2012, subject to extension in certain circumstances as required or permitted by the Merger Agreement and applicable law. The foregoing summary of the Offer is qualified in its entirety by the more detailed description and explanation contained in the Offer to Purchase and related Letter of Transmittal, copies of which have been filed as Exhibits (a)(1) and (a)(2) hereto, respectively, and are incorporated herein by reference.

The Schedule TO states that the business address and telephone number for Parent and Merger Sub are 601 Riverside Avenue, Jacksonville, Florida 32204, (904) 854-8100.

Item 3. Past Contacts, Transactions, Negotiations and Agreements.

Except as described in this Schedule 14D-9, and in the Information Statement of J. Alexander s (the Information Statement) filed as Annex I to this Schedule 14D-9 (and incorporated by reference into this Item 3), to the knowledge of J. Alexander s, as of the date of this Schedule 14D-9, there are no material agreements, arrangements, understandings or any actual or potential conflicts of interest between J. Alexander s or its affiliates and (i) its executive officers, directors or affiliates or (ii) Parent, Merger Sub or their respective executive officers, directors or affiliates. The Information Statement is being furnished to the shareholders of J. Alexander s pursuant to Section 14(f) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Rule 14f-1 promulgated thereunder, in connection with Parent s right, pursuant to the Merger Agreement, to designate persons to the J. Alexander s Board of Directors (the Board or the Board of Directors) following Merger Sub s acceptance for payment of the Shares tendered in the Offer.

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Arrangements between J. Alexander s and Parent and Merger Sub

Merger Agreement

The summary of the Merger Agreement and the description of the terms and conditions of the Offer and related procedures and withdrawal rights contained in the Offer to Purchase, which is filed as an exhibit to the Schedule TO and as Exhibit (a)(1) to this Schedule 14D-9, are incorporated herein by reference. Such summary and description are qualified in their entirety by reference to the Merger Agreement, which has been filed as Exhibit (e)(1) to this Schedule 14D-9 and is incorporated herein by reference.

The Merger Agreement governs the contractual rights among J. Alexander s, Parent and Merger Sub in relation to the Offer and the Merger. The Merger Agreement has been included as an exhibit to this Schedule 14D-9 to provide J. Alexander s shareholders with information regarding the terms of the Merger Agreement and is not intended to modify or supplement any factual disclosures about J. Alexander s or Parent in J. Alexander s or Parent s public reports filed with the Commission. In particular, the Merger Agreement and summary of the Merger Agreement contained in the Offer to Purchase are not intended to be, and should not be, relied upon as disclosures regarding any facts or circumstances relating to J. Alexander s or Parent. The representations and warranties contained in the Merger Agreement were not intended, and should not be relied upon, to establish facts. The representations and warranties set forth in the Merger Agreement were negotiated with the principal purpose of (i) establishing the circumstances under which Merger Sub may have the right not to consummate the Offer, or J. Alexander s or Parent may have the right to terminate the Merger Agreement, and (ii) allocating risk between the parties, rather than establishing matters as facts. The representations and warranties set forth in the Merger Agreement may also be subject to a contractual standard of materiality different from that generally applicable under federal securities laws.

Omnibus Termination Agreement

Contemporaneously with the execution of the Merger Agreement, the Company, Parent, the Operating Company, Fidelity National Special Opportunities, Inc., Newport Global Opportunities Fund, LP and ABRH entered into a certain Omnibus Termination and Release Agreement, dated as of July 30, 2012 (the Omnibus Termination Agreement), which terminated and released the parties to the Omnibus Termination Agreement from certain Terminated Agreements (as defined in the Omnibus Termination Agreement). The Terminated Agreements were entered into in connection with the Prior Merger Agreement and were necessary to effect the transactions contemplated by the Prior Merger Agreement, but are not necessary for the consummation of the Offer and the Merger, as contemplated by the Merger Agreement.

The above description of the Omnibus Termination Agreement does not purport to be a complete description and is qualified in its entirety by reference to the full text of the Omnibus Termination Agreement, which is attached hereto as Exhibit (e)(17) and is incorporated herein by reference

Representation on Board

The Merger Agreement provides that, promptly upon the Acceptance Time and from time to time and at all times thereafter, Parent will be entitled to elect or designate such number of directors, rounded up to the next whole number, on the full Board of Directors (which total number will be determined in Parent s sole discretion subject to the requirements of retaining three continuing directors (as described in the Merger Agreement)) that is proportional to the number of Shares then owned directly or indirectly by Parent. J. Alexander s is required under the Merger Agreement, upon request by Parent, to take all actions necessary to enable Parent s designees to be elected or appointed to the Board of Directors effective at the Acceptance Time, including by (i) promptly filling vacancies or newly created directorships on the Board of Directors, (ii) promptly increasing the size of the Board of Directors (including by amending J. Alexander s bylaws if necessary to increase the size of its Board) and/or (iii) promptly securing the resignations of such number of its incumbent directors as is necessary to provide Parent with such level of representation, and shall cause Parent s designees to be so elected or appointed at such time.

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Confidentiality Agreements

On March 18, 2012, Parent, the Operating Company and J. Alexander s executed a confidentiality letter agreement (the Confidentiality Letter Agreement), and on April 9, 2012, American Blue Ribbon Holdings, LLC, a Delaware limited liability company and an indirect, majority-owned subsidiary of Parent, and J. Alexander s executed a Confidentiality Agreement (together with the Confidentiality Letter Agreement, the Confidentiality Agreements), pursuant to which the parties agreed, subject to certain exceptions, to, among other things, keep confidential certain information provided by the parties for purposes of evaluating a possible transaction between Parent and the Operating Company or their affiliates, on the one hand, and J. Alexander s, on the other hand. In the Confidentiality Letter Agreement, Parent and the Operating Company also agreed to a standstill provision placing restrictions on, among other things, the ability of Parent and its controlled affiliates to acquire securities of J. Alexander s or to enter into, or propose to enter into, a merger or certain other combination or acquisition transactions involving J. Alexander s, unless specifically requested in writing in advance by the Board of Directors, for a period of twelve months from the date of the Confidentiality Letter Agreement. The restrictions in the Confidentiality Agreements automatically terminate upon the earlier to occur of two years from the date of each respective Confidentiality Agreement and the date of a consummation of a transaction between J. Alexander s, on the one hand, and Parent and the Operating Company or their affiliates, on the other hand.

The foregoing description of the material provisions of the Confidentiality Agreements does not purport to be complete and is qualified in its entirety by reference to the Confidentiality Agreements, copies of which are filed as exhibits to the Schedule TO and as Exhibits (e)(2) and (e)(3) to this Schedule 14D-9 and are incorporated herein by reference.

Arrangements between J. Alexander s and its Executive Officers, Directors and Affiliates

J. Alexander s executive officers and the members of the Board of Directors may be deemed to have certain interests in the Contemplated Transactions, including the Offer and the Merger, that may be different from or in addition to those of J. Alexander s shareholders generally. These interests may create potential conflicts of interest. The Board of Directors was aware of those interests and considered them, among other matters, in reaching its decision to approve the Merger Agreement and the Contemplated Transactions.

For further information with respect to the arrangements between J. Alexander s and its executive officers, directors and affiliates described in this Item 3, please also see the Information Statement, which is filed as Annex I to this Schedule 14D-9 and incorporated in its entirety by reference herein, under the headings *Security Ownership of Certain Beneficial Owners, Directors and Management* ; *Summary Compensation Table Fiscal Years 2010-2011* ; *Outstanding Equity Awards at Fiscal 2011 Year-End Table* ; *Potential Payments Upon Termination or Change in Control* ; *2011 Director Compensation* ; *and Certain Relationships and Related Transactions*.

In the case of each plan or agreement discussed below to which the terms Change in Control or Change in Control of the Company (as defined therein) apply, the consummation of the Offer would constitute a change in control.

Cash Payable for Outstanding Shares Pursuant to the Offer

If the directors and executive officers of J. Alexander s who own Shares tender their Shares for purchase pursuant to the Offer, they will receive the same cash Offer Price on the same terms and conditions as the other shareholders of J. Alexander s. As of July 31, 2012, the directors and executive officers of J. Alexander s beneficially owned, in the aggregate, 452,919 Shares, excluding Shares subject to exercise of Options (as defined below), but including Shares allocated to each individual by virtue of that individual s participation in the J. Alexander s ESOP. If the directors and executive officers were to tender all 452,919 of these Shares for

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purchase pursuant to the Offer and those Shares were accepted and purchased by Merger Sub, then the directors and executive officers would receive an aggregate of $5,887,947 in cash pursuant to tenders into the Offer.

The table below sets forth information regarding the amount of cash consideration each executive officer and director will receive pursuant to the Offer assuming the Shares beneficially owned by each of J. Alexander s executive officers and directors (excluding Options (as defined below), but including ESOP Shares) are tendered pursuant to the Offer and those Shares are accepted for purchase and purchased by Merger Sub.

Name	Number of Shares Beneficially Owned	Consideration
E. Townes Duncan	190,214	$ 2,472,782
Brenda B. Rector	1,000	$ 13,000
Joseph N. Steakley	1,000	$ 13,000
Lonnie J. Stout II	183,006	$ 2,379,078
R. Gregory Lewis	67,354	$ 875,602
J. Michael Moore	6,359	$ 82,667
Mark A. Parkey	3,986	$ 51,818

The beneficial ownership of Shares of each director and executive officer is further described in the Information Statement under the heading *Security Ownership of Certain Beneficial Owners, Directors and Management*.

Treatment of J. Alexander s Stock Options

Under the Merger Agreement, each Company Option (as defined in the Merger Agreement and referred to herein as an Option) that is outstanding immediately prior to the Acceptance Time (as defined in the Merger Agreement), whether or not then vested and exercisable, will become fully vested and exercisable upon the occurrence of the Acceptance Time.

Each unexercised Option for which, as of the Acceptance Time, the Offer Price exceeds the exercise price per Share will be canceled at the Acceptance Time. In exchange, the Surviving Corporation will pay to each former holder of such Option as soon as practicable, but no later than J. Alexander s first regular payroll date following the Acceptance Time or 5 business days following the Acceptance Time, whichever is later, an amount in cash (without interest, and subject to deduction for any required withholding tax) equal to the product of (1) the excess, if any, of the Offer Price, without interest (the Merger Consideration), over the exercise price per Share under such Option and (2) the number of Shares subject to such Option (the Option Spread Value).

Each Option that is outstanding immediately prior to the Acceptance Time for which, as of the Acceptance Time, the Offer Price does not exceed the exercise price per Share will be canceled at the Acceptance Time without any cash payment being made in respect thereof.

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The tables below set forth information regarding the Options which have an exercise price per Share less than $13.00 and are held by J. Alexander s directors and executive officers as of July 31, 2012. Each such Option would be canceled and exchanged at the Effective Time for the right to receive the Option Spread Value. The Options are classified as vested or unvested in the table below based on the assumption that the Acceptance Time will occur on September 5, 2012.

	Vested Options to be Converted to the Option Spread Value			Unvested Options to be Converted to the Option Spread Value			
Name	Number of Shares	Weighted Average Exercise Price per Share	Option Spread Value from Vested Options	Number of Shares	Weighted Average Exercise Price per Share	Option Spread Value from Unvested Options	Total Option Spread Value
E. Townes Duncan(1)	8,000	$ 6.24	$ 54,060				$ 54,060
Brenda B. Rector(1)	16,000	$ 7.14	$ 93,820				$ 93,820
Joseph N. Steakley(1)	16,000	$ 7.14	$ 93,820				$ 93,820
Lonnie J. Stout II(2)	177,500	$ 6.00	$ 1,242,550	155,000	$ 4.78	$ 1,274,500	$ 2,517,050
R. Gregory Lewis(2)	73,750	$ 7.08	$ 436,525	36,250	$ 5.11	$ 285,875	$ 722,400
J. Michael Moore(2)	53,750	$ 7.12	$ 315,975	16,250	$ 5.07	$ 128,875	$ 444,850
Mark A. Parkey(2)	53,750	$ 7.12	$ 315,975	16,250	$ 5.07	$ 128,875	$ 444,850

(1) For purposes of this table, it is assumed that J. Alexander s will not grant an equity award for 2012 Board service to J. Alexander s non-employee directors. Based on this assumption, as of the Acceptance Time, all Option awards granted to J. Alexander s non-employee directors, including awards of Options to purchase 1,000 shares of J. Alexander s Common Stock which were granted as compensation for 2011 Board service and which are scheduled to vest on August 8, 2012, will have vested. As such, all Option awards granted to J. Alexander s non-employee directors are reflected under the Vested Options to be Converted to the Option Spread Value section of this table.

(2) One-fourth of the Option awards granted to J. Alexander s executive officers on August 8, 2011, will vest on August 8, 2012. Although those Options are not vested at the date of this filing, these awards will vest prior to the Acceptance Time. As such, one-fourth of the August 8, 2011, Option awards are reflected under the Vested Options to be Converted to the Option Spread Value section of this table.

Section 16 Matters

Pursuant to the Merger Agreement, J. Alexander s has agreed to take all steps reasonably necessary to cause the Contemplated Transactions and any other dispositions of J. Alexander s equity securities (including derivative securities) in connection with the Contemplated Transactions by each individual who is a director or executive officer of J. Alexander s to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Executive Employment Agreements

The Employment Agreements with J. Alexander s executive officers address the possibility of job loss after a change in control (as defined in the respective agreements). The consummation of the Contemplated Transactions will constitute a change in control under the respective agreements and therefore could trigger the payment of the benefits described below. Upon a change in control, the executive is entitled to a lump sum payment if he is terminated without cause or if he resigns for good reason (as those terms are defined in the respective agreements), in each case, within thirty-six months of such change in control. That lump sum is equal to a payment of: (i) 2.99 times the executive s base salary then in effect, plus (ii) 2.99 times the higher of (a) the cash bonus paid or earned but not yet paid, in respect of the previous fiscal year, or (b) the average bonus paid or earned but not yet paid, in respect of the last three fiscal years. In addition to the lump sum payment, all unvested equity incentive plan awards held by each executive will vest upon a termination in connection with a change in control and health insurance benefits will continue for a period of three years. For Mr. Stout and

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Mr. Lewis, who are also parties to Severance Benefits Agreements (as discussed below), the applicable severance amounts payable under the Employment Agreements would be reduced by amounts payable under the executive s Severance Benefits Agreement.

Severance Benefits Agreements

Mr. Stout and Mr. Lewis are parties to Severance Benefits Agreements pursuant to which Mr. Stout and Mr. Lewis would receive lump sum payments representing 18 months of their salaries following a change in control upon termination by J. Alexander s, without cause or resignation by Mr. Stout or Mr. Lewis for reason (as such terms are defined in the respective agreements). As noted above, any payments actually made under the Severance Benefits Agreements to Mr. Stout or Mr. Lewis will offset and reduce any amounts that become payable under their respective Employment Agreements.

Amended and Restated Salary Continuation Agreements

Each executive is a party to an Amended and Restated Salary Continuation Agreement with J. Alexander s. The Salary Continuation Agreements provide for an annual retirement benefit of 50% of the executive s base salary (which is defined as the greater of the executive s salary on the date of termination or the average base salary for three full fiscal years immediately preceding the transaction) if the executive is terminated after attaining the age of 65 for any reason other than death. The annual payment is payable over 15 years, commencing within 30 days of the executive s retirement. Additionally, the Amended and Restated Salary Continuation Agreements also provide for a vested benefit for each officer upon termination of service with J. Alexander s for any reason other than death prior to reaching the age of 65. The vested benefit is based on the executive s base salary as of the date of termination, subject to certain minimum benefit levels. For Messrs. Stout and Lewis, the vested benefit is an annual benefit equal to the greater of fifty percent (50%) of the executive s base salary as of the executive s termination date or a designated minimum annual amount, each paid in equal monthly installments for a period of fifteen years commencing once the executive subsequently attains the age of 65. For Messrs. Moore and Parkey, the vested benefit is a lump sum payable within 30 days of termination equal to the greater of: (i) the present value as of the date of payment (using a seven percent (7%) discount rate) of fifty percent (50%) of the executive s base salary as of the executive s termination date as if paid in equal monthly installments, beginning when the executive would reach age 65, for a period of 15 years, or (ii) a minimum lump sum.

The foregoing summary of the potential payments to J. Alexander s executive officers upon the consummation of the Contemplated Transactions does not purport to be complete and is qualified in its entirety by reference to the full text of the Employment Agreements and Salary Continuation Agreements with each of the executive officers of J. Alexander s and the Severance Benefits Agreements with Messrs. Stout and Lewis, which are filed as Exhibits (e)(4)-(e)(13) hereto and incorporated herein by reference.

Executive Letter Agreements

In connection with the execution of the Merger Agreement, the Company, Parent, ABRH and the Operating Company entered into amended letter agreements with each of the Company s executive officers, respectively (the Amended Letter Agreements), which amended and restated certain prior letter agreements entered into on June 22, 2012, in connection with the Prior Merger Agreement, and provide that, subject to the consummation of the Merger, certain provisions of the Employment Agreements, the Severance Benefits Agreements and the Amended and Restated Salary Continuation Agreements discussed above, between the Company and certain executives would be amended.

Pursuant to the Amended Letter Agreements, conditioned upon the consummation of the Merger, the provision permitting termination of employment by the employee for good reason included in the Employment Agreements between the Company and Messrs. Stout and Moore, and in the Severance Benefits Agreement between the Company and Mr. Stout, will be revised to exclude from the definition of good reason the

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assignment of the executive officer to a position at the Operating Company in its main corporate office or upscale division office in Nashville, Tennessee with similar duties and responsibilities and substantially similar salary and benefits or their equivalent value as the executive s salary and benefits prior to the Merger.

In addition, the Amended Letter Agreements will amend the Salary Continuation Agreements between the Company and each of its executive officers, conditioned upon the consummation of the Merger, (i) with respect to Messrs. Stout and Moore, to amend the definition of base salary included in the Salary Continuation Agreement so that it will be fixed as of the date of the Merger and, (ii) with respect to Messrs. Stout, Lewis, Moore and Parkey, to suspend the obligation of the Company and its successors to establish and fund a rabbi trust with respect to certain retirement benefits upon a change in control of the Company, in exchange for Parent s guarantee of the Company s obligations under the Salary Continuation Agreements until (a) the Operating Company beneficially owns any interest in the Company, at which time the Operating Company will also guarantee the performance of the obligations of the Company under the Salary Continuation Agreements, and (b) Parent no longer retains direct or indirect beneficial ownership of at least 40% of the Company, at which time, upon the occurrence of both (a) and (b), the Company s obligations under the Salary Continuation Agreement to fund a rabbi trust shall resume, and upon the establishment and funding by the Company of the rabbi trust, Parent s guarantee shall terminate; provided, however, that the Operating Company s guarantee of the Company s obligations under the Salary Continuation Agreements will continue in force until all such obligations are satisfied.

Each of the foregoing Amended Letter Agreements was required by Parent, ABRH and the Operating Company prior to their entry into the Merger Agreement and, subject to completion of the Merger, effectively limits the contractual benefits to the executive officers under the amended agreements.

The foregoing description of the Amended Letter Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended Letter Agreements, which are filed as Exhibits (e)(18), (e)(19), (e)(20) and (e)(21) hereto and are incorporated herein by reference.

Directors Compensation

Under J. Alexander s director compensation policy, non-employee directors receive cash compensation in the form of a monthly fee of $1,250 plus a fee of $1,500 for each attended meeting of the Board or any committee of which he or she is a member. Each director who is not also an employee of J. Alexander s is eligible for non-qualified stock options under the Amended and Restated 2004 Equity Incentive Plan. Generally, directors who are not employees of J. Alexander s have been awarded options to purchase 10,000 shares of Common Stock upon joining the Board and options to purchase 1,000 shares of Common Stock for each succeeding year of service, with the exercise price equal to the fair market value of the Common Stock on the date of grant. Pursuant to the terms of the Amended and Restated 2004 Equity Incentive Plan, no non-employee director is eligible for a grant of incentive stock options under the Plan.

Summary of Benefits Continuation Period

The Merger Agreement provides that for a period of twelve months following the date of closing of the Merger (the Benefits Continuation Period), Parent shall cause the Surviving Corporation to provide to employees of J. Alexander s and its subsidiaries, while their employment continues during the Benefits Continuation Period (the Continuing Employees), (i) base salary and target cash bonus opportunities substantially comparable in the aggregate with employee compensation (but excluding equity opportunities, change in control bonuses and retention agreements) provided to similarly situated employees of the Operating Company and (ii) employee benefits substantially comparable in the aggregate with employee benefits (but excluding equity opportunities) provided to similarly situated employees of the Operating Company.

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Subject to certain limitations, Parent also agreed to cause the Surviving Corporation to (i) credit each Continuing Employee with his or her years of service with J. Alexander s and any predecessor entities solely for purposes of eligibility and vesting purposes (and not for the purpose of any benefit accrual) to the same extent as such Continuing Employee was entitled to credit immediately prior to the date of the closing of the merger (the Closing Date) for such service under any similar J. Alexander s benefit plan, (ii) waive any applicable pre-existing condition exclusions and waiting periods with respect to participation and coverage requirements in any replacement or successor welfare benefit plan of the Surviving Corporation that a Continuing Employee is eligible to participate in following the Closing Date to the extent those exclusions or waiting periods were inapplicable to, or had been satisfied by, that Continuing Employee immediately prior to the Closing Date under the analogous J. Alexander s benefit plan in which that Continuing Employee participated and (iii) provide each Continuing Employee with credit for any co-payments and deductibles paid during the portion of the applicable plan year prior to the Closing Date (to the same extent that credit was given under the analogous J. Alexander s benefit plan prior to the Closing Date) in satisfying any applicable deductible out of pocket requirements.

Notwithstanding any other provision of the Merger Agreement to the contrary, Parent has agreed to, and to cause the Surviving Corporation and any of its affiliates to, provide Continuing Employees whose employment terminates during the Benefits Continuation Period with severance benefits at levels no less than the levels agreed to by the parties to the Merger Agreement.

Summary of Certain Benefits Payable in Connection with the Contemplated Transactions

The table below contains an estimate of the value of certain material payments and benefits payable to J. Alexander s executive officers, directors and affiliates in connection with the Contemplated Transactions. The table excludes, among other things, possible payments to executive officers and directors as described above under the headings *Cash Payable for Outstanding Shares Pursuant to the Offer* and *J. Alexander s Stock Options*. Amounts shown in the tables below are estimates and assume, among other things, (i) an illustrative date for the occurrence of the Acceptance Time of September 5, 2012 and (ii) that each executive officer of J. Alexander s will have a qualifying termination of his employment on December 31, 2012, which is after the illustrative date of occurrence of the Acceptance Time. These estimates will not be used to determine actual benefits paid, which will be calculated in accordance with terms of the Merger Agreement or the related agreement, plan or arrangement, as applicable, and may materially differ from these estimates.

Name	Cash Severance	Health Benefits(1)
Lonnie J. Stout II	$ 3,797,156	$ 37,941
R. Gregory Lewis	$ 1,753,045	$ 37,941
J. Michael Moore	$ 912,980	$ 37,941
Mark A. Parkey	$ 846,538	$ 37,941
E. Townes Duncan		
Brenda B. Rector		
Joseph N. Steakley		

(1) Based on election and coverage as of July 31, 2012.

Director and Officer Exculpation, Indemnification and Insurance

The Merger Agreement provides that, from and after the Acceptance Time, Parent must cause the Surviving Corporation (to the fullest extent permitted by applicable law) to indemnify, defend and hold harmless, against any documented costs or expenses (including reasonable attorney s fees, expenses and disbursements), judgments, fines, losses, claims, damages, penalties, liabilities and amounts paid in settlement in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative, regulatory or investigative, and provide advancement of expenses to, all former and present directors and officers of J. Alexander s and its subsidiaries and any person acting at the request of J. Alexander s as director, officer,

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trustee, fiduciary, employee or agent of another entity or enterprise (including any of J. Alexander s benefit plans) (the Indemnified Parties) to the fullest extent permitted by law.

Following the Effective Time, Parent must cause the Surviving Corporation to maintain in effect J. Alexander s charter and bylaw provisions (as such provisions were in effect as of June 22, 2012) regarding indemnification, advancement and reimbursement of expenses and exculpation of the Indemnified Parties with respect to facts or circumstances occurring at or prior to the Effective Time. Parent also must cause J. Alexander s or the Surviving Corporation to purchase a six-year extended reporting period endorsement with respect to directors and officers liability insurance and fiduciary liability insurance having terms and conditions at least as favorable to the Indemnified Parties as J. Alexander s currently existing directors and officers liability insurance and fiduciary liability insurance, and maintain this endorsement in full force and effect for its full term. Parent and the Surviving Corporation are not required to expend in excess of 300% of the annual premium currently payable by J. Alexander s for such insurance coverage.

The TBCA sets forth in Sections 48-18-502 through 48-18-508 the circumstances governing the indemnification of directors and officers of a corporation against liability incurred in the course of their official capacities. Section 48-18-502 of the TBCA provides that a corporation may indemnify any director against liability incurred in connection with a proceeding if (i) the director acted in good faith, (ii) the director reasonably believed, in the case of conduct in his or her official capacity with the corporation, that such conduct was in the corporation s best interest, or, in all other cases, that his or her conduct was not opposed to the best interests of the corporation and (iii) in connection with any criminal proceeding, the director had no reasonable cause to believe that his or her conduct was unlawful. In actions brought by or in the right of the corporation, however, the TBCA provides that no indemnification may be made if the director or officer is adjudged to be liable to the corporation. Similarly, the TBCA prohibits indemnification in connection with any proceeding charging improper personal benefit to a director, if such director is adjudged liable on the basis that a personal benefit was improperly received. In cases where the director is wholly successful, on the merits or otherwise, in the defense of any proceeding instigated because of his or her status as a director of a corporation, Section 48-18-503 of the TBCA mandates that the corporation indemnify the director against reasonable expenses incurred in the proceeding. Notwithstanding the foregoing, Section 48-18-505 of the TBCA provides that a court of competent jurisdiction, upon application, may order that a director or officer be indemnified for reasonable expense if, in consideration of all relevant circumstances, the court determines that such individual is fairly and reasonably entitled to indemnification, whether or not the standard of conduct set forth above was met. Officers who are not directors are entitled, through the provisions of Section 48-18-507 of the TBCA, to the same indemnification afforded to directors under Sections 48-18-503 and 48-18-505.

The bylaws of J. Alexander s provide that J. Alexander s shall indemnify each present and future director and officer of J. Alexander s, or any person who may have served at its request as a director or officer of another company in which J. Alexander s owns shares of capital stock (and, in either case, such person s heirs, executors and administrators), to the full extent allowed by the laws of the State of Tennessee.

Item 4. The Solicitation or Recommendation.

After careful consideration, J. Alexander s Board of Directors, among other things, has unanimously (i) declared that (x) the Merger Agreement, the promissory note contemplated by the Merger Agreement and the other agreements, instruments and documents contemplated to be entered into in connection with any of the foregoing (collectively, the Transaction Agreements), and (y) the Contemplated Transactions are advisable, fair to and in the best interests of J. Alexander s and the shareholders of J. Alexander s, (ii) adopted the Merger Agreement and approved the other Transaction Agreements, the execution, delivery and performance of the Transaction Agreements by J. Alexander s and the consummation of the Contemplated Transactions, (iii) directed the adoption of the Merger Agreement be submitted to the shareholders of J. Alexander s unless their approval is not required by applicable law, subject to the Board s ability to make a Recommendation Withdrawal (as defined in the Merger Agreement) pursuant to and in accordance with the Merger Agreement,

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and (iv) recommended that the shareholders of J. Alexander s accept the Offer, tender their Shares in the Offer and, to the extent required by applicable law, approve the Merger and adopt the Merger Agreement.

The Board of Directors unanimously recommends that J. Alexander s shareholders accept the Offer, tender their Shares pursuant to the Offer and, if required by applicable law, approve the Merger Agreement.

Background of the Offer and the Merger

The following chronology summarizes the key meetings and events that led to the signing of the Merger Agreement. The following chronology does not purport to catalogue every conversation among the J. Alexander s Board of Directors or the representatives of the Company and other parties.

From time to time, the Board and the Company s senior management have evaluated potential strategic alternatives relating to the Company s business, including prospects for alternative financing structures, potential additional restaurant concepts or other uses of capital, all with a view toward enhancing shareholder value. In connection with its periodic evaluations of such strategic alternatives, the Board receives financial updates from the Company s senior management and discusses the strategic direction of the Company. The Board s consideration and ultimate recommendation of the Offer is the result of an evaluation of strategic alternatives that began in the fall of 2011. Throughout the events described below, the Board was kept regularly informed of developments.

In September 2011, senior management of the Company noted factors affecting the Company, including high costs associated with public company compliance given the Company s size, and uncertainty as to whether the market appropriately valued the Company s long-term strategy, which focused on a more deliberate pace of growth than other restaurant concepts. Lonnie J. Stout II, the Chief Executive Officer of J. Alexander s, consulted Bass, Berry & Sims PLC (Bass, Berry), J. Alexander s legal counsel, and independent members of the Board and determined, based on these conversations, that it would be advisable to consult a financial advisor concerning the Company s strategic position.

Mr. Stout contacted Mr. Kip Caffey of Cary Street Partners, LLC (Cary Street Partners), a financial advisory firm that had performed advisory services for the Company previously and was familiar with the Company s business. Cary Street Partners had been most recently engaged by the Company in 2009 in connection with a stock repurchase transaction by the Company during that year. Mr. Caffey discussed with Mr. Stout conditions in the mergers and acquisitions market and other recent restaurant sale transactions. Mr. Caffey suggested that the Company have preliminary discussions with Party A, a private equity firm that was known to have previously invested in restaurant companies, to gauge that firm s interest in a potential strategic transaction or to seek its views as to market conditions for a potential strategic transaction involving the Company. After consulting with the independent members of the Board, Mr. Stout requested that Cary Street Partners contact Party A to arrange a meeting.

In addition, Mr. Stout proposed to contact a second private equity firm that was then an investor in the Company, Party B, to discuss any potential interest that such firm may have in a possible strategic transaction.

On October 4, 2011, Mr. Stout met on a confidential basis with a representative of Party A, the private equity firm contacted by Mr. Caffey. The representative shared his personal views concerning the potentially favorable opportunities to sell a restaurant company in the current private equity environment.

Mr. Stout also met on a confidential basis with a representative of the second private equity firm, Party B. The representative of Party B indicated that his firm may be interested in pursuing discussions about its interest in a potential strategic transaction with the Company.

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Based on his impressions of these contacts, Mr. Stout again consulted Bass, Berry and Cary Street Partners, including Mr. Caffey and Mr. Charles Hurt, a senior investment banker at Cary Street Partners with a focus on restaurant industry transactions. Based on the advice of these advisors, Mr. Stout concluded that it would be prudent for the Company to pursue additional confidential contacts with selected parties that might be interested in a strategic transaction with the Company, in order to ascertain whether a transaction might be available that would maximize the value of the Company to its shareholders. Mr. Stout informed the Board at its regular meeting on October 24, 2011, of his contacts and his recommendation that the Company continue working with Cary Street Partners.

On November 4, 2011, representatives of Cary Street Partners reviewed information concerning the Company on a confidential basis with Party A. Based on these conversations, Cary Street Partners communicated to senior management of the Company its view that financial buyers may potentially have an interest in a strategic transaction involving the Company. The representative of Party A later stated that his firm was not interested in engaging in discussions concerning the acquisition of the Company.

On November 18, 2011, senior management of the Company met with Cary Street Partners to discuss a strategy to pursue a transaction that would maximize the value of the Company to its shareholders.

In late November and early December 2011, at the request of senior management of the Company in consultation with the independent members of the Board, Cary Street Partners contacted on a confidential basis selected private equity firms that were targeted for their experience in investing in middle market restaurant companies. At this time in the process, the Company considered the contacts to be exploratory in nature, and the Company did not deem it advisable to contact any strategic buyers, as these were competitors of the Company. A total of six additional private equity firms were contacted to ascertain if they would be interested in an introductory meeting with the Company or receiving confidential information concerning the Company and its business.

On December 6 and 7, 2011, representatives of the Company and Cary Street Partners met separately with four private equity firms on a confidential basis to introduce representatives of those firms to senior management of the Company and discuss the Company and its business.

During December 2011, after these meetings, the Company began responding to due diligence requests from four interested private equity firms that signed confidentiality agreements with the Company.

On December 27, 2011, Mr. Stout met with representatives of Cary Street Partners and Bass, Berry to discuss engaging Cary Street Partners on a formal basis to contact additional potential financial and strategic buyers and to discuss the Company s response to potential interest from multiple parties and provision of due diligence information to potential interested parties. The Company and Cary Street Partners began preparing additional materials to be shared with potential buyers.

In January 2012, the Company continued to provide information to multiple interested private equity firms. Senior management of the Company and Cary Street Partners also discussed additional parties that might be contacted concerning interest in a possible transaction. The Company sought to balance its desire to contact potential buyers, with its desire for strict confidentiality and a carefully controlled process. The concerns over confidentiality arose from competitive concerns and concerns over employee retention, and from a strategic perspective, from a concern that conducting a widespread process might result in a leak of information. Given the level of interest initially expressed by multiple parties and the concerns about confidentiality and a carefully controlled process, the Company s senior management concluded that it would recommend to the Board a confidential sale process which would involve contacting targeted private equity firms and strategic bidders deemed the most likely to be interested in, and capable of financing and closing, a transaction.

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On January 24, 2012, the Board held a meeting to discuss a strategy to pursue available strategic alternatives, including the sale of the Company. The Board also considered the qualifications and experience of Cary Street Partners in the restaurant industry, and engaged Cary Street Partners on a formal basis pursuant to a signed engagement letter as the Company s exclusive financial adviser.

After this January 2012 Board meeting, commencing in late January and continuing through February, Cary Street Partners contacted additional financial parties and certain strategic parties to explore their interest in pursuing a transaction with the Company.

In late January and February 2012, Cary Street Partners also continued to work closely with management of the Company to respond to the due diligence requests of potential buyers, including holding in-person meetings with management and selected potential interested parties, Party B and an additional private equity firm, Party C.

On February 21, 2012, representatives of Cary Street Partners, at the request of senior management of the Company, contacted representatives of Fidelity to explore Fidelity s interest in pursuing a transaction with the Company.

In March 2012, the Company set up an online data site to facilitate due diligence review by multiple parties.

In March 2012, the Company was contacted by Party D, a restaurant portfolio company of a private equity firm. A representative of the Company referred Party D to Cary Street Partners for further discussion and due diligence.

On March 7, 2012, the Company received an unsolicited letter from a private equity firm, Party E, expressing interest in a potential transaction and indicating a range of values for the Company that implied a price of $7.26 to $7.57 per share.

On March 9, 2012, the Company received a nonbinding indication of interest from Party C to acquire the Company at a price of $9.10 per share in cash.

On March 12, 2012, the Company received a nonbinding indication of interest from Party B to acquire the Company at a price of $7.50 per share in cash.

On March 14, 2012, the Board held a meeting, which included representatives of Cary Street Partners and Bass, Berry. The Board discussed the indications of interest received to date and determined that Cary Street Partners should contact the parties that had submitted indications of interest to indicate that the Board deemed the offers inadequate based on the Board s assessment of the value of the Company s Common Stock. Thereafter, Cary Street Partners contacted both such parties, as well as the unsolicited party to communicate that the Board believed that the respective offers did not represent an acceptable valuation for the Company. Cary Street Partners asked each party to improve its proposal.

On March 15, 2012, Mr. Hurt spoke with Mr. Brent Bickett, Executive Vice President of Corporate Finance for Fidelity, concerning Fidelity s interest in entering into a confidentiality agreement with the Company.

Effective March 18, 2012, the Company entered into a confidentiality agreement with Fidelity and its affiliates.

On March 19, 2012, representatives of the Company and Fidelity met in Jacksonville, Florida for an introductory meeting and due diligence session. Representatives of Cary Street Partners attended