JACK IN THE BOX INC /NEW/
Form 10-K
November 22, 2013

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 SEPTEMBER 29, 2013
COMMISSION FILE NUMBER 1-9390
JACK IN THE BOX INC.
(Exact name of registrant as specified in its charter)

Delaware	95-2698708
(State of Incorporation)	(I.R.S. Employer Identification No.)
9330 Balboa Avenue, San Diego, CA	92123
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (858) 571-2121
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ¨ No þ
Indicate by check mark if 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 ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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.
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ

The aggregate market value of the common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the closing price reported on the NASDAQ Global Select Market — Composite Transactions as of April 12, 2013, was approximately $1.5 billion.
Number of shares of common stock, $0.01 par value, outstanding as of the close of business on November 14, 2013 — 42,606,520.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2014 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

JACK IN THE BOX INC.

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FORWARD-LOOKING STATEMENTS

From time to time, we make oral and written forward-looking statements that reflect our current expectations regarding future results of operations, economic performance, financial condition and achievements of Jack in the Box Inc. (the “Company”). A forward-looking statement is neither a prediction nor a guarantee of future events or results. In some cases, forward-looking statements can be identified by words such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “forecast,” “goals,” “guidance,” “intend,” “plan,” “project,” “may,” “should,” “will,” “would,” and similar expressio forward-looking statements are included in this Form 10-K, principally in the sections captioned “Business,” “Legal Proceedings,” “Consolidated Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” including statements regarding our strategic plans and operating strategies. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations and forward-looking statements may prove to be materially incorrect due to known and unknown risks and uncertainties.

In some cases, information regarding certain important factors that could cause our actual results to differ materially from any forward-looking statement appears together with such statement. In addition, the factors described under “Risk Factors” and “Critical Accounting Estimates” in this Form 10-K, as well as other possible factors not listed, could cause our actual results, economic performance, financial condition or achievements to differ materially from those expressed in any forward-looking statements. As a result, investors should not place undue reliance on such forward-looking statements, which speak only as of the date of this report. The Company is under no obligation to update forward-looking statements, whether as a result of new information or otherwise.

PART I
ITEM 1. BUSINESS
The Company
Overview. Jack in the Box Inc., based in San Diego, California, operates and franchises 2,866 Jack in the Box® quick-service restaurants ("QSR") and Qdoba Mexican Grill® fast-casual restaurants. References to the Company throughout this Annual Report on Form 10-K are made using the first person notations of "we," "us" and "our."
Jack in the Box. The first Jack in the Box restaurant opened in 1951. Jack in the Box is one of the nation's largest hamburger chains and, based on number of restaurants, is the second or third largest QSR hamburger chain in each of our top 10 major markets, which comprise approximately 70% of the total system. As of the end of our fiscal year on September 29, 2013, the Jack in the Box system included 2,251 restaurants in 21 states, of which 465 were company-operated and 1,786 were franchise-operated.
Qdoba Mexican Grill. To supplement our core growth and balance the risk associated with growing solely in the highly competitive hamburger segment of the QSR industry, in 2003 we acquired Qdoba Restaurant Corporation, operator and franchisor of Qdoba Mexican Grill. As of September 29, 2013, the Qdoba system included 615 restaurants in 46 states, as well as the District of Columbia and Canada, of which 296 were company-operated and 319 were franchise-operated. Qdoba is the second largest fast-casual Mexican brand in the United States.
Strategic Plan. Our long-term strategic plan focuses on continued growth of our two restaurant brands, increasing average unit volumes, and improving restaurant profitability and returns on invested capital. A key element of our plan is to continue expanding our Jack in the Box franchising operations to generate higher margins and returns for the Company while creating a business model that is less capital intensive and not as susceptible to cost fluctuations.
Through the sale of 78 company-operated Jack in the Box restaurants to franchisees and the development of 11 new franchise restaurants in fiscal 2013, we increased franchise ownership of the Jack in the Box system to approximately 79% at fiscal year end from approximately 76% at the end of fiscal 2012. We plan to continue to refranchise our Jack in the Box restaurants and bring franchise ownership in the Jack in the Box system to between 80-85%.
Through new unit growth and acquisitions of franchised Qdoba restaurants in select markets, and due to the refranchising of Jack in the Box restaurants, Qdoba has become a more prominent part of our company restaurant operations. As of the end of fiscal 2013, Qdoba comprised approximately 39% of our total company-operated units as compared with approximately 12% five years ago. We plan to more aggressively build out the number of Qdoba company locations over the next several years primarily through new unit growth. Accelerating the growth of our Qdoba brand by increasing market penetration should generate heightened brand awareness.
Restaurant Concepts
Jack in the Box. Jack in the Box restaurants offer a broad selection of distinctive, innovative products targeted primarily at the adult fast-food consumer. Our menu features a variety of items including hamburgers, tacos, specialty sandwiches, drinks, real ice cream shakes, salads and side items. Jack in the Box restaurants also offer guests the ability to customize their meals and to order any product, including breakfast items, any time of the day.
The Jack in the Box restaurant chain was the first major hamburger chain to develop and expand the concept of drive-thru restaurants. In addition to drive-thru windows, most of our restaurants have seating capacities ranging from 20 to 100 persons and are open 18-24 hours a day. Drive-thru sales currently account for approximately 70% of sales at company-operated restaurants. The average check in fiscal year 2013 was $6.48 for company-operated restaurants.
With a presence in only 21 states, we believe Jack in the Box is a brand with significant growth opportunities. In fiscal 2013, we continued to expand in both existing and new markets. We opened 6 company-operated restaurants and franchisees opened 11 Jack in the Box restaurants during the year. In fiscal 2014, we plan to open approximately 10 new company- and franchise-operated restaurants.

The following table summarizes the changes in the number of company-operated and franchise Jack in the Box restaurants over the past five years:

	Fiscal Year				
	2013	2012	2011	2010	2009
Company-operated restaurants:					
Beginning of period	547	629	956	1,190	1,346
New	6	19	15	30	43
Refranchised	(78)	(97)	(332)	(219)	(194)
Closed	(11)	(4)	(10)	(46)	(6)
Acquired from franchisees	1	—	—	1	1
End of period total	465	547	629	956	1,190
% of system	21%	24%	28%	43%	54%
Franchise restaurants:					
Beginning of period	1,703	1,592	1,250	1,022	812
New	11	18	16	16	21
Refranchised	78	97	332	219	194
Closed	(5)	(4)	(6)	(6)	(4)
Sold to Company	(1)	—	—	(1)	(1)
End of period total	1,786	1,703	1,592	1,250	1,022
% of system	79%	76%	72%	57%	46%
System end of period total	2,251	2,250	2,221	2,206	2,212

Qdoba Mexican Grill. Our Qdoba restaurants feature fresh, high quality ingredients and unique Mexican flavors that combine to create a variety of innovative flavors and products. Throughout each day, guacamole is prepared on site using fresh Hass avocados, black and pinto beans are slow-simmered, shredded beef and pork are slow-roasted and adobo-marinated chicken and steak are flame-grilled. Customer orders are prepared in full view, which gives our guests the ability to build a meal specifically suited to their individual taste preferences and nutritional needs. Our restaurants also offer a variety of catering options that can be tailored to feed groups of five to several hundred. Our restaurants generally operate from 10:30 a.m. to 10:00 p.m. and have a seating capacity that ranges from 60 to 80 persons, including outdoor patio seating at many locations. The average check, excluding catering sales, in fiscal year 2013 was $10.43 for company-operated restaurants.

We believe there is significant opportunity for continued growth at Qdoba. We estimate the long-term growth potential for Qdoba to be approximately 2,000 units across the United States. Our company-operated restaurants are generally located in larger market service areas, while franchise development is more weighted to less densely-populated areas where local franchisees can operate more efficiently. We opened 34 company-operated restaurants and franchisees opened 34 Qdoba restaurants during fiscal 2013, including two in Canada. Additionally, during the third quarter of fiscal 2013, we closed 62 Qdoba restaurants (the “2013 Qdoba Closures”) based on a comprehensive analysis that took into consideration levels of return on investment and other key operating performance metrics. For additional information related to the 2013 Qdoba Closures, refer to Note 2, Discontinued Operations, of the notes to the consolidated financial statements. In fiscal 2014, we plan to open 60-70 new company and franchise restaurants.

The following table summarizes the changes in the number of company-operated and franchise Qdoba restaurants over the past five years:

	Fiscal Year				
	2013	2012	2011	2010	2009
Company-operated restaurants:					
Beginning of period	316	245	188	157	111
New	34	26	25	15	24
Refranchised	(3)	—	—	—	—
Acquired from franchisees	13	46	32	16	22
Closed	(64)	(1)	—	—	—
End of period total	296	316	245	188	157
% of system	48%	50%	42%	36%	31%
Franchise restaurants:					
Beginning of period	311	338	337	353	343
New	34	32	42	21	38
Refranchised	3	—	—	—	—
Sold to Company	(13)	(46)	(32)	(16)	(22)
Closed	(16)	(13)	(9)	(21)	(6)
End of period total	319	311	338	337	353
% of system	52%	50%	58%	64%	69%
System end of period total	615	627	583	525	510

Site Selection and Design

Site selections for all new company-operated Jack in the Box and Qdoba restaurants are made after an economic analysis and a review of demographic data and other information relating to population density, traffic, competition, restaurant visibility and access, available parking, surrounding businesses and opportunities for market penetration. Restaurants developed by franchisees are built to our specifications on sites we have reviewed.

We have multiple restaurant models with different seating capacities to help reduce costs and improve our flexibility in selecting locations for our restaurants. Management believes that this flexibility enables the Company to match the restaurant configuration with the specific economic, demographic, geographic or physical characteristics of a particular site. The majority of our Jack in the Box restaurants are constructed on leased land or on land that was purchased and subsequently sold, along with the improvements, in a sale and leaseback transaction. Typical costs to develop a traditional Jack in the Box restaurant, excluding the land value, range from \$1.5 million to \$1.9 million. Upon completion of a sale and leaseback transaction, the Company's initial cash investment is reduced to the cost of equipment, which averages approximately \$0.4 million.

The majority of Qdoba restaurants are located in leased spaces ranging from conventional large-scale retail projects to smaller neighborhood retail strip centers as well as non-traditional locations such as airports, college campuses and food courts. Qdoba restaurant development costs typically range from \$0.6 million to \$1.0 million depending on the geographic region.

Franchising Program

Jack in the Box. The Jack in the Box franchise agreement generally provides for an initial franchise fee of \$50,000 per restaurant for a 20-year term and marketing fees at 5% of gross sales. Royalty rates, typically 5% of gross sales, generally range from 2% to as high as 15% of gross sales, and some existing agreements provide for variable rates. We offer development agreements to franchisees for construction of one or more new restaurants over a defined period of time and in a defined geographic area. Developers are required to pay a fee, which may be credited against a portion of the franchise fee due when restaurants open in the future. Developers may forfeit such fees and lose their rights to future development if they do not maintain the required schedule of openings. To simulate growth, beginning in fiscal 2012, we began offering franchisees who opened restaurants within a specified time reduced franchise fees and lower royalty rates.

In connection with the sale of a company-operated restaurant, the restaurant equipment and the right to do business at that location are sold to the franchisee. The aggregate price is negotiated based upon the value of the restaurant as a going concern, which depends on various factors, including the sales and cash flows of the restaurant, as well as its location and history. In addition, the land and building are generally leased or subleased to the franchisee at a negotiated rent, typically equal to the greater of a minimum base rent or a percentage of gross sales. The franchisee is usually required to pay property taxes, insurance and ancillary costs, and is responsible for maintaining the restaurant.

Qdoba Mexican Grill. The current Qdoba franchise agreement generally provides for an initial franchise fee of $30,000 per restaurant, a 10-year term with a 10-year option to extend at a fee of $5,000, and marketing fees of up to 2% of gross sales. Most franchisees are also required to spend a minimum of 2% of gross sales on local marketing for their restaurants. Royalty rates are typically 5% of gross sales with certain agreements at 2.5%, as described below. We offer development agreements to franchisees for the construction of one or more new restaurants over a defined period of time and in a defined geographic area for a development fee, a portion of which may be credited against franchise fees due for restaurants when they are opened. If the developer does not maintain the required schedule of openings, they may forfeit such fees and lose their rights to future development. During fiscal 2010 and 2011, as an incentive to develop target markets, we entered into development agreements with an initial franchise fee of $15,000 and a royalty rate of 2.5% of gross sales for the first two years of operation for each restaurant opened within the first two years of the development agreement, subject to certain limitations. As we continue to pursue non-traditional locations, we may enter into franchise agreements that provide for a lower initial fee and lower royalty rates.

Restaurant Management and Operations

Our restaurants are operated by a company manager or franchise operator who is directly responsible for the operations of the restaurant, including product quality, service, food safety, cleanliness, inventory, cash control and the conduct and appearance of employees.

Jack in the Box. Company restaurant managers are required to attend extensive management training classes involving a combination of classroom instruction and on-the-job training in specially designated training restaurants. Restaurant managers and supervisory personnel train other restaurant employees in accordance with detailed procedures and guidelines using training aids available at each location. Both company and franchise-operated restaurants also use an interactive system of computer-based training (“CBT”), with a touch-screen computer terminal. The CBT technology incorporates audio, video and text, all of which are updated via satellite. CBT is also designed to reduce the administrative demands on restaurant managers.

For Jack in the Box company operations, division vice presidents supervise directors of operations, who supervise district managers, who in turn supervise restaurant managers. Under our performance system, these management levels are all eligible for periodic bonuses based on achievement of goals related to restaurant sales, profit and/or certain other operational performance standards.

Qdoba Mexican Grill. At Qdoba company restaurants, we focus on attracting, selecting, engaging and retaining people who share our values to create long-lasting positive impacts on operating results. Our Qdoba Career Map is the core development tool used to provide employees with detailed education by position, from entry level to area manager. High performing general managers and hourly team members are certified to train and develop employees through a series of on-the-job and classroom trainings that focus on knowledge, skills and behaviors. The Team Member Progression program within the Career Map tool recognizes and rewards three levels of achievement for our cooks and line servers who showcase excellence in their positions. Team members must have, or acquire, specific technical and behavioral skill sets to reach an achievement level.

For Qdoba restaurant operations, the division vice presidents supervise regional operations managers, who supervise district managers, who in turn supervise restaurant managers. All levels are eligible for periodic performance bonuses based on goals related to restaurant sales, profit optimization and other operations performance standards such as guest satisfaction.

Customer Satisfaction

Company-operated and franchise-operated restaurants devote significant resources toward ensuring that all of our restaurants offer quality food and excellent service. To help us maintain a high level of customer satisfaction, our Voice of Guest program provides restaurant managers, district managers, and franchise operators with ongoing feedback from guests who complete a short guest satisfaction survey via an invitation provided on the register receipt. In these surveys, guests rate their satisfaction with key elements of their restaurant experience, including friendliness, food quality, cleanliness, speed of service and order accuracy. In 2013, the Jack in the Box and Qdoba systems received more than 1.6 million and 0.2 million guest survey responses, respectively. We also have a “mystery guest” program at Jack in the Box that provides restaurant managers, district managers, and franchise operators feedback on guest service as evaluated by “secret shoppers” who visit the restaurant. Finally, our Guest Relations department provides feedback that guests report through our toll-free number and via our website.

Quality Assurance

Our “farm-to-fork” food safety and quality assurance programs are designed to maintain high standards for the food products and food preparation procedures used by the restaurants. We maintain product specifications and approve product sources. We have a comprehensive Hazard Analysis & Critical Control Points (“HACCP”) system for managing food safety in our restaurants. HACCP combines employee training, testing, documented restaurant practices and detailed attention to product safety and quality

at each stage of the food preparation cycle. The U.S. Department of Agriculture, Food and Drug Administration and the Center for Science in the Public Interest have recognized our HACCP program as a leader in the industry.
In addition, our HACCP system uses American National Standards Institute certified food safety training programs to train our company and franchise restaurant management employees on food safety practices for our restaurants.

Supply Chain

Historically, we provided purchasing and distribution services for our company-operated restaurants and most of our franchise-operated restaurants. Our remaining franchisees purchased product from approved suppliers and distributors. In fiscal 2012, all of our company-operated Qdoba restaurants and approximately 90% of our Qdoba franchises began utilizing the distribution services of a third-party distributor under a long-term contract, ending February 2017.
In July 2012, we and approximately 90% of our Jack in the Box franchisees entered into a long-term contract with another third-party distributor to provide distribution services to our Jack in the Box restaurants through August 2022. In the fourth quarter of fiscal 2012, we had completed the transition of services from one distribution center and our remaining centers were transitioned by the end of the first quarter of fiscal 2013.
The primary commodities purchased by our restaurants are beef, poultry, pork, cheese and produce. We monitor the primary commodities we purchase in order to minimize the impact of fluctuations in price and availability, and may enter into purchasing contracts and pricing arrangements when considered to be advantageous. However, certain commodities remain subject to price fluctuations. We believe all essential food and beverage products are available, or can be made available, upon short notice from alternative qualified suppliers.

Information Systems

At our shared services corporate support center, we have centralized financial accounting systems, human resources and payroll systems, and a communications and network infrastructure that supports both Jack in the Box and Qdoba corporate functions. Our restaurant software allows for daily polling of sales, inventory and labor data from the restaurants directly. We use standardized Windows-based touch screen point-of-sale (“POS”) platforms in our company and traditional site franchise restaurants, which allows us to accept cash, credit cards and our re-loadable gift cards. Our Qdoba POS system is also enhanced with an integrated guest loyalty program as well as a takeout and delivery interface. The takeout and delivery interface is used to manage online and catering orders which are distributed to sites via a hosted online ordering website.
We have developed business intelligence systems that provide visibility to the key metrics in the operation of company and franchise restaurants. These systems play an integral role in accumulating and analyzing market information. We have labor scheduling systems to assist in managing labor hours based on forecasted sales volumes and inventory management systems, which enable timely and accurate deliveries of food and packaging to our restaurants. To support order accuracy and speed of service, our drive-thru restaurants use color order confirmation screens. We also have kiosks in many corporate and franchise Jack in the Box restaurants throughout our major markets that allow customers to place their order themselves using easy-to-follow steps on a touchscreen. Our Jack in the Box company and franchised restaurants utilize an interactive CBT system as the standard training tool for new hire training and periodic workstation re-certifications.

Advertising and Promotion

Jack in the Box. At Jack in the Box, we build brand awareness through our marketing and advertising programs and activities. These activities are supported primarily by financial contributions to a marketing fund from all company and franchise restaurants based on a percentage of sales. Activities to advertise restaurant products, promote brand awareness and attract customers include, but are not limited to, regional and local campaigns on television, national cable television, radio and print media, as well as Internet advertising on specific sites and broad-reach Web portals. Also, in recent years we began utilizing social media as a channel to better reach our target customers.
Qdoba Mexican Grill. At Qdoba, the goal of our advertising and marketing is to build brand awareness and generate traffic, and we seek to build brand advocates by delivering a great guest experience in the restaurants. While all restaurants contribute a small amount to a fund primarily used for production and development of brand assets, we do not have a national media fund. Advertising is done at the regional or local level for both company and franchise owned and operated restaurants, and is determined by the local management. Advertising is created at the brand level and the system operators can utilize these assets, or tap into our in-house graphic design department to create custom

advertising that meets their particular communication objectives while adhering to brand standards.

Employees

At September 29, 2013, we had approximately 19,150 employees, of whom 18,200 were restaurant employees, 800 were corporate personnel, and 150 were field management or administrative personnel. Employees are paid on an hourly basis, except certain restaurant management, operations and corporate management, and administrative personnel. We employ both full- and part-time restaurant employees in order to provide the flexibility necessary during peak periods of restaurant operations.

We have not experienced any significant work stoppages and believe our labor relations are good. We support our employees, including part-time workers, by offering competitive wages and benefits. Furthermore, we offer all hourly employees meeting certain minimum service requirements access to health coverage, including vision and dental benefits. As an additional incentive to our Jack in the Box hourly team members with more than a year of service, we pay a portion of their health insurance premiums.

Executive Officers

The following table sets forth the name, age, position and years with the Company of each person who is an executive officer of Jack in the Box Inc.:

Name	Age	Positions	Years with the Company
Linda A. Lang	55	Chairman of the Board and Chief Executive Officer	26
Leonard A. Comma	43	President and Chief Operating Officer	12
Mark H. Blankenship, Ph.D.	52	Executive Vice President, Chief People, Culture and Corporate Strategy Officer	16
Jerry P. Rebel	56	Executive Vice President and Chief Financial Officer	10
Phillip H. Rudolph	55	Executive Vice President, General Counsel and Corporate Secretary	5
Elana M. Hobson	53	Senior Vice President of Operations	36
Paul D. Melancon	57	Senior Vice President of Finance, Controller and Treasurer	8
Timothy P. Casey	53	President, Qdoba Restaurant Corporation	1
Carol A. DiRaimo	52	Vice President of Investor Relations and Corporate Communications	5

The following sets forth the business experience of each executive officer for at least the last five years:

Ms. Lang has been Chairman of the Board and Chief Executive Officer since October 2005. She was also President from February 2010 until May 2012 and served as Chief Operating Officer from November 2003 to October 2005. She was Executive Vice President from July 2002 to November 2003, and held various officer-level positions with marketing or operations responsibilities from 1996 through 2002. She has more than 25 years of experience with the Company. Ms. Lang announced her retirement from the Company, effective January 1, 2014.

Mr. Comma has been President and Chief Operating Officer since May 2012. He was previously Executive Vice President and Chief Operating Officer from November 2010 to May 2012, and served as Senior Vice President and Chief Operating Officer from February 2010 to November 2010. Mr. Comma was Vice President Operations Division II from February 2007 to February 2010, Regional Vice President of the Company’s Southern California region from May 2006 to February 2007 and Director of Convenience-Store & Fuel Operations for the Company’s proprietary chain of Quick Stuff convenience stores from August 2001 to May 2006. Mr. Comma will succeed Ms. Lang as the Company’s Chief Executive Officer, effective January 1, 2014. Mr. Comma will also be appointed to the Board and serve as Chairman of the Board, effective January 1, 2014, and will retain his title as President of the Company.

Dr. Blankenship has been Executive Vice President, Chief People, Culture and Corporate Strategy Officer since November 2013. He was previously Senior Vice President and Chief Administrative Officer from October 2010 to November 2013, Vice President, Human Resources and Operational Services from October 2005 to October 2010 and Division Vice President, Human Resources from October 2001 to September 2005. Dr. Blankenship has more than 16 years of experience with the Company in various human resource and training positions.

Mr. Rebel has been Executive Vice President and Chief Financial Officer since October 2005. He was previously Senior Vice President and Chief Financial Officer from January 2005 to October 2005 and Vice President and

Controller of the Company from September 2003 to January 2005. Prior to joining the Company in 2003, Mr. Rebel held senior level positions with Fleming Companies and CVS Corporation. He has more than 31 years of corporate finance experience.

Mr. Rudolph has been Executive Vice President since February 2010 and General Counsel and Corporate Secretary since November 2007. Prior to joining the Company, Mr. Rudolph was Vice President and General Counsel for Ethical Leadership Group. He was previously a partner in the Washington, D.C. office of Foley Hoag, LLP, and a Vice President at McDonald’s

Corporation where, among other roles, he served as U.S. and International General Counsel. Before joining McDonald's, Mr. Rudolph spent 15 years with the law firm of Gibson, Dunn & Crutcher, LLP, the last six of which he spent as a litigation partner in the firm's Washington, D.C. office. Mr. Rudolph has more than 30 years of legal experience.

Ms. Hobson has been Senior Vice President of Operations since May 2013. She was previously Vice President of Operations from February 2010 to May 2013, Division Vice President of Operations Initiatives from March 2009 to February 2010, and Division Vice President of Guest Service Systems from June 2007 to March 2009. Prior to managing Guest Service Systems, Ms. Hobson held several management-level positions in the field, including Regional Vice President from 2003 to 2007; and Area Manager from 1998 to 2003. She joined Jack in the Box as a restaurant team member in 1977, and served in various District Manager and Restaurant Manager positions from 1981 to 1998.

Mr. Melancon has been Senior Vice President of Finance, Controller and Treasurer since November 2013. He was previously Vice President of Finance, Controller and Treasurer from September 2008 to November 2013 and Vice President and Controller from July 2005 to September 2008. Before joining the Company, Mr. Melancon held senior financial positions at several major companies, including Guess?, Inc., Hyper Entertainment, Inc. (a subsidiary of Sony Corporation of America) and Sears, Roebuck and Co. Mr. Melancon has more than 30 years of experience in accounting and finance, including 11 years with Price Waterhouse.

Mr. Casey has been President of Qdoba since March 2013. From 2010 until March 2013, he served as President and Chief Executive Officer of MFOC Holdco, Inc. which is the parent company of the Mrs. Fields Brand and TCBY. From 2007 to 2010, Mr. Casey was an executive with International Coffee & Tea, which operated and franchised The Coffee Bean & Tea Leaf, most recently serving as Vice President of Global Brand Marketing, Product Development and Operations. As Regional Vice President at Starbucks from 1998 to 2004, Mr. Casey managed more than 500 stores in a 10-state region. Prior to joining Starbucks in 1996, Mr. Casey held leadership positions in marketing and operations with Circle K Corporation and Southland Corporation. He has more than 30 years experience in the restaurant and retail industries.

Ms. DiRaimo has been Vice President of Investor Relations and Corporate Communications since July 2008. She previously spent 14 years at Applebee's International, Inc. where she held various positions including Vice President of Investor Relations from February 2004 to November 2007. Ms. DiRaimo has more than 30 years of corporate finance and public accounting experience, including positions with Gilbert/Robinson Restaurants, Inc. and Deloitte.

Trademarks and Service Marks

The Jack in the Box and Qdoba Mexican Grill names are of material importance to us and each is a registered trademark and service mark in the United State and elsewhere. In addition, we have registered numerous service marks and trade names for use in our businesses, including the Jack in the Box logo, the Qdoba logo and various product names and designs.

Seasonality

Restaurant sales and profitability are subject to seasonal fluctuations because of factors such as vacation and holiday travel and events, seasonal weather conditions and crises, which affect the public's dining habits.

Competition and Markets

The restaurant business is highly competitive and is affected by local and national economic conditions, including unemployment levels, population and socioeconomic trends, traffic patterns, competitive changes in a geographic area, changes in consumer dining habits and preferences, and new information regarding diet, nutrition and health that affect consumer spending habits. Key elements of competition in the industry are the quality and innovation in the food products offered, price and perceived value, quality of service experience, speed of service, personnel, advertising, name identification, restaurant location, and image and attractiveness of the facilities.

Each Jack in the Box and Qdoba restaurant competes directly and indirectly with a large number of national and regional restaurant chains some of whom have significantly greater financial resources, as well as with locally-owned and/or independent restaurants in the quick-service and the fast-casual segments, and other "food away from home" consumer options. In selling franchises, we compete with many other restaurant franchisors, some of whom have substantially greater financial resources.

Available Information

The Company’s primary website can be found at www.jackinthebox.com. We make available free of charge at this website (under the caption “Investors — SEC Filings”) all of our reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and amendments to those reports. These reports are made available on the website as soon as reasonably practicable after their filing with, or furnishing to, the Securities and Exchange Commission ("SEC"). You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains our reports, proxy and information statements, and other information at www.sec.gov.

Regulation

Each restaurant is subject to regulation by federal agencies, as well as licensing and regulation by state and local health, sanitation, safety, fire, zoning, building and other departments. Restaurants are also subject to rules and regulations imposed by owners and (or) operators of shopping centers, college campuses, airports, military bases or other non-traditional locations in which a restaurant is located. Difficulties or failures in obtaining and maintaining any required permits, licensing or approval, or difficulties in complying with applicable rules and regulations could result in restricted operations, closures of existing restaurants, delays or cancellations in the opening of new restaurants, or the imposition of fines and other penalties.

We are also subject to federal, state and international laws regulating the offer and sale of franchises. Such laws impose registration and disclosure requirements on franchisors in the offer and sale of franchises, and may also apply substantive standards to the relationship between franchisor and franchisee, including limitations on the ability of franchisors to terminate franchises and alter franchise arrangements.

We are subject to the federal Fair Labor Standards Act and various state laws governing such matters as minimum wages, exempt status classification, overtime, breaks and other working conditions for company employees. A significant number of our food service personnel are paid at rates based on the federal and state minimum wage and, accordingly, increases in the minimum wage increase our labor costs. Federal and state laws may also require us to provide paid and unpaid leave to our employees, or healthcare or other employee benefits, which could result in significant additional expense to us. We are also subject to federal immigration laws requiring compliance with work authorization documentation and verification procedures.

We are subject to certain guidelines under the Americans with Disabilities Act of 1990 and various state codes and regulations, which require restaurants to provide full and equal access to persons with physical disabilities.

We are also subject to various federal, state and local laws regulating the discharge of materials into the environment. The cost of complying with these laws increases the cost of operating existing restaurants and developing new restaurants. Additional costs relate primarily to the necessity of obtaining more land, landscaping, storm drainage control and the cost of more expensive equipment necessary to decrease the amount of effluent emitted into the air, ground and surface waters.

Many of our Qdoba restaurants sell alcoholic beverages, which require licensing. The regulations governing licensing may impose requirements on licensees including minimum age of employees, hours of operation, and advertising and handling of alcoholic beverages. The failure of a Qdoba restaurant to obtain or retain a license could adversely affect the store's results of operations.

We have processes in place to monitor compliance with applicable laws and regulations governing our operations.

ITEM 1A. RISK FACTORS

We caution you that our business and operations are subject to a number of risks and uncertainties. The factors listed below are important factors that could cause our actual results to differ materially from our historical results and from projections in the forward-looking statements contained in this report, in our other filings with the SEC, in our news releases and in oral statements by our representatives. However, other factors that we do not anticipate or that we do not consider significant based on currently available information may also have an adverse effect on our results.

Risks Related to the Food Service Industry. Food service businesses such as ours may be materially and adversely affected by changes in consumer preferences, national and regional economic, political and socioeconomic conditions and changes in consumer dining habits, whether based on new information regarding diet, nutrition or health, on the cost of food at home compared to food away from home, or on other factors. Adverse economic conditions, such as higher levels of unemployment, lower levels of consumer confidence and decreased discretionary spending may reduce restaurant traffic and sales and impose practical limits on pricing. If adverse or uncertain economic conditions persist for an extended period of time, consumers may make long-lasting changes to their spending behavior. The impact of these factors may be exacerbated by the geographic profile of our Jack in the Box segment. Specifically, nearly 70% of the restaurants in our Jack in the Box system are located in the states of California and Texas. Economic conditions, state and local laws, government regulations, weather conditions or natural disasters affecting those states may therefore more greatly impact our results than would similar occurrences in other locations.

The performance of our business may also be adversely affected by factors such as:

- seasonal sales fluctuations;
- severe weather and other natural disasters;
- unfavorable trends or developments concerning operating costs such as inflation, increased costs of food, fuel, utilities, technology, labor (including due to legislated minimum wage increases or employee relations issues), insurance and employee benefits (including healthcare, workers' compensation and other insurance costs and premiums);
- the impact of initiatives by competitors and increased competition generally;
- lack of customer acceptance of new menu items or potential price increases necessary to cover higher input costs;
- customers trading down to lower priced items and/or shifting to competitors with lower priced products;
- the availability of qualified, experienced management and hourly employees; and
- failure to anticipate or respond quickly to relevant market trends or to implement successful advertising and marketing programs.

In addition, if economic conditions deteriorate or are uncertain for a prolonged period of time, or if our operating results decline unexpectedly, we may be required to record impairment charges, which will negatively impact our results of operations for the periods in which they are recorded. Due to the foregoing or other factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for a full fiscal year. These fluctuations may cause our operating results to be below expectations of public market analysts and investors, and may adversely impact our stock price.

Risks Related to Food and Commodity Costs. We and our franchisees are subject to volatility in food and commodity costs and availability. Accordingly, our profitability depends in part on our ability to anticipate and react to changes in food costs and availability, including changes in fuel costs and other supply and distribution costs. For example, prices for feed ingredients used to produce beef, chicken and pork could be adversely affected by changes in worldwide supply and demand or by regulatory mandates, leading to higher prices. Further, increases in fuel prices could result in increased distribution costs. In recent years, food and commodity costs increased significantly, out-pacing general inflation and industry expectations. Looking forward, we anticipate volatile or uncertain price conditions to continue. We seek to manage food and commodity costs, including through extended fixed price contracts, strong category and commodity management, and purchasing fundamentals. However, certain commodities such as beef and pork, which represent approximately 20% and 8%, respectively, of our overall commodity spend, do not lend themselves to fixed price contracts.

We cannot assure you that we will successfully enter into fixed price contracts on a timely basis or on commercially favorable pricing terms. In addition, although we have fixed price contracts for produce, we are subject to force majeure clauses resulting from weather or acts of God that may result in temporary spikes in costs.

Further, we cannot assure you that we or our franchisees will be able to successfully anticipate and react effectively to changing food and commodity costs by adjusting our purchasing practices or menu offerings. We also may not be able to pass along to our customers price increases as a result of adverse economic conditions, competitive pricing or other factors. Therefore, variability of food and other commodity costs could adversely affect our profitability and results of operations.

A significant number of our Jack in the Box and Qdoba restaurants are company-operated, so we continue to have exposure to operating cost issues. Exposure to these fluctuating costs, including increases in commodity costs, could negatively impact our margins as well as franchise margins and franchisee financial health.

Risk Related to Our Brands and Reputation. Multi-unit food service businesses such as ours can also be materially and adversely affected by widespread negative publicity of any type, particularly regarding food quality, nutritional content, safety or public health issues (such as epidemics or the prospect of a pandemic), obesity or other health concerns, and employee relations issues, among other things. Adverse publicity in these areas could damage the trust customers place in our brands. The increasingly widespread use of mobile communications and social media applications has amplified the speed and scope of adverse publicity and could hamper our ability to promptly correct

misrepresentations or otherwise respond effectively to negative publicity.
To minimize the risk of food-borne illness, we have put in place HACCP systems for managing food safety in our restaurants and with our vendors. Nevertheless, food safety risks cannot be completely eliminated. Any outbreak of illness attributed to company or franchised restaurants, or within the food service industry, or any widespread negative publicity regarding our brands or the restaurant industry in general could cause a decline in our and our franchisees' restaurant sales, and could have a material adverse effect on our financial condition and results of operations.
In addition, the success of our business strategy depends on the value and relevance of our brands and reputation. If customers perceive that we and our franchisees fail to deliver a consistently positive and relevant experience, our brands could suffer. This could have an adverse effect on our business. Additionally, while we devote considerable efforts and resources to protecting our

trademarks and other intellectual property, if these efforts are not successful, the value of our brands may be harmed. This could also have a material adverse effect on our business.

Supply and Distribution Risks. Dependence on frequent deliveries of fresh produce and other food products subjects food service businesses such as ours to the risk that shortages or interruptions in supply could adversely affect the availability, quality and cost of ingredients or require us to incur additional costs to obtain adequate supplies. Deliveries of supplies may be affected by adverse weather conditions, natural disasters, distributor or supplier financial or solvency issues, product recalls, or other issues. In addition, if any of our distributors, suppliers, vendors or other contractors fail to meet our quality standards or otherwise do not perform adequately, or if any one or more of such entities seeks to terminate its agreement or fails to perform as anticipated, or if there is any disruption in any of our distribution or supply relationships or operations for any reason, our business, financial condition and results of operations may be materially affected.

Risks Associated with Severe Weather and Natural Disasters. Food service businesses such as ours can be materially and adversely affected by severe weather conditions, such as severe storms, hurricanes, flooding, prolonged drought or protracted heat or cold waves, and natural disasters, such as earthquakes and wild fires, and their aftermath. Any of these can result in:

- lost restaurant sales when consumers stay home or are physically prevented from reaching the restaurants;
- property damage, loss of product, and lost sales when locations are forced to close for extended periods of time;
- interruptions in supply when distributors or vendors suffer damages or transportation is negatively affected; and
- increased costs if agricultural capacity is diminished or if insurance recoveries do not cover all of our losses.

If systemic or widespread adverse changes in climate or weather patterns occur, we could experience more of these losses, and such losses could have a material adverse effect on our results of operations and financial condition.

Growth and Development Risks. We intend to grow both Qdoba and Jack in the Box by developing additional company-owned restaurants and through new restaurant development by franchisees, both in existing markets and in new markets. Development involves substantial risks, including the risk of:

- the inability to identify suitable franchisees;
- limited availability of financing for the Company and for franchisees at acceptable rates and terms;
- development costs exceeding budgeted or contracted amounts;
- delays in completion of construction;
- the inability to identify, or the unavailability of suitable sites on acceptable leasing or purchase terms;
- developed properties not achieving desired revenue or cash flow levels once opened;
- the negative impact of a new restaurant upon sales at nearby existing restaurants;
- the challenge of developing in areas where competitors are more established or have greater penetration or access to suitable development sites;
- incurring substantial unrecoverable costs in the event a development project is abandoned prior to completion;
- impairment charges resulting from underperforming restaurants or decisions to curtail or cease investment in certain locations or markets;
- in new geographic markets, where we have limited or no existing locations, the inability to successfully expand or acquire critical market presence for our brands, acquire name recognition, successfully market our products or attract new customers;
- the challenge of identifying, recruiting and training qualified restaurant management;
- the inability to obtain all required permits;
- changes in laws, regulations and interpretations, including interpretations of the requirements of the Americans with Disabilities Act; and
- general economic and business conditions.

Although we manage our growth and development activities to help reduce such risks, we cannot assure that our present or future growth and development activities will perform in accordance with our expectations. Our inability to expand in accordance with our plans or to manage the risks associated with our growth could have a material adverse

effect on our results of operations and financial condition.
Risks Related to Franchisee Financial and Business Operations. The opening and continued success of franchise restaurants depends on various factors, including the demand for our franchises, the selection of appropriate franchisee candidates, the identification and availability of suitable sites, and negotiation of acceptable lease or purchase terms for new locations, permitting and regulatory compliance, the ability to meet construction schedules, the availability of financing, and the financial and other capabilities of our franchisees and developers. See “Growth and Development Risks” above. Despite our due diligence performed during the recruiting process, we cannot assure you that franchisees and developers planning the opening of franchise restaurants

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will have the business abilities or sufficient access to financial resources necessary to open the restaurants required by their agreements, or prove to be effective operators and remain aligned with us on operations, promotional or capital-intensive initiatives.

Our franchisees are contractually obligated to operate their restaurants in accordance with all applicable laws and regulations, as well as standards set forth in our agreements with them. However, franchisees are independent third parties whom we cannot and do not control. If franchisees do not successfully operate restaurants in a manner consistent with applicable laws and required standards, royalty, and in some cases rent, payments to us may be adversely affected. If customers have negative perceptions or experiences with operational execution, food quality or safety at our franchised locations, our brands' image and reputation could be harmed, which in turn could negatively impact our business and operating results.

With an increase in the proportion of Jack in the Box franchised restaurants, the percentage of our revenues derived from royalties and rents at Jack in the Box franchise restaurants will increase, as will the risk that earnings could be negatively impacted by defaults in the payment of royalties and rents. As small businesses, some of our franchise operators, may be negatively and disproportionately impacted by strategic initiatives, capital requirements, inflation, labor costs, employee relations issues or other causes. In addition, franchisee business obligations may not be limited to the operation of Jack in the Box or Qdoba restaurants, making them subject to business and financial risks unrelated to the operation of our restaurants. These unrelated risks could adversely affect a franchisee's ability to make payments to us or to make payments on a timely basis. We cannot assure that franchisees will successfully participate in our strategic initiatives or operate their restaurants in a manner consistent with our concepts and standards. As compared to some of our competitors, our Jack in the Box brand has relatively fewer franchisees who, on average, operate more restaurants per franchisee. There are significant risks to our business if a franchisee, particularly one who operates a large number of restaurants, encounters financial difficulties or fails to adhere to our standards and projects an image inconsistent with our brands.

Risk Relating to Competition, Menu Innovation and Successful Execution of our Operational Strategies and Initiatives. We are focused on increasing same-store sales and average unit volumes as part of our long-term business plan. These results are subject to a number of risks and uncertainties, including risks related to competition, menu innovation and the successful execution of our operational strategies and initiatives. The restaurant industry is highly competitive with respect to price, service, location, personnel, advertising, brand identification and the type, quality and innovativeness of menu items and new and differentiated service offerings. There are many well-established competitors. Each of our restaurants competes directly and indirectly with a large number of national and regional restaurant chains, as well as with locally-owned and/or independent quick-service restaurants, fast-casual restaurants, casual dining restaurants, sandwich shops and similar types of businesses. The trend toward convergence in grocery, deli and restaurant services may increase the number of our competitors. Such increased competition could decrease the demand for our products and negatively affect our sales and profitability. Some of our competitors have substantially greater financial, marketing, operating and other resources than we have, which may give them a competitive advantage. Certain of our competitors have introduced a variety of new products and service offerings and engaged in substantial price discounting in the past, and may adopt similar strategies in the future. In an effort to increase same-store sales, we continue to make improvements to our facilities, to implement new service and training initiatives, and to introduce new products and discontinue other menu items. However, there can be no assurance that our facility improvements will foster increases in sales and yield the desired return on investment, that our service initiatives or our overall strategies will be successful, that our menu offerings and promotions will generate sufficient customer interest or acceptance to increase sales, or that competitive product offerings, pricing and promotions will not have an adverse effect upon our margins, sales results and financial condition. In addition, the success of our strategy depends on, among other factors, our ability to motivate restaurant personnel and franchisees to execute our initiatives and achieve sustained high service levels.

Advertising and Promotion Risks. Some of our competitors have greater financial resources, which enable them to purchase significantly more advertising, particularly television and radio ads, than we are able to purchase. Should our competitors increase spending on advertising and promotion, should the cost of advertising increase or our advertising funds decrease for any reason, including reduced sales or implementation of reduced spending strategies, or should our advertising and promotion be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition. Also, the fragmentation in the media favored by our target consumers, including growing prevalence and importance of social and mobile media, poses challenges and risks for our marketing, advertising and promotional strategies. Failure to effectively tackle these challenges and risks could also have a materially adverse effect on our results.

Taxes. Our income tax provision is sensitive to expected earnings and, as those expectations change, our income tax provisions may vary from quarter-to-quarter and year-to-year. In addition, from time to time, we may take positions for filing our tax returns that differ from the treatment for financial reporting purposes. The ultimate outcome of such positions could have an adverse impact on our effective tax rate.

Risks Related to Reducing Operating Costs. In recent years, we have identified strategies and taken steps to reduce operating costs to align with the increased Jack in the Box franchise ownership and to further integrate Jack in the Box and Qdoba brands back office functions, and systems. These strategies include outsourcing certain functions, reducing headcount, and increasing shared back office services between our brands. We continue to evaluate and implement further cost-saving initiatives. However, the ability to reduce our operating costs through these initiatives is subject to risks and uncertainties, and we cannot assure that these activities, or any other activities that we may undertake in the future, will achieve the desired cost savings and efficiencies. Failure to achieve such desired savings could adversely affect our results of operations and financial condition.

Risks Related to Loss of Key Personnel. We believe that our success will depend, in part, on our ability to attract and retain the services of skilled personnel, including key executives. The loss of services of any such personnel could have a material adverse effect on our business.

Risks Related to Government Regulations, Including Regulations Increasing Labor Costs. The restaurant industry is subject to extensive federal, state and local governmental regulations as described in Item 1 under "Regulation." We are subject to regulations including but not limited to those related to:

- the preparation, labeling, advertising and sale of food;
- building and zoning requirements;
- sanitation and safety standards;
- employee healthcare requirements, including the implementation and uncertain legal, regulatory and cost implications of the Affordable Care Act;
- labor and employment, including recently enacted and proposed minimum wage adjustments, overtime, working conditions, employment eligibility and documentation, sick leave, and other employee benefit and fringe benefit requirements;
- the registration, offer, sale, termination and renewal of franchises;
- truth-in-advertising, consumer protection and the security of information;
- Americans with Disabilities Act;
- payment card regulation and related industry rules;
- liquor licenses; and
- climate change, including the potential impact of greenhouse gases, water consumption, or a tax on carbon emissions.

The increasing amount and complexity of regulations may increase the costs to us and our franchisees of labor and compliance, and increase our exposure to regulatory claims which, in turn, could have a material adverse effect on our business.

Risks Related to Computer Systems, Information Technology and Cyber Security. We and our franchisees rely on computer systems and information technology to conduct our business. A material failure or interruption of service or a breach in security of our computer systems could cause reduced efficiency in operations, loss or misappropriation of data or business interruptions, or could impact delivery of food to restaurants or financial functions such as vendor payment or employee payroll. We have business continuity plans that attempt to anticipate and mitigate such failures, but it is possible that significant capital investment could be required to rectify these problems, or more likely that cash flows could be impacted, in the shorter term. Our security architecture is decentralized, such that payment card information is primarily confined to the restaurant where the specific transaction took place. However, a security breach involving our point of sale, personnel, franchise operations reporting or other systems could result in disclosure or theft of confidential customer or employee or other proprietary data, and potentially cause loss of consumer confidence or potential costs, fines and litigation, including costs associated with consumer fraud or privacy breach. These risks may be magnified by the increased use of mobile communications and other new technologies, and are subject to increased and changing regulation. The costs of compliance, including increased investment in technology or personnel in order to protect valuable business or consumer information, may negatively impact our margins.

Risks Related to the Failure of Internal Controls. We maintain a documented system of internal controls, which is reviewed and monitored by an Internal Controls Committee and tested by the Company's full-time internal audit department. The internal audit department reports to the Audit Committee of the Board of Directors. We believe we have a well-designed system to maintain adequate internal controls on the business; however, we cannot be certain that our controls will be adequate in the future or that adequate controls will be effective in preventing or detecting all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. If our internal controls are ineffective, we may not be able to accurately report our financial results or prevent fraud. Any failures in the effectiveness of our internal controls could have a material adverse effect on our operating results or cause us to fail to meet reporting obligations.

Environmental and Land Risks and Regulations. We own or lease the real properties on which our Jack in the Box company-operated restaurants are located, and either own or lease (and subsequently sublease to the franchisee) a majority of our Jack in the Box franchised restaurant sites. We also own or lease the real properties upon which our company-operated Qdoba restaurants are located. We have engaged and may engage in real estate development projects. As is the case with any owner or operator of real property, we are subject to eminent domain proceedings that can impact the value of investments we have made in real property and are subject to other potential liabilities and damages arising out of owning, operating, leasing or otherwise having interests in real property. In addition, we are subject to a variety of federal, state and local governmental regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by governmental agencies or courts of law, which could adversely affect operations. We are unaware of any significant hazards on properties we own or have owned, or operate or have operated. Accordingly, we do not have environmental liability insurance for our restaurants, nor do we maintain a reserve to cover such events. In the event of the determination of contamination on such properties, the Company, as owner or operator, could be held liable for severe penalties and costs of remediation, and this could result in material liability.

Risks Related to Leverage. As of September 29, 2013, the Company has a credit facility comprised of a $400.0 million revolving credit facility and a $190.0 million term loan. We may also request the issuance of up to $75.0 million in letters of credit. For additional information related to our credit facility, refer to Note 7, Indebtedness, of the notes to the consolidated financial statements. Increased leverage resulting from borrowings under our credit facility could have certain material adverse effects on the Company, including but not limited to the following:

- our ability to obtain additional financing in the future for acquisitions, working capital, capital expenditures and general corporate or other purposes could be impaired, or any such financing may not be available on terms favorable to us;
- a substantial portion of our cash flows could be required for debt service and, as a result, might not be available for our operations or other purposes;
- any substantial decrease in net operating cash flows or any substantial increase in expenses could make it difficult for us to meet our debt service requirements or force us to modify our operations or sell assets;
- our ability to operate our business as well as our ability to repurchase stock or pay cash dividends to our stockholders may be restricted by the financial and other covenants set forth in the credit facility;
- our ability to withstand competitive pressures may be decreased; and
- our level of indebtedness may make us more vulnerable to economic downturns and reduce our flexibility in responding to changing business, regulatory and economic conditions.

Our ability to repay expected borrowings under our credit facility and to meet our other debt or contractual obligations (including compliance with applicable financial covenants) will depend upon our future performance and our cash flows from operations, both of which are subject to prevailing economic conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond our control. In addition, to the extent that banks in our revolving credit facility become insolvent, our ability to borrow to the full level of our facility could be limited.

Risks of Market Volatility. Many factors affect the trading price of our stock, including factors over which we have no control, such as reports on the economy or the price of commodities, as well as negative or positive announcements by competitors, regardless of whether the report relates directly to our business. In addition to investor expectations about our prospects, trading activity in our stock can reflect the portfolio strategies and investment allocation changes of institutional holders and non-operating initiatives such as a share repurchase program. Any failure to meet market expectations whether for sales, growth rates, refranchising goals, earnings per share or other metrics could cause our share price to drop.

Risks of Changes in Accounting Policies and Assumptions. Changes in accounting standards, policies or related interpretations by accountants or regulatory entities may negatively impact our results. Many accounting standards require management to make subjective assumptions and estimates, such as those required for stock compensation, tax matters, pension costs, litigation, insurance accruals and asset impairment calculations. Changes in those underlying assumptions and estimates could significantly change our results.

Litigation. We are subject to complaints or litigation brought by former, current or prospective employees, customers, franchisees, vendors, landlords, shareholders or others. We assess contingencies to determine the degree of probability and range of possible loss for potential accrual in our financial statements. An estimated loss contingency is accrued if it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Because lawsuits are inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine the adequacy of the accruals and related disclosures. However, the amount of ultimate loss may differ from these estimates. A judgment that is not covered by insurance or that is significantly in excess of our insurance coverage for any claims could materially adversely affect our financial condition or results of operations. In addition, regardless of whether any claims against us are valid or whether we are found to be liable, claims may be expensive to defend, and may divert management's attention away from operations and hurt our performance. Further, adverse publicity resulting from claims may harm our business or that of our franchisees.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth information regarding our operating Jack in the Box and Qdoba restaurant properties as of September 29, 2013:

	Company-Operated	Franchise	Total
Company-owned restaurant buildings:			
On company-owned land	36	188	224
On leased land	152	489	641
Subtotal	188	677	865
Company-leased restaurant buildings on leased land	573	912	1,485
Franchise directly-owned or directly-leased restaurant buildings	—	516	516
Total restaurant buildings	761	2,105	2,866

Our restaurant leases generally provide for fixed rental payments (with cost-of-living index adjustments) plus real estate taxes, insurance and other expenses. In addition, approximately 15% of our leases provide for contingent rental payments between 1% and 15% of the restaurant's gross sales once certain thresholds are met. We have generally been able to renew our restaurant leases as they expire at then-current market rates. The remaining terms of ground leases range from approximately one year to 55 years, including optional renewal periods. The remaining lease terms of our other leases range from approximately one year to 44 years, including optional renewal periods. At September 29, 2013, our restaurant leases had initial terms expiring as follows:

	Number of Restaurants	
Fiscal Year	Ground Leases	Land and Building Leases
2014 – 2018	195	603
2019 – 2023	253	634
2024 – 2028	137	126
2029 and later	56	122

Our principal executive offices are located in San Diego, California in an owned facility of approximately 150,000 square feet. We also own our 70,000 square foot Jack in the Box Innovation Center and approximately four acres of undeveloped land directly adjacent to it. Qdoba's corporate support center is located in a leased facility in Wheat Ridge, Colorado. Historically, we also leased six distribution centers. In connection with the outsourcing of our distribution business completed in the first quarter of fiscal 2013, two of these centers were closed and the remaining four were subleased or assigned to our third-party distributor.

ITEM 3. LEGAL PROCEEDINGS

See Note 16, Commitments, Contingencies and Legal Matters, of the notes to the consolidated financial statements for a discussion of our legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information. Our common stock is traded on the Nasdaq Global Select Market under the symbol "JACK." The following table sets forth the high and low sales prices for our common stock during the fiscal quarters indicated, as reported on the NASDAQ — Composite Transactions:

	12 Weeks Ended			16 Weeks Ended
	September 29, 2013	July 7, 2013	April 14, 2013	January 20, 2013
High	$42.59	$40.52	$35.99	$29.67
Low	$38.45	$34.81	$28.71	$24.71
	12 Weeks Ended			16 Weeks Ended
	September 30, 2012	July 8, 2012	April 15, 2012	January 22, 2012
High	$29.07	$28.07	$24.59	$22.67
Low	$25.39	$22.04	$21.01	$18.65

Dividends. We did not pay any cash or other dividends during the last three fiscal years and we have no current intentions to pay dividends. Our credit agreement provides for up to $500.0 million for the potential payment of cash dividends and stock repurchases, subject to certain limitations based on our leverage ratio as defined in our credit agreement, of which $386.8 million remained as of September 29, 2013.

Stock Repurchases. The following table summarizes shares repurchased pursuant to this program during the quarter ended September 29, 2013:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs	(d) Maximum Dollar Value That May Yet Be Purchased Under These Programs
				$184,736,173
July 8, 2013 - August 4, 2013	—	$—	—	$184,736,173
August 5, 2013 - September 1, 2013	530,676	$40.64	530,676	$163,166,879
September 2, 2013 - September 29, 2013	667,399	$39.56	667,399	$136,766,644
Total	1,198,075	$40.01	1,198,075	

Stockholders. As of November 14, 2013, there were 590 stockholders of record.

Securities Authorized for Issuance Under Equity Compensation Plans. The following table summarizes the equity compensation plans under which Company common stock may be issued as of September 29, 2013. Stockholders of the Company have approved all plans requiring such approval.

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	(b) Weighted-average exercise price of outstanding options (1)	(c) Number of securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a))(2)
Equity compensation plans approved by security holders (3)	3,511,229	$22.59	3,563,386

(1) Includes shares issuable in connection with our outstanding stock options, performance-vested stock awards, nonvested stock awards and units, and non-management director deferred stock equivalents. The weighted-average exercise price in column (b) includes the weighted-average exercise price of stock options only.

(2) Includes 111,701 shares that are reserved for issuance under our Employee Stock Purchase Plan.

(3) For a description of our equity compensation plans, refer to Note 12, Share-Based Employee Compensation, of the notes to the consolidated financial statements.

Performance Graph. The following graph compares the cumulative return to holders of the Company's common stock at September 30th of each year to the yearly weighted cumulative return of a Peer Group Index and to the Standard & Poor's ("S&P") 500 Index for the same period. The below comparison assumes $100 was invested on September 30, 2008 in the Company's common stock and in the comparison groups and assumes reinvestment of dividends. The Company paid no dividends during these periods.

	2008	2009	2010	2011	2012	2013
Jack in the Box Inc.	$100	$97	$102	$94	$133	$190
S&P 500 Index	$100	$93	$103	$104	$135	$161
Peer Group (1)	$100	$109	$146	$177	$232	$287

(1) The Peer Group Index comprises the following companies: Brinker International, Inc.; Chipotle Mexican Grill Inc.; Cracker Barrel Old Country Store, Inc.; Darden Restaurants Inc.; DineEquity, Inc.; Domino's Pizza, Inc.; Panera Bread Company; Ruby Tuesday, Inc.; Sonic Corp.; The Cheesecake Factory Inc.; and The Wendy's Company.

ITEM 6. SELECTED FINANCIAL DATA

Our fiscal year is 52 or 53 weeks, ending the Sunday closest to September 30. All years presented include 52 weeks, except 2010 which includes 53 weeks. The selected financial data reflects as discontinued operations, 62 closed Qdoba stores for years 2009 through 2013, our distribution business for fiscal years 2009 through 2013 and Quick Stuff, a convenience store and fuel station concept sold in fiscal 2009, for fiscal year 2009. The following selected financial data of Jack in the Box Inc. for each fiscal year was extracted or derived from our audited financial statements. This selected financial data should be read in conjunction with our audited consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. Our consolidated financial information may not be indicative of our future performance.

	Fiscal Year				
	2013	2012	2011	2010	2009
	(in thousands, except per share data)				
Statements of Earnings Data:					
Total revenues	$1,489,867	$1,509,295	$1,632,825	$1,878,126	$2,153,640
Total operating costs and expenses	$1,356,302	$1,417,624	$1,542,752	$1,805,601	$1,998,444
Gains on the sale of company-operated restaurants, net	(4,640)	(29,145)	(61,125)	(54,988)	(78,642
Total operating costs and expenses, net	$1,351,662	$1,388,479	$1,481,627	$1,750,613	$1,919,802
Earnings from continuing operations	$82,608	$68,104	$85,878	$73,674	$132,407
Earnings per Share and Share Data:					
Earnings per share from continuing operations:					
Basic	$1.91	$1.55	$1.74	$1.34	$2.33
Diluted	$1.84	$1.52	$1.71	$1.32	$2.29
Weighted-average shares outstanding — Diluted (1)	44,899	44,948	50,085	55,843	57,733
Market price at year-end	$40.10	$28.11	$19.92	$21.47	$20.07
Other Operating Data:					
Jack in the Box restaurants:					
Company-operated average unit volume (2)	$1,606	$1,557	$1,405	$1,297	$1,420
Franchise-operated average unit volume (2)(3)	$1,312	$1,313	$1,286	$1,287	$1,400
System average unit volume (2)(3)	$1,381	$1,379	$1,331	$1,292	$1,412
Change in company-operated same-store sales	1.0%	4.6%	3.1%	(8.6)%	(1.2
Change in franchise-operated same-store sales (3)	0.1%	3.0%	1.3%	(7.8)%	(1.3
Change in system same-store sales (3)	0.3%	3.4%	1.8%	(8.2)%	(1.3
Qdoba restaurants:					
Company-operated average unit volume (2)(4)	$1,080	$1,060	$1,003	$972	$1,010
Franchise-operated average unit volume (2)(3)	$961	$958	$987	$943	$905
System average unit volume (2)(3)(4)	$1,017	$1,000	$992	$951	$930
Change in company-operated same-store sales (4)	0.5%	3.2%	5.4%	0.6%	(4.3
Change in franchise-operated same-store sales (3)	1.1%	1.9%	5.4%	3.6%	(1.3
Change in system same-store sales (3)(4)	0.8%	2.5%	5.4%	2.9%	(2.1
Capital expenditures	$84,690	$80,200	$129,312	$95,610	$153,500
Balance Sheet Data (at end of period):					
Total assets	$1,319,209	$1,463,725	$1,432,322	$1,407,092	$1,455,910
Long-term debt	$349,393	$405,276	$447,350	$352,630	$357,270
Stockholders' equity	$472,018	$411,945	$405,956	$520,463	$524,489

(1) Weighted-average shares reflect the impact of common stock repurchases under Board-approved programs.

(2) Fiscal 2010 average unit volumes have been adjusted to exclude the 53rd week for the purpose of comparison to other years.

(3) Changes in same-store sales and average unit volume are presented for franchise restaurants and on a system-wide basis, which includes company and franchise restaurants. Franchise sales represent sales at franchise restaurants and are revenues of our franchisees. We do not record franchise sales as revenues; however, our royalty revenues are calculated based on a percentage of franchise sales. We believe franchise and system sales growth and average unit volume information is useful to investors as a significant indicator of the overall strength of our business as it incorporates our significant revenue drivers which are company and franchise same-store sales as well as net unit development. Company, franchise and system changes in same-store sales include the results of all restaurants that have been open more than one year.

(4) Average unit volumes and same-store sales for all periods presented have been restated to exclude sales for restaurants reported as discontinued operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

For an understanding of the significant factors that influenced our performance during the past three fiscal years, we believe our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements and related Notes included in this Annual Report as indexed on page F-1.

Comparisons under this heading refer to the 52-week periods ended September 29, 2013, September 30, 2012 and October 2, 2011 for 2013, 2012 and 2011 respectively, unless otherwise indicated.

Our MD&A consists of the following sections:

- Overview — a general description of our business and fiscal 2013 highlights.
- Financial reporting — a discussion of changes in presentation.
- Results of operations — an analysis of our consolidated statements of earnings for the three years presented in our consolidated financial statements.
- Liquidity and capital resources — an analysis of cash flows including capital expenditures, aggregate contractual obligations, share repurchase activity, known trends that may impact liquidity, and the impact of inflation.
- Discussion of critical accounting estimates — a discussion of accounting policies that require critical judgments and estimates.
- Future application of accounting principles — a discussion of new accounting pronouncements, dates of implementation and impact on our consolidated financial position or results of operations, if any.

OVERVIEW

As of September 29, 2013, we operated and franchised 2,251 Jack in the Box restaurants, primarily in the western and southern United States, and 615 Qdoba restaurants throughout the United States and including two in Canada.

Our primary source of revenue is from retail sales at Jack in the Box and Qdoba company-operated restaurants. We also derive revenue from Jack in the Box and Qdoba franchise restaurants, including royalties (based upon a percent of sales), franchise fees and rents from Jack in the Box franchisees. Historically, we also generated revenue from distribution sales of food and packaging commodities to franchisees. We completed the outsourcing of this function in the first quarter of fiscal 2013, and franchisees who previously utilized our distribution services now purchase product directly from our distribution service providers or other approved suppliers. In addition, we recognize gains from the sale of company-operated restaurants to franchisees, which are presented as a reduction of operating costs and expenses, net in the accompanying consolidated statements of earnings.

The following summarizes the most significant events occurring in fiscal 2013 and certain trends compared to prior years:

- Restaurant Sales — Sales at restaurants open more than one year ("same-store sales") changed as follows:

	2013	2012	2011
Jack in the Box:			
Company	1.0%	4.6%	3.1%
Franchise	0.1%	3.0%	1.3%
System	0.3%	3.4%	1.8%
Qdoba:			
Company (1)	0.5%	3.2%	5.4%
Franchise	1.1%	1.9%	5.4%
System (1)	0.8%	2.5%	5.4%

(1) Same-store sales for all periods presented have been restated to exclude sales for restaurants reported as discontinued operations during fiscal 2013.

- Commodity Costs — Commodity costs at Jack in the Box and Qdoba company restaurants increased approximately 2.2% and 1.5%, respectively, as compared to last year. We expect overall commodity costs to be up approximately 1% in fiscal 2014 compared to fiscal 2013, with higher inflation in the first quarter.
- New Unit Development — In 2013, we opened 17 Jack in the Box and 68 Qdoba locations system-wide.

- Franchising Program — We refranchised 78 Jack in the Box restaurants, while Jack in the Box franchisees opened a total of 11 restaurants in 2013. Our Jack in the Box system was approximately 79% franchised at the end of fiscal 2013, and we plan to maintain franchise ownership in the Jack in the Box system at a level between 80-85%. During fiscal 2013, Qdoba franchisees opened a total of 34 restaurants, including two in Canada.
- Credit Facility — During the first quarter of fiscal 2013, we entered into a new credit agreement consisting of a $400.0 million revolving credit facility and a $200.0 million term loan, both with a five-year maturity.
- Restructuring Costs — During fiscal 2013, we continued our comprehensive review of our organization structure, including evaluating opportunities for outsourcing, restructuring of certain functions and workforce reductions. As a result, restructuring charges of $3.5 million were recorded during fiscal 2013.
- Discontinued Operations — During the first quarter of 2013, we completed the outsourcing of our Jack in the Box distribution business. Additionally, during the third quarter of fiscal 2013, we closed 62 Qdoba company-operated restaurants. We expect the outsourcing and store closures to have a positive impact on future earnings and cash flows. As a result of these two transactions, we recognized an after tax loss of $31.5 million, or $0.70 per diluted share, in fiscal 2013.
- Share Repurchases — Pursuant to share repurchase programs authorized by our Board of Directors, we repurchased 4.0 million shares of our common stock at an average price of $35.29 per share, including the cost of brokerage fees.

FINANCIAL REPORTING

The consolidated statements of earnings for all periods presented have been prepared reflecting the results of operations for the 2013 Qdoba closures and charges incurred as a result of closing these restaurants as discontinued operations. The results of operations and costs incurred to outsource our distribution business are also reflected as discontinued operations for all periods presented. Refer to Note 2, Discontinued Operations, in the notes to our consolidated financial statements for more information.

RESULTS OF OPERATIONS

The following table presents certain income and expense items included in our consolidated statements of earnings as a percentage of total revenues, unless otherwise indicated. Percentages may not add due to rounding.

CONSOLIDATED STATEMENTS OF EARNINGS DATA

	Fiscal Year					
	2013		2012		2011	
Revenues:						
Company restaurant sales	76.8	%	78.4	%	82.7	%
Franchise revenues	23.2	%	21.6	%	17.3	%
Total revenues	100.0	%	100.0	%	100.0	%
Operating costs and expenses, net:						
Company restaurant costs:						
Food and packaging (1)	32.6	%	32.9	%	33.5	%
Payroll and employee benefits (1)	28.0	%	28.6	%	29.7	%
Occupancy and other (1)	22.3	%	22.5	%	23.6	%
Total company restaurant costs (1)	82.9	%	84.0	%	86.7	%
Franchise costs (1)	50.2	%	51.0	%	48.3	%
Selling, general and administrative expenses	14.8	%	14.9	%	13.7	%
Impairment and other charges, net	0.9	%	2.2	%	0.8	%
Gains on the sale of company-operated restaurants	(0.3	)%	(1.9	)%	(3.7	)%
Earnings from operations	9.3	%	8.0	%	9.3	%
Income tax rate (2)	32.8	%	33.2	%	36.1	%

(1) As a percentage of the related sales and/or revenues.
(2) As a percentage of earnings from continuing operations and before income taxes.

The following table presents Jack in the Box and Qdoba company restaurant sales, costs and costs as a percentage of the related sales. Percentages may not add due to rounding.

SUPPLEMENTAL COMPANY-OPERATED RESTAURANTS STATEMENTS OF EARNINGS DATA

(dollars in thousands)

	Fiscal Year 2013		2012		2011	
Jack in the Box:						
Company restaurant sales	$850,512		$943,990		$1,181,961	
Company restaurant costs:						
Food and packaging	284,221	33.4 %	319,415	33.8 %	403,209	34.1 %
Payroll and employee benefits	241,149	28.4 %	275,678	29.2 %	355,583	30.1 %
Occupancy and other	182,493	21.5 %	207,920	22.0 %	274,806	23.3 %
Total company restaurant costs	$707,863	83.2 %	$803,013	85.1 %	$1,033,598	87.4 %
Qdoba:						
Company restaurant sales	$293,268		$239,493		$168,798	
Company restaurant costs:						
Food and packaging	88,464	30.2 %	69,820	29.2 %	48,824	28.9 %
Payroll and employee benefits	79,235	27.0 %	62,532	26.1 %	44,946	26.6 %
Occupancy and other	73,093	24.9 %	58,520	24.4 %	43,740	25.9 %
Total company restaurant costs	$240,792	82.1 %	$190,872	79.7 %	$137,510	81.5 %

The following table summarizes the changes in the number and mix of Jack in the Box ("JIB") and Qdoba company and franchise restaurants in each fiscal year:

	2013 Company	Franchise	Total	2012 Company	Franchise	Total	2011 Company	Franchise	Total
Jack in the Box:									
Beginning of year	547	1,703	2,250	629	1,592	2,221	956	1,250	2,206
New	6	11	17	19	18	37	15	16	31
Refranchised	(78)	78	—	(97)	97	—	(332)	332	—
Acquired from franchisees	1	(1)	—	—	—	—	—	—	—
Closed	(11)	(5)	(16)	(4)	(4)	(8)	(10)	(6)	(16)
End of year	465	1,786	2,251	547	1,703	2,250	629	1,592	2,221
% of JIB system	21 %	79 %	100 %	24 %	76 %	100 %	28 %	72 %	100 %
% of consolidated system	61 %	85 %	79 %	63 %	85 %	78 %	72 %	82 %	79 %
Qdoba:									
Beginning of year	316	311	627	245	338	583	188	337	525
New	34	34	68	26	32	58	25	42	67
Refranchised	(3)	3	—	—	—	—	—	—	—
Acquired from franchisees	13	(13)	—	46	(46)	—	32	(32)	—
Closed	(64)	(16)	(80)	(1)	(13)	(14)	—	(9)	(9)
End of year	296	319	615	316	311	627	245	338	583
% of Qdoba system	48 %	52 %	100 %	50 %	50 %	100 %	42 %	58 %	100 %
% of consolidated system	39 %	15 %	21 %	37 %	15 %	22 %	28 %	18 %	21 %
Consolidated:									
Total system	761	2,105	2,866	863	2,014	2,877	874	1,930	2,804
	27 %	73 %	100 %	30 %	70 %	100 %	31 %	69 %	100 %

% of consolidated
system

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Revenues

As we execute our Jack in the Box refranchising strategy, which includes the sale of restaurants to franchisees, we expect the number of company-operated restaurants and the related sales to decrease while revenues from franchise restaurants increase. As such, company restaurant sales decreased $39.7 million in 2013 and $167.3 million in 2012 as compared with the respective prior year. The decrease in restaurant sales in both years is due primarily to decreases in the average number of Jack in the Box company-operated restaurants, partially offset by an increase in the number of Qdoba company-operated restaurants and increases in average unit volumes (“AUVs”) at our Jack in the Box and Qdoba restaurants. The following table presents the approximate impact of these increases (decreases) on company restaurant sales (in millions):

	2013 vs. 2012	2012 vs. 2011
Decrease in the average number of Jack in the Box restaurants	$(123.0)	$(365.8)
Jack in the Box AUV increase	29.5	127.8
Increase in the average number of Qdoba restaurants	49.3	11.5
Qdoba AUV increase	4.5	59.2
Total decrease in company restaurant sales	$(39.7)	$(167.3)

Same-store sales at Jack in the Box company-operated restaurants increased 1.0% in 2013 and 4.6% in 2012, primarily driven by price increases in both years in addition to transaction growth in 2012. Same-store sales at Qdoba company-operated restaurants increased 0.5% in 2013 and 3.2% in 2012 primarily driven by price increases and in 2013 higher catering sales. The following table summarizes the change in company-operated same-store sales.

	Increase/(Decrease)	
	2013 vs. 2012	2012 vs. 2011
Jack in the Box transactions	(0.9)%	2.3%
Jack in the Box average check (1)	1.9%	2.3%
Jack in the Box change in same-store sales	1.0%	4.6%
Qdoba change in same-store sales (2)	0.5%	3.2%

(1) Includes price increases of approximately 2.5% and 3.2% in 2013 and 2012, respectively.
(2) Includes price increases of approximately 1.0% and 3.8% in 2013 and 2012, respectively.

Franchise revenues increased $20.3 million and $43.7 million in 2013 and 2012, respectively, as compared with the respective prior year. The increase in franchise revenues in both years primarily reflects an increase in the average number of Jack in the Box franchise restaurants, which contributed additional royalties and rents of approximately $17.1 million in 2013 and $48.2 million in 2012. In 2013, a reduction in re-image contributions, partially offset by a $1.5 million decrease in revenues from initial franchise fees, also contributed to the increase. In 2012, higher AUVs at Jack in the Box franchised restaurants also contributed to the increase and were more than offset by lower revenues from initial franchise fees of $10.4 million related to a decrease in the number of restaurants sold to and developed by franchisees. The following table reflects the detail of our franchise revenues in each year and other information we believe is useful in analyzing the change in franchise revenues (dollars in thousands):

	2013	2012	2011
Royalties	$132,663	$127,887	$109,422
Rents	207,513	195,746	161,279
Re-image contributions to franchisees	(1,990)	(7,124)	(8,208)
Franchise fees and other	7,901	9,303	19,573
Franchise revenues	$346,087	$325,812	$282,066
% increase	6.2%	15.5%	

Average number of franchise restaurants	2,032	1,952	1,707
% increase	4.1 %	14.4 %	
Increase in franchise-operated same-store sales:			
Jack in the Box	0.1 %	3.0 %	
Qdoba	1.1 %	1.9 %	
Royalties as a percentage of estimated franchise restaurant sales:			
Jack in the Box	5.2 %	5.3 %	5.3 %
Qdoba	4.9 %	5.0 %	5.0 %

Operating Costs and Expenses

Food and packaging costs were 32.6% of company restaurant sales in 2013, 32.9% in 2012 and 33.5% in 2011. In 2013, the benefit of selling price increases and favorable product mix at our Jack in the Box restaurants, were partially offset by higher commodity costs and greater promotional activity at our Qdoba restaurants. In 2012, higher commodity costs were more than offset by the benefit of price increases and a greater proportion of Qdoba company restaurants which generally have lower food and packaging costs than our Jack in the Box company restaurants.

Commodity costs increased as follows compared with the prior year:

	2013 vs. 2012	2012 vs. 2011
Jack in the Box	2.2%	2.7%
Qdoba	1.5%	4.3%

In 2013, costs were higher for most commodities other than bakery and dairy, with the largest increases in pork, beef and produce. In 2012, commodity cost increases were driven by higher costs for most commodities other than produce and pork. Beef represents the largest portion, or approximately 20%, of the Company's overall commodity spend, and we typically do not enter into fixed price contracts for our beef needs. For fiscal 2014, we currently expect beef costs to increase approximately 3%-4%, and overall commodities to be up approximately 1% compared with fiscal 2013.

Payroll and employee benefit costs were 28.0% of company restaurant sales in 2013, 28.6% in 2012 and 29.7% in 2011. The decrease in 2013 reflects leverage from same-store sales increases, lower levels of incentive compensation at our Jack in the Box restaurants and the modest benefits of refranchising Jack in the Box restaurants, partially offset by higher staffing levels at our Qdoba restaurants. In 2012, the decrease reflects leverage from same-store sales increases, the benefits of refranchising and the favorable impact of recent Qdoba restaurant acquisitions.

Occupancy and other costs were 22.3% of company restaurant sales in 2013, 22.5% in 2012 and 23.6% in 2011. The lower percentages in 2013 and 2012 are due primarily to leverage from same-store sales increases, the benefits of refranchising Jack in the Box restaurants and the favorable impact of recent acquisitions of Qdoba franchised restaurants. These benefits were partially offset in both years by higher depreciation expense related to the Jack in the Box re-image program. In 2012, the percentage was also impacted by higher debit card fees, and costs associated with the new menu board and uniform program at our Jack in the Box restaurants.

Franchise costs, principally rents and depreciation on properties leased to Jack in the Box franchisees, increased $7.5 million in 2013 and $29.9 million in 2012, due primarily to our refranchising strategy. As a percentage of the related sales, franchise costs were 50.2%, 51.0%, and 48.3% in 2013, 2012 and 2011, respectively. The percent of sales decrease in 2013 versus 2012 is primarily due to a decrease in re-image contributions to franchisees, which are recorded as a reduction of franchise revenues. The higher percentage in 2012 as compared with 2011 is primarily due to a decline in revenue from franchise fees and higher rent and depreciation expenses resulting from an increase in the percentage of locations we lease to franchisees, partially offset by lower re-image contributions to franchisees.

The following table presents the change in selling, general and administrative ("SG&A") expenses in each year compared with the prior year (in thousands):

	Increase/(Decrease)	
	2013 vs. 2012	2012 vs. 2011
Advertising	$(30)	$(10,263)
Refranchising strategy	(2,005)	(6,277)
Incentive compensation	(1,357)	11,941
Cash surrender value of COLI policies, net	1,647	(6,327)
Pension and postretirement benefits	4,409	2,893
Pre-opening costs	(2,497)	1,906
Qdoba region administration	1,366	1,702
Other	(5,744)	6,327
	$(4,211)	$1,902

Our refranchising strategy has resulted in a decrease in the number of Jack in the Box company-operated restaurants and the related overhead expenses to manage and support those restaurants, including advertising costs, which are primarily contributions to our marketing funds determined as a percentage of restaurant sales. As such, advertising costs decreased at Jack in the Box and were nearly offset in 2013 and partially offset in 2012 by higher advertising expenses at Qdoba, as well as same-store sales growth at Jack in the Box and Qdoba restaurants.

In 2013, incentive compensation declined due to a decrease in Qdoba's results compared with performance goals, and was partially offset by an increase in share-based compensation due primarily to changes in the attribution period over which certain share-based compensation awards are recognized. In 2012, the higher level of incentive compensation reflects improvements in the Company's results compared with performance goals . The cash surrender value of our Company-owned life insurance ("COLI") policies, net of changes in our non-qualified deferred compensation obligation supported by these policies, are subject to market fluctuations. The changes in market values had a positive impact of $4.6 million in 2013 and $6.2 million in 2012 compared with a negative impact of $0.1 million in 2011. In 2013 and 2012, the increase in pension and postretirement benefits principally relates to a decrease in the discount rates as compared with the respective prior year.

In 2013, pre-opening costs decreased primarily due to a decline in the number of new Jack in the Box company restaurants and restaurants opening in new markets as compared with fiscal 2012. The increase in fiscal 2012 pre-opening costs, as compared with 2011, primarily relates to higher expenses associated with restaurant openings in two new Jack in the Box markets, as well as an increase in the number of new Jack in the Box and Qdoba company-operated restaurants.

Impairment and other charges, net decreased $19.4 million in 2013 and increased $20.3 million in 2012 as compared to the respective prior year. The following table presents the components of impairment and other charges, net in each year (in thousands):

	2013	2012	2011
Impairment charges	$3,874	$3,112	$1,367
Losses on disposition of property and equipment, net	3,645	5,904	7,524
Costs of closed restaurants (primarily lease obligations) and other	2,469	8,332	3,655
Restructuring costs	3,451	15,461	—
	$13,439	$32,809	$12,546

The decrease in 2013 versus a year ago primarily relates to a decrease in restructuring costs incurred in connection with the comprehensive review of our organization structure and a decline in lease obligation costs associated with closed restaurants. Additionally, higher impairment charges related to Jack in the Box restaurants we intend to close or have closed in fiscal 2013 were partially offset by income of $2.8 million from the resolution of four eminent domain matters involving Jack in the Box restaurants. The increase in fiscal 2012 relates to restructuring charges consisting primarily of pension benefits and severance expenses related to a voluntary early retirement program offered by the Company and involuntary employee termination costs. To a lesser extent, adjustments made to certain sublease assumptions associated with our lease obligations for closed locations also contributed to the increase in 2012 versus 2011.

Gains on the sale of company-operated restaurants to franchisees, net are detailed in the following table (dollars in thousands):

	2013	2012	2011
Number of restaurants sold to franchisees	81	97	332
Gains on the sale of company-operated restaurants	$4,640	$29,145	$61,125
Average gain on restaurants sold	$57	$300	$184

Gains are impacted by the number of restaurants sold and changes in average gains recognized, which relate to specific sales and cash flows of those restaurants. In 2013 and 2012, gains on the sale of company-operated restaurants include additional gains of $3.2 million and $2.2 million, respectively, recognized upon the extension of the underlying franchise and lease agreements related to eight and four Jack in the Box restaurants, respectively, sold in a prior year.

Interest Expense, Net

Interest expense, net is comprised of the following (in thousands):

	2013	2012	2011
Interest expense	$16,471	$20,953	$18,165

Interest income	(1,220)	(2,079)	(1,310)
Interest expense, net	$15,251	$18,874	$16,855

Interest expense, net decreased $3.6 million in 2013 primarily due to lower average borrowings and interest rates, offset in part by a $0.9 million charge in 2013 to write-off deferred financing fees in connection with the refinancing of our credit facility. In 2012 interest expense, net increased $2.0 million principally relating to higher average borrowings.

Income Taxes

The income tax provisions reflect effective tax rates of 32.8%, 33.2% and 36.1% of pretax earnings from continuing operations in 2013, 2012 and 2011, respectively. The changes in tax rates are primarily due to the market performance of insurance investment products used to fund certain non-qualified retirement plans coupled with the impact of work opportunity tax credits. Changes in the cash value of the insurance products are not included in taxable income.

Earnings from Continuing Operations

Earnings from continuing operations were $82.6 million, or $1.84 per diluted share, in 2013; $68.1 million, or $1.52 per diluted share, in 2012; and $85.9 million, or $1.71 per diluted share, in 2011.

Losses from Discontinued Operations, Net

As described in Note 2, Discontinued Operations, in the notes to our consolidated financial statements, the losses from our distribution business and the 2013 Qdoba Closures have been reported as discontinued operations for all periods presented.

Losses from discontinued operations net of tax, are as follows for each discontinued operation in each year (in thousands):

	2013	2012	2011
Distribution business	$(3,974)	$(5,321)	$(1,131)
2013 Qdoba Closures	(27,482)	(5,132)	(4,147)
	$(31,456)	$(10,453)	$(5,278)

The loss from discontinued operations related to our distribution business includes includes pre-tax charges of $1.9 million and $6.0 million for the accelerated depreciation of a long-lived asset disposed of upon completion of the transaction, $2.0 million and $0.7 million for future lease commitments, and $1.2 million and $1.1 million primarily related to costs incurred to exit certain vendor contracts in fiscal 2013 and 2012, respectively. In 2013, the loss from discontinued operations related to the 2013 Qdoba Closures includes pre-tax charges of $22.2 million for asset impairments, $10.3 million for future lease commitments, net of reversals for deferred rent and tenant improvement allowances of $4.3 million, $3.0 million of other exits costs (primarily severance, equipment removal costs and inventory write-offs) and a $8.8 million net loss from operations.

These losses from discontinued operations reduced diluted earnings per share by the following in each year (amounts may not add due to rounding):

	2013	2012	2011
Distribution business	$(0.09)	$(0.12)	$(0.02)
2013 Qdoba Closures	(0.61)	(0.11)	(0.08)
	$(0.70)	$(0.23)	$(0.11)

LIQUIDITY AND CAPITAL RESOURCES

General

Our primary sources of short-term and long-term liquidity are expected to be cash flows from operations, our revolving bank credit facility and the sale and leaseback of certain restaurant properties.

We generally reinvest available cash flows from operations to develop new restaurants or enhance existing restaurants, to reduce debt and to repurchase shares of our common stock. Our cash requirements consist principally of:

- working capital;
- capital expenditures for new restaurant construction and restaurant renovations;
- income tax payments;
- debt service requirements; and,
- obligations related to our benefit plans.

Based upon current levels of operations and anticipated growth, we expect that cash flows from operations, combined with other financing alternatives in place or available, will be sufficient to meet our capital expenditure, working capital and debt service requirements for at least the next twelve months and the foreseeable future.

As is common in the restaurant industry, we maintain relatively low levels of accounts receivable and inventories and our vendors grant trade credit for purchases such as food and supplies. We also continually invest in our business through the addition of new units and refurbishment of existing units, which are reflected as long-term assets and not as part of working capital. As a result, we may at times maintain current liabilities in excess of current assets, which results in a working capital deficit.

Cash Flows

The table below summarizes our cash flows from operating, investing and financing activities for each of the past three fiscal years (in thousands):

	2013	2012	2011
Total cash provided by (used in):			
Operating activities	$198,872	$136,730	$124,260
Investing activities	(33,939)	(81,516)	(35,802)
Financing activities	(163,762)	(58,169)	(87,641)
Effect of exchange rate changes	4	—	—
Increase (decrease) in cash and cash equivalents	$1,175	$(2,955)	$817

Operating Activities. Operating cash flows increased $62.1 million in 2013 compared with 2012 due to reductions in working capital expenditures primarily related to the outsourcing of our distribution business ($29.9 million), a decrease in payments for property rent related to fluctuations in the timing of payments for the month of October ($25.1 million), as well as an increase in net income adjusted for non-cash items ($26.0 million). The impact of these increases in cash flows were partially offset by a higher bonus payout in fiscal 2013 versus 2012 ($11.2 million) and an increase in income tax payments ($7.6 million).

In 2012, operating cash flows increased $12.5 million compared with 2011 due primarily to reductions in payments for income taxes ($11.8 million), an increase in minimum rent receipts from franchisees attributable to the timing of collections for October rents ($13.9 million) as well as an increase in net income adjusted for non-cash items ($19.6 million). The impact of these increases in cash flows were partially offset by an increase in payments for property rent related to fluctuations in the timing of payments for the month of October ($19.0 million) and pension contributions ($15.5 million).

Investing Activities. Cash flows used in investing activities decreased $47.6 million in 2013 compared with 2012 due primarily to decreases in cash used to acquire Qdoba franchise-operated restaurants and assets which were held for sale and leaseback, as well as an increase in proceeds from assets held for sale and leaseback. The impact of these decreases in cash flows were partially offset by a decrease in proceeds from the sale of Jack in the Box restaurants to franchisees and an increase in capital expenditures. In 2012, cash flows used in investing activities increased $45.7 million compared with 2011 due primarily to lower proceeds from the sale of Jack in the Box restaurants to franchisees and collections of notes receivables related to prior years' refranchising activity, as well as an increase in cash used to acquire Qdoba franchise-operated restaurants. The impact of these decreases in cash flows were partially offset by a decrease in capital expenditures.

Capital Expenditures — The composition of capital expenditures in each year follows (in thousands):

	2013	2012	2011
Jack in the Box:			
New restaurants	$5,887	$12,984	$13,248
Restaurant facility expenditures	40,670	32,961	73,758
Other, including corporate	8,664	10,634	18,070
	$55,221	$56,579	$105,076
Qdoba:			
New restaurants	$22,672	$17,437	$18,384
Other, including corporate	6,797	6,184	5,852
	$29,469	$23,621	$24,236
Consolidated capital expenditures	$84,690	$80,200	$129,312

Our capital expenditure program includes, among other things, investments in new locations, restaurant remodeling, new equipment and information technology enhancements. In 2013, capital expenditures increased $4.5 million due primarily to an increase in spending related to the exteriors of Jack in the Box restaurants as well as new Qdoba restaurants, partially offset by a decline in spending related to new Jack in the Box restaurants. In 2012, capital expenditures decreased $49.1 million compared with 2011 due primarily to a decline in spending related to our Jack in the Box restaurant re-image and new logo program which was substantially complete in 2011, as well as lower spending for capital maintenance activities and corporate technology.

In fiscal 2014, capital expenditures are expected to be approximately $80-$90 million. We plan to open approximately 3 new Jack in the Box and 30-35 new Qdoba company-operated restaurants in 2014.

Sale of Company-Operated Restaurants — We have continued to expand franchise ownership in the Jack in the Box system primarily through the sale of company-operated restaurants to franchisees. The following table details proceeds received in connection with our refranchising activities (dollars in thousands):

	2013	2012	2011
Number of restaurants sold to franchisees	81	97	332
Cash	$30,619	$47,115	$119,275
Notes receivable	—	1,200	1,000
Total proceeds	$30,619	$48,315	$120,275
Average proceeds	$378	$498	$362

Fiscal years 2012 and 2011 include financing provided to facilitate the closing of certain transactions. As of September 29, 2013, notes receivable related to refranchisings were $1.2 million. We expect total proceeds from the sale of Jack in the Box restaurants in 2014 to be minimal based on the number of remaining markets for sale.

Assets Held for Sale and Leaseback — We use sale and leaseback financing to lower the initial cash investment in our Jack in the Box restaurants to the cost of the equipment, whenever possible. The following table summarizes the cash flow activity related to sale and leaseback transactions in each year (dollars in thousands):

	2013	2012	2011
Number of restaurants sold and leased back	24	15	15
Proceeds from sale and leaseback transactions	$47,431	$27,844	$28,536
Purchases of assets intended for sale and leaseback	(26,058)	(35,927)	(31,798)

As of September 29, 2013, we had investments of approximately $11.6 million in 7 operating or under-construction restaurant properties that we expect to sell and lease back during fiscal 2014.

Acquisition of Franchise-Operated Restaurants — In each year, we acquired Qdoba franchise restaurants in select markets where we believe there is continued opportunity for restaurant development. Additionally, in 2013 we exercised our right of first refusal and acquired one Jack in the Box restaurant. The following table details franchise-operated restaurant acquisition activity (dollars in thousands):

	2013	2012	2011
Number of restaurants acquired from franchisees	14	46	32
Cash used to acquire franchise-operated restaurants	$12,064	$48,945	$31,077

The purchase prices were primarily allocated to property and equipment, goodwill and reacquired franchise rights. For additional information, refer to Note 3, Summary of Refranchisings, Franchisee Development and Acquisitions, of the notes to the consolidated financial statements.

Franchise Finance, LLC ("FFE") Loans to Franchisees — During fiscal 2012 and 2011, FFE processed loans to qualifying franchisees of $4.0 million and $14.5 million, respectively, for use in re-imaging their restaurants. These loans have terms ranging from five to seven years and bear a fixed or variable rate of interest. For additional information related to FFE, refer to Note 15, Variable Interest Entities, of the notes to the consolidated financial statements.

Financing Activities. Cash used in financing activities increased $105.6 million in 2013 and decreased $29.5 million in 2012 as compared with the previous year. The increase in 2013 is primarily attributed to an increase in cash used to repurchase shares of our common stock and the change in our book overdraft related to the timing of working capital receipts and disbursements. The decrease in 2012 is primarily attributable to a decrease in cash used to repurchase share of common stock, partially offset by a decrease in borrowings under our credit facility.

Credit Facility — In November 2012, we replaced our existing credit facility with a new five-year $600.0 million senior credit facility. As of September 29, 2013, our credit facility comprised (i) a $400.0 million revolving credit facility and (ii) a term loan maturing on November 5, 2017, bearing interest at London Interbank Offered Rate ("LIBOR") plus 2.00%. As part of the credit agreement, we may request the issuance of up to $75.0 million in letters of credit, the outstanding amount of which reduces the net borrowing capacity under the agreement. The credit facility requires the payment of an annual commitment fee based on the unused portion of the credit facility. The credit facility's interest rates and the annual commitment rate are based on a financial leverage ratio, as defined in the credit agreement. We can make voluntary prepayments of the loans under the revolving credit facility and term loan at any time without premium or penalty. Specific events, such as asset sales, certain issuances of debt and insurance and condemnation recoveries, could trigger a mandatory prepayment.

We are subject to a number of customary covenants under our credit facility, including limitations on additional borrowings, acquisitions, loans to franchisees, capital expenditures, lease commitments, stock repurchases, dividend payments and requirements to maintain certain financial ratios. We were in compliance with all covenants as of September 29, 2013.

At September 29, 2013, we had $190.0 million outstanding under the term loan, borrowings under the revolving credit facility of $175.0 million and letters of credit outstanding of $28.1 million. For additional information related to our credit facility, refer to Note 7, Indebtedness, of the notes to the consolidated financial statements.

Interest Rate Swaps — To reduce our exposure to rising interest rates under our credit facility, we consider interest rate swaps. In August 2010, we entered into two forward-looking swaps that effectively convert $100.0 million of our variable rate term loan to a fixed-rate basis beginning September 2011 through September 2014. Based on the term loan's applicable margin of 2.00% as of September 29, 2013, these agreements have an average pay rate of 1.54%, yielding a fixed rate of 3.54%. For additional information related to our interest rate swaps, refer to Note 6, Derivative Instruments, of the notes to the consolidated financial statements.

Repurchases of Common Stock — In November 2011, the Board of Directors ("Board") approved a program, expiring November 2013 to repurchase up to $100.0 million in shares of our common stock. This authorization was fully utilized in fiscal 2013. In November 2012 and August 2013, the Board approved two new programs, each of which provide repurchase authorizations for up to an additional $100.0 million in shares of our common stock, expiring November 2014 and November 2015, respectively. During fiscal 2013, we repurchased 4.0 million shares at an aggregate cost of $140.1 million. As of September 29, 2013, there was $136.8 million remaining under the November 2012 and August 2013 authorizations.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations and Commitments

The following is a summary of our contractual obligations and commercial commitments as of September 29, 2013 (in thousands):

	Payments Due by Year				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Contractual Obligations:					
Credit facility term loan (1)	$204,537	$23,997	$46,680	$133,860	$—
Revolving credit facility (1)	194,566	4,348	8,696	181,522	—
Capital lease obligations	7,021	1,384	2,458	1,864	1,315
Operating lease obligations	1,721,197	229,287	434,761	333,265	723,884
Purchase commitments (2)	1,598,949	662,729	470,078	222,337	243,805
Benefit obligations (3)	74,073	13,178	11,704	12,102	37,089
Unrecognized tax benefits	769	769	—	—	—
Total contractual obligations	$3,801,112	$935,692	$974,377	$884,950	$1,006,093
Other Commercial Commitments:					
Stand-by letters of credit (4)	$28,095	$28,095	$—	$—	$—

(1) Includes interest expense estimated at interest rates in effect on September 29, 2013. Does not consider impact of the refinancing of our credit facility.

(2) Includes purchase commitments for food, beverage, and packaging items.

(3) Includes expected payments associated with our non-qualified defined benefit plan, postretirement benefit plans and our non-qualified deferred compensation plan through fiscal 2023.

(4) Consists primarily of letters of credit for workers' compensation and general liability insurance.

We maintain a noncontributory defined benefit pension plan ("Qualified Plan") covering substantially all full-time employees hired before January 1, 2011. Our policy is to fund our Qualified Plan at amounts necessary to satisfy the minimum amount required by law, plus additional amounts as determined by management to improve the plan's funded status. Contributions beyond fiscal 2013 will depend on pension asset performance, future interest rates, future tax law changes, and future changes in regulatory funding requirements. Based on the funding status of our Qualified Plan as of our last measurement date, there was no minimum contribution required. For additional information related to our pension plans, refer to Note 11, Retirement Plans, of the notes to the consolidated financial statements.

DISCUSSION OF CRITICAL ACCOUNTING ESTIMATES

We have identified the following as our most critical accounting estimates, which are those that are most important to the portrayal of the Company's financial condition and results, and that require management's most subjective and complex judgments. Information regarding our other significant accounting estimates and policies are disclosed in Note 1, Nature of Operations and Summary of Significant Accounting Policies, of the notes to the consolidated financial statements.

Long-lived Assets — Property, equipment and certain other assets, including amortized intangible assets, are reviewed for impairment when indicators of impairment are present. This review generally includes a restaurant-level analysis, except when we are actively selling a group of restaurants, in which case we perform our impairment evaluations at the group level. Impairment evaluations for individual restaurants take into consideration a restaurant's operating cash flows, the period of time since a restaurant has been opened or remodeled, refranchising expectations, and the maturity of the related market. Impairment evaluations for a group of restaurants take into consideration the group's expected future cash flows and sales proceeds from bids received, if any, or fair market value based on, among other considerations, the specific sales and cash flows of those restaurants. If the assets of a restaurant or group of restaurants subject to our impairment evaluation are not recoverable based upon the forecasted, undiscounted cash flows, we recognize an impairment loss as the amount by which the carrying value of the assets exceeds fair value. Our estimates of cash flows used to assess impairment are subject to a high degree of judgment and may differ from actual cash flows due to, among other things, economic conditions or changes in operating performance. During fiscal year 2013, we recorded impairment charges totaling $33.4 million to write down certain assets to their estimated fair value.

Retirement Benefits — Our defined benefit and other postretirement plans' costs and liabilities are determined using several statistical and other factors, which attempt to anticipate future events, including assumptions about the discount rate and expected return on plan assets. Our discount rate is set annually by us, with assistance from our actuaries, and is determined by considering the average of pension yield curves constructed of a population of high-quality bonds with a Moody's or Standard and Poor's rating of "AA" or better meeting certain other criteria. As of September 29, 2013, our discount rates were 5.37% for our qualified defined benefit plan, 4.88% for our non-qualified defined benefit plan, and 5.04% for our postretirement health plans. Our expected long-term rate of return on assets is determined taking into consideration our projected asset allocation and economic forecasts prepared with the assistance of our actuarial consultants. As of September 29, 2013, our assumed expected long-term rate of return was 7.25% for our qualified defined benefit plan. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower turnover and retirement rates or longer or shorter life spans of participants. These differences may affect the amount of pension expense we record. A hypothetical 25 basis point reduction in the assumed discount rate and expected long-term rate of return on plan assets would have resulted in an estimated increase of $2.8 million and $0.8 million, respectively, in our fiscal 2013 pension and postretirement expense. We expect our pension and postretirement expense to decrease $17.4 million in fiscal 2014 principally due to an increase in our discount rates and lump sum payments made to vested and terminated participants.

Self Insurance — We are self-insured for a portion of our losses related to workers' compensation, general liability, automotive, and health benefits. In estimating our self-insurance accruals, we utilize independent actuarial estimates of expected losses, which are based on statistical analysis of historical data. These assumptions are closely monitored and adjusted when warranted by changing circumstances. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was expected, accruals might not be sufficient, and additional expense may be recorded.

Restaurant Closing Costs — Restaurant closing costs consist of future lease commitments, net of anticipated sublease rentals and expected ancillary costs. We record a liability for the net present value of any remaining lease obligations, net of estimated sublease income, at the date we cease using a property. Subsequent adjustments to the liability as a result of changes in estimates of sublease income or lease cancellations are recorded in the period incurred. The estimates we make related to sublease income are subject to a high degree of judgment and may differ from actual sublease income due to changes in economic conditions, desirability of the sites and other factors.

Share-based Compensation — We offer share-based compensation plans to attract, retain and incentivize key officers, non-employee directors and employees to work toward the financial success of the Company. Share-based compensation cost for our stock option grants is estimated at the grant date based on the award’s fair-value as calculated by an option pricing model and is recognized as expense ratably over the requisite service period. The option pricing models require various highly judgmental assumptions including volatility and expected option life. If any of the assumptions used in the model change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period.

Goodwill and Other Intangibles — We evaluate goodwill and non-amortizing intangible assets annually, or more frequently if indicators of impairment are present. Our impairment analyses first include a qualitative assessment to determine whether events or circumstances indicate the carrying amount may not be recoverable. If this assessment results in a less-than 50% likelihood that impairment exists, then further analysis is not required. If the results of these analyses indicate otherwise, then we compare the fair value of the reporting unit for goodwill and the fair value of the intangible asset to their respective carrying values. If the determined fair values of the respective assets are less than the related carrying amounts, an impairment loss is recognized. The methods we use to estimate fair value include future cash flow assumptions, which may differ from actual cash flows due to, among other things, economic conditions or changes in operating performance. During the third quarter of fiscal 2013, due to the magnitude of the 2013 Qdoba closures, we performed a quantitative fair value analysis over our Qdoba goodwill and trademark assets and determined that the estimated fair values were substantially in excess of their carrying values as of July 7, 2013. We additionally performed our annual assessment of impairment over all of our goodwill and other intangibles assets during the fourth quarter, and qualitatively determined that no impairment existed as of September 29, 2013.

Legal Accruals — The Company is subject to claims and lawsuits in the ordinary course of its business. A determination of the amount accrued, if any, for these contingencies is made after analysis of each matter. We continually evaluate such accruals and may increase or decrease accrued amounts as we deem appropriate. Because lawsuits are inherently unpredictable, and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgment about future events. As a result, the amount of ultimate loss may differ from those estimates.

Income Taxes — We estimate certain components of our provision for income taxes. These estimates include, among other items, depreciation and amortization expense allowable for tax purposes, allowable tax credits, effective rates for state and local income taxes and the tax deductibility of certain other items. We adjust our effective income tax rate as additional information on outcomes or events becomes available. Our estimates are based on the best available information at the time that we prepare the income tax provision. We generally file our annual income tax returns several months after our fiscal year-end. Income tax returns are subject to audit by federal, state and local governments, generally years after the returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws.

FUTURE APPLICATION OF ACCOUNTING PRINCIPLES

Accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to risks relating to financial instruments is changes in interest rates. Our credit facility is comprised of a revolving credit facility and a term loan, bearing interest at an annual rate equal to the prime rate or LIBOR plus an applicable margin based on a financial leverage ratio. As of September 29, 2013, the applicable margin for the LIBOR-based revolving loans and term loan was set at 2.00%.

We use interest rate swap agreements to reduce exposure to interest rate fluctuations. In August 2010, we entered into two interest rate swap agreements that effectively convert $100.0 million of our variable rate term loan borrowings to a fixed-rate basis beginning September 2011 through September 2014. Based on the term loan's applicable margin of 2.00% as of September 29, 2013, these agreements would have an average pay rate of 1.54%, yielding a fixed rate of 3.54%.

A hypothetical 100 basis point increase in short-term interest rates, based on the outstanding unhedged balance of our revolving credit facility and term loan at September 29, 2013, would result in an estimated increase of $2.7 million in annual interest expense.

We are also exposed to the impact of commodity and utility price fluctuations. Many of the ingredients we use are commodities or ingredients that are affected by the price of other commodities, weather, seasonality, production, availability and various other factors outside our control. In order to minimize the impact of fluctuations in price and availability, we monitor the primary commodities we purchase and may enter into purchasing contracts and pricing arrangements when considered to be advantageous. However, certain commodities remain subject to price fluctuations. We are exposed to the impact of utility price fluctuations related to unpredictable factors such as weather and various other market conditions outside our control. Our ability to recover increased costs for commodities and utilities through higher prices is limited by the competitive environment in which we operate. From time to time, we enter into futures and option contracts to manage these fluctuations. At September 29, 2013, we had no such contracts in place.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and related financial information required to be filed are indexed on page F-1 and are incorporated herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Based on an evaluation of the Company’s disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934, as amended), as of the end of the Company’s fiscal year ended September 29, 2013, the Company’s Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) have concluded that the Company’s disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in the Company’s internal control over financial reporting that occurred during the Company’s fiscal quarter ended September 29, 2013 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company’s internal control over financial reporting is designed to provide reasonable assurance to the Company’s management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of September 29, 2013. In making this assessment, our management used the criteria set forth in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control-Integrated Framework. Management has concluded that, as of September 29, 2013, the Company’s internal control over financial reporting was effective, at a reasonable assurance level, based on these criteria.

The Company’s independent registered public accounting firm, KPMG LLP, has issued an audit report on the effectiveness of our internal control over financial reporting, which follows.

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Jack in the Box Inc.:

We have audited the internal control over financial reporting of Jack in the Box Inc. (the Company) as of September 29, 2013, based on criteria established in Internal Control — Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Jack in the Box Inc. maintained, in all material respects, effective internal control over financial reporting as of September 29, 2013, based on criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Jack in the Box Inc. and subsidiaries as of September 29, 2013 and September 30, 2012, and the related consolidated statements of earnings, comprehensive income, cash flows, and stockholders' equity for the fifty-two weeks ended September 29, 2013, September 30, 2012, and October 2, 2011, and our report dated November 22, 2013, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
San Diego, California
November 22, 2013

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

That portion of our definitive Proxy Statement appearing under the captions “Election of Directors,” “Directors Qualifications and Biographical Information,” “Committees of the Board” and “Section 16(a) Beneficial Ownership Reporting Compliance” to be filed with the Commission pursuant to Regulation 14A within 120 days after September 29, 2013 and to be used in connection with our 2014 Annual Meeting of Stockholders is hereby incorporated by reference.

Information regarding our executive officers is set forth in Item 1 of Part I of this Report under the caption “Executive Officers.”

That portion of our definitive Proxy Statement appearing under the caption “Committees of the Board - Audit Committee,” relating to the members of the Company’s Audit Committee and the members of the Audit Committee who qualify as financial experts, is also incorporated herein by reference.

That portion of our definitive Proxy Statement appearing under the caption “Stockholder Proposals for the 2015 Annual Meeting,” relating to the procedures by which stockholders may recommend candidates for director to the Nominating and Governance Committee of the Board of Directors, is also incorporated herein by reference.

We have adopted a Code of Ethics, which applies to all Jack in the Box Inc. directors, officers and employees, including the Chief Executive Officer, Chief Financial Officer, Controller and all of the financial team. The Code of Ethics is posted on the Company’s website, www.jackinthebox.com (under the “Investors — Corporate Governance — Code of Conduct” caption) and in print free of charge to any stockholder upon request. We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Controller or persons performing similar functions, by posting such information on our website. No such waivers have been issued during fiscal 2013.

We have also adopted a set of Corporate Governance Principles and Practices and charters for all of our Board Committees, including the Audit, Compensation, and Nominating and Governance Committees. The Corporate Governance Principles and Practices and committee charters are available on our website at www.jackinthebox.com and in print free of charge to any shareholder who requests them. Written requests for our Code of Business Conduct and Ethics, Corporate Governance Principles and Practices and committee charters should be addressed to Jack in the Box Inc., 9330 Balboa Avenue, San Diego, California 92123, Attention: Corporate Secretary.

ITEM 11. EXECUTIVE COMPENSATION

That portion of our definitive Proxy Statement appearing under the caption “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” to be filed with the Commission pursuant to Regulation 14A within 120 days after September 29, 2013 and to be used in connection with our 2014 Annual Meeting of Stockholders is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

That portion of our definitive Proxy Statement appearing under the caption “Security Ownership of Certain Beneficial Owners and Management” to be filed with the Commission pursuant to Regulation 14A within 120 days after September 29, 2013 and to be used in connection with our 2014 Annual Meeting of Stockholders is hereby incorporated by reference. Information regarding equity compensation plans under which Company common stock may be issued as of September 29, 2013 is set forth in Item 5 of this Report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

That portion of our definitive Proxy Statement appearing under the caption "Certain Relationships and Related Transactions," if any, to be filed with the Commission pursuant to Regulation 14A within 120 days after September 29, 2013 and to be used in connection with our 2014 Annual Meeting of Stockholders is hereby incorporated by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

That portion of our definitive Proxy Statement appearing under the caption "Independent Registered Public Accounting Fees and Services" to be filed with the Commission pursuant to Regulation 14A within 120 days after September 29, 2013 and to be used in connection with our 2014 Annual Meeting of Stockholders is hereby incorporated by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

ITEM 15(a) (1) Financial Statements. See Index to Consolidated Financial Statements on page F-1 of this Report.

ITEM 15(a) (2) Financial Statement Schedules. None.

ITEM 15(a) (3) Exhibits.

Number	Description	Form	Filed with SEC
3.1	Restated Certificate of Incorporation, as amended, dated September 21, 2007	10-K	11/20/2009
3.1.1	Certificate of Amendment of Restated Certificate of Incorporation dated September 21, 2007	8-K	9/24/2007
3.2	Amended and Restated Bylaws dated August 7, 2013	10-Q	8/8/2013
10.1.1	Credit Agreement dated as of June 29, 2010 by and among Jack in the Box Inc. and the lenders named therein	8-K	7/1/2010
10.1.2	Collateral Agreement dated as of June 29, 2010 by and among Jack in the Box Inc. and the lenders named therein	8-K	7/1/2010
10.1.3	Guaranty Agreement dated as of June 29, 2010 by and among Jack in the Box Inc. and the lenders named therein	8-K	7/1/2010
10.1.4	First Amendment to the Credit Agreement dated as of February 16, 2012 by and among Jack in the Box Inc. and the lenders named therein	10-Q	2/23/2012
10.1.5	Credit Agreement dated as of November 5, 2012, among Jack in the Box Inc., Wells Fargo Bank, National Association, as administrative agent, and the other lender and agent parties thereto	8-K	11/8/2012
10.1.6	Reaffirmation and Amendment Agreement dated as of November 5, 2012, among Jack in the Box Inc., Wells Fargo Bank, National Association, as administrative agent, and the subsidiaries of Jack in the Box Inc. party thereto	8-K	11/8/2012
10.2*	Form of Compensation and Benefits Assurance Agreement for Executives	10-Q	2/20/2008
10.2.1*	Form of Revised Compensation and Benefits Assurance Agreement for certain officers	10-Q	5/17/2012
10.3*	Amended and Restated Supplemental Executive Retirement Plan	10-Q	2/18/2009
10.4*	Amended and Restated Executive Deferred Compensation Plan	10-Q	2/18/2009
10.5*	Amended and Restated Deferred Compensation Plan for Non-Management Directors	10-K	11/22/2006
10.6*	Amended and Restated Non-Employee Director Stock Option Plan dated September 17, 1999	10-K	12/2/1999

10.7*	Jack in the Box Inc. 2002 Stock Incentive Plan	DEF 14A	1/18/2002
10.7.1*	Form of Restricted Stock Award for certain executives under the 2002 Stock Incentive Plan	10-Q	4/3/2003
10.8*	Amended and Restated 2004 Stock Incentive Plan	DEF 14A	1/12/2012
10.8.1*	Form of Restricted Stock Award for officers and certain members of management under the 2004 Stock Incentive Plan	10-Q	8/5/2009
10.8.1(a)*	Form of Restricted Stock Award for executives of Qdoba Restaurant Corporation under the 2004 Stock Incentive Plan	10-Q	8/5/2009
10.8.2*	Form of Stock Option Agreement under the 2004 Stock Incentive Plan	10-Q	8/5/2009
10.8.2(a)*	Form of Stock Option Award for officers of Qdoba Restaurant Corporation under the 2004 Stock Incentive Plan	10-Q	8/5/2009

Number	Description	Form	Filed with SEC
10.8.3*	Jack in the Box Inc. Non-Employee Director Stock Option Award Agreement under the 2004 Stock Incentive Plan	8-K	11/15/2005
10.8.4(a)*	Form of Restricted Stock Unit Award Agreement for Non-Employee Director under the 2004 Stock Incentive Plan	10-K	11/20/2009
10.8.5*	Form of Time-Vested Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-K	11/24/2010
10.8.6*	Form of Performance Unit Award Agreement under the 2004 Stock Incentive Plan	10-Q	5/14/2008
10.8.7*	Form of Stock Option and Performance Unit Awards Agreement under the 2004 Stock Incentive Plan	10-K	11/20/2009
10.8.8*	Form of Stock Option and Performance Share Awards Agreement under the 2004 Stock Incentive Plan	10-Q	2/23/2012
10.8.9*	Form of Stock Option and Performance Share Awards Agreement under the 2004 Stock Incentive Plan	10-K	Fired herewith
10.8.10*	Form of Time-Vested Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-K	Fired herewith
10.9*	Form of Qdoba Unit Award Agreement	10-K	11/24/2010
10.10.1*	Amended and Restated Performance Bonus Incentive Plan effective October 4, 2010	DEF 14A	1/13/2011
10.10.2*	Employment Agreement, dated March 5, 2013, between Jack in the Box Inc. and Timothy Casey	10-K	Filed herewith
10.11*	Form of Amended and Restated Indemnification Agreement between the registrant and individual directors, officers and key employees	10-Q	8/10/2012
23.1	Consent of Independent Registered Public Accounting Firm	_____	Filed herewith
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	_____	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	_____	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	_____	Filed herewith

32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	_____	Filed herewith
101.INS£	XBRL Instance Document		
101.SCH£	XBRL Taxonomy Extension Schema Document		
101.CAL£	XBRL Taxonomy Extension Calculation Linkbase Document		
101.DEF£	XBRL Taxonomy Extension Definition Linkbase Document		
101.LAB£	XBRL Taxonomy Extension Label Linkbase Document		
101.PRE£	XBRL Taxonomy Extension Presentation Linkbase Document		

* Management contract or compensatory plan.
£ In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed to be “furnished” and not “filed.”

ITEM 15(b) All required exhibits are filed herein or incorporated by reference as described in Item 15(a)(3).
ITEM 15(c) All schedules have been omitted as the required information is inapplicable, immaterial or the information is presented in the consolidated financial statements or related notes.

SIGNATURES

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

JACK IN THE BOX INC.

By: /S/ JERRY P. REBEL
Jerry P. Rebel
Executive Vice President and Chief Financial Officer
(principal financial officer)
(Duly Authorized Signatory)
November 22, 2013

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

Each person whose signature appears below constitutes and appoints Linda A. Lang and Jerry P. Rebel, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/S/ LINDA A. LANG Linda A. Lang	Chairman of the Board and Chief Executive Officer (principal executive officer)	November 22, 2013
/S/ JERRY P. REBEL Jerry P. Rebel	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	November 22, 2013
/S/ DAVID L. GOEBEL David L. Goebel	Director	November 22, 2013
/S/ MADELEINE A. KLEINER Madeleine A. Kleiner	Director	November 22, 2013
/S/ MICHAEL W. MURPHY Michael W. Murphy	Director	November 22, 2013
/S/ JAMES M. MYERS James M. Myers	Director	November 22, 2013
/S/ DAVID M. TEHLE David M. Tehle	Director	November 22, 2013
/S/ WINIFRED M. WEBB Winifred M. Webb	Director	November 22, 2013
/S/ JOHN T. WYATT John T. Wyatt	Director	November 22, 2013

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Schedules not filed: All schedules have been omitted as the required information is inapplicable, immaterial or the information is presented in the consolidated financial statements or related notes.

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Jack in the Box Inc.:

We have audited the accompanying consolidated balance sheets of Jack in the Box Inc. and subsidiaries (the Company) as of September 29, 2013 and September 30, 2012, and the related consolidated statements of earnings, comprehensive income, cash flows, and stockholders' equity for the fifty-two weeks ended September 29, 2013, September 30, 2012, and October 2, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jack in the Box Inc. and subsidiaries as of September 29, 2013 and September 30, 2012, and the results of their operations and their cash flows for the fifty-two weeks ended September 29, 2013, September 30, 2012, and October 2, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the internal control over financial reporting of Jack in the Box Inc. as of September 29, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated November 22, 2013, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
San Diego, California
November 22, 2013

JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	September 29, 2013	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,644	$ 8,469
Accounts and other receivables, net	41,749	78,798
Inventories	7,181	7,752
Prepaid expenses	19,970	32,821
Deferred income taxes	26,685	26,932
Assets held for sale	11,875	45,443
Assets of discontinued operations held for sale	—	30,591
Other current assets	108	375
Total current assets	117,212	231,181
Property and equipment, at cost:		
Land	112,673	109,295
Buildings	1,068,405	1,054,967
Restaurant and other equipment	305,769	328,031
Construction in progress	30,066	37,357
	1,516,913	1,529,650
Less accumulated depreciation and amortization	(746,054)	(708,858)
Property and equipment, net	770,859	820,792
Intangible assets, net	16,390	17,206
Goodwill	148,988	140,622
Other assets, net	265,760	253,924
	$ 1,319,209	$ 1,463,725
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 20,889	$ 15,952
Accounts payable	36,899	94,713
Accrued liabilities	153,886	164,637
Total current liabilities	211,674	275,302
Long-term debt, net of current maturities	349,393	405,276
Other long-term liabilities	286,124	371,202
Stockholders' equity:		
Preferred stock $0.01 par value, 15,000,000 shares authorized, none issued	—	—
Common stock $0.01 par value, 175,000,000 shares authorized, 78,515,171 and 75,827,894 issued, respectively	785	758
Capital in excess of par value	296,764	221,100
Retained earnings	1,171,823	1,120,671
Accumulated other comprehensive loss	(62,662)	(136,013)
Treasury stock, at cost, 35,926,269 and 31,955,606 shares, respectively	(934,692)	(794,571)
Total stockholders' equity	472,018	411,945

	$ 1,319,209	$ 1,463,725

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)

	Fiscal Year		
	2013	2012	2011
Revenues:			
Company restaurant sales	$1,143,780	$1,183,483	$1,350,759
Franchise revenues	346,087	325,812	282,066
	1,489,867	1,509,295	1,632,825
Operating costs and expenses, net:			
Company restaurant costs:			
Food and packaging	372,685	389,235	452,033
Payroll and employee benefits	320,384	338,210	400,529
Occupancy and other	255,586	266,440	318,546
Total company restaurant costs	948,655	993,885	1,171,108
Franchise costs	173,567	166,078	136,148
Selling, general and administrative expenses	220,641	224,852	222,950
Impairment and other charges, net	13,439	32,809	12,546
Gains on the sale of company-operated restaurants	(4,640)	(29,145)	(61,125)
	1,351,662	1,388,479	1,481,627
Earnings from operations	138,205	120,816	151,198
Interest expense, net	15,251	18,874	16,855
Earnings from continuing operations and before income taxes	122,954	101,942	134,343
Income taxes	40,346	33,838	48,465
Earnings from continuing operations	82,608	68,104	85,878
Losses from discontinued operations, net of income tax benefit	(31,456)	(10,453)	(5,278)
Net earnings	$51,152	$57,651	$80,600
Net earnings per share — basic:			
Earnings from continuing operations	$1.91	$1.55	$1.74
Losses from discontinued operations	(0.73)	(0.24)	(0.11)
Net earnings per share	$1.18	$1.31	$1.63
Net earnings per share — diluted:			
Earnings from continuing operations	$1.84	$1.52	$1.71
Losses from discontinued operations	(0.70)	(0.23)	(0.11)
Net earnings per share	$1.14	$1.28	$1.61
Weighted-average shares outstanding:			
Basic	43,351	43,999	49,302
Diluted	44,899	44,948	50,085

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Fiscal Year 2013	2012	2011
Net earnings	$51,152	$57,651	$80,600
Cash flow hedges:			
Net change in fair value of derivatives	(110)	(1,055)	(2,066)
Net loss reclassified to earnings	1,353	1,304	117
	1,243	249	(1,949)
Tax effect	(476)	(97)	750
	767	152	(1,199)
Unrecognized periodic benefit costs:			
Actuarial gains (losses) arising during the period	98,764	(78,619)	(36,862)
Actuarial losses and prior service cost reclassified to earnings	18,895	13,532	10,544
	117,659	(65,087)	(26,318)
Tax effect	(45,079)	24,862	10,364
	72,580	(40,225)	(15,954)
Other:			
Foreign currency translation adjustments	8	—	—
Tax effect	(4)	—	—
	4	—	—
Other comprehensive income (loss), net of tax	73,351	(40,073)	(17,153)
Comprehensive income	$124,503	$17,578	$63,447

See accompanying notes to consolidated financial statements.

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JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Fiscal Year		
	2013	2012	2011
Cash flows from operating activities:			
Net earnings	$51,152	$57,651	$80,600
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	96,219	97,958	96,147
Deferred finance cost amortization	2,277	2,695	2,554
Deferred income taxes	(18,604)	(6,615)	(12,832)
Share-based compensation expense	11,392	6,883	8,062
Pension and postretirement expense	31,147	33,526	23,845
(Gains) losses on cash surrender value of company-owned life insurance	(8,998)	(12,137)	1,094
Gains on the sale of company-operated restaurants	(4,640)	(29,145)	(61,125)
Gains on the acquisition of franchise-operated restaurants	—	—	(426)
Losses on the disposition of property and equipment	3,344	6,281	7,650
Impairment charges and other	28,230	9,403	1,367
Loss on early retirement of debt	939	—	—
Changes in assets and liabilities, excluding acquisitions and dispositions:			
Accounts and other receivables	33,994	3,497	(26,116)
Inventories	27,415	4,334	(1,540)
Prepaid expenses and other current assets	13,117	(12,849)	19,163
Accounts payable	(26,945)	(3,264)	1,498
Accrued liabilities	(10,560)	247	2,446
Pension and postretirement contributions	(23,886)	(20,318)	(4,790)
Other	(6,721)	(1,417)	(13,337)
Cash flows provided by operating activities	198,872	136,730	124,260
Cash flows from investing activities:			
Purchases of property and equipment	(84,690)	(80,200)	(129,312)
Purchases of assets intended for sale and leaseback	(26,058)	(35,927)	(31,798)
Proceeds from sale and leaseback of assets	47,431	27,844	28,536
Proceeds from the sale of company-operated restaurants	30,619	47,115	119,275
Collections on notes receivable	6,448	12,230	20,848
Disbursements for loans to franchisees	—	(3,977)	(14,473)
Acquisition of franchise-operated restaurants	(12,064)	(48,945)	(31,077)
Other	4,375	344	2,199
Cash flows used in investing activities	(33,939)	(81,516)	(35,802)
Cash flows from financing activities:			
Borrowings on revolving credit facilities	646,000	576,380	721,160
Repayments of borrowings on revolving credit facilities	(721,000)	(602,540)	(605,000)
Proceeds from issuance of debt	200,000	—	—
Principal repayments on debt	(175,946)	(21,110)	(13,760)
Debt issuance costs	(4,392)	(741)	(989)
Proceeds from issuance of common stock	61,993	10,167	5,530
Repurchases of common stock	(132,833)	(30,013)	(193,099)
Excess tax benefits from share-based compensation arrangements	2,094	1,115	1,290

Change in book overdraft	(39,678)	8,573	(2,773)
Cash flows used in financing activities	(163,762)	(58,169)	(87,641)
Effect of exchange rate changes on cash and cash equivalents	4	—	—
Net increase (decrease) in cash and cash equivalents	1,175	(2,955)	817
Cash and cash equivalents at beginning of year	8,469	11,424	10,607
Cash and cash equivalents at end of year	$9,644	$8,469	$11,424

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

	Number of Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at October 3, 2010	74,461,632	$745	$187,544	$982,420	$ (78,787)	$(571,459)	$520,463
Shares issued under stock plans, including tax benefit	530,855	5	7,078	—	—	—	7,083
Share-based compensation	—	—	8,062	—	—	—	8,062
Purchases of treasury stock	—	—	—	—	—	(193,099)	(193,099)
Net earnings	—	—	—	80,600	—	—	80,600
Effect of interest rate swaps, net	—	—	—	—	(1,199)	—	(1,199)
Effect of actuarial losses and prior service cost, net	—	—	—	—	(15,954)	—	(15,954)
Balance at October 2, 2011	74,992,487	750	202,684	1,063,020	(95,940)	(764,558)	405,956
Shares issued under stock plans, including tax benefit	835,407	8	11,533	—	—	—	11,541
Share-based compensation	—	—	6,883	—	—	—	6,883
Purchases of treasury stock	—	—	—	—	—	(30,013)	(30,013)
Net earnings	—	—	—	57,651	—	—	57,651
Effect of interest rate swaps, net	—	—	—	—	152	—	152
Effect of actuarial losses and prior service cost, net	—	—	—	—	(40,225)	—	(40,225)
Balance at September 30, 2012	75,827,894	758	221,100	1,120,671	(136,013)	(794,571)	411,945
Shares issued under stock plans, including tax benefit	2,687,277	27	64,272	—	—	—	64,299
Share-based compensation	—	—	11,392	—	—	—	11,392
Purchases of treasury stock	—	—	—	—	—	(140,121)	(140,121)
Net earnings	—	—	—	51,152	—	—	51,152
	—	—	—	—	4	—	4

Foreign currency translation adjustment							
Effect of interest rate swaps, net	—	—	—	—	767	—	767
Effect of actuarial gains and prior service cost, net	—	—	—	—	72,580	—	72,580
Balance at September 29, 2013	78,515,171	$785	$296,764	$1,171,823	$ (62,662)	$(934,692)	$472,018

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations — Founded in 1951, Jack in the Box Inc. (the "Company") operates and franchises Jack in the Box® quick-service restaurants and Qdoba Mexican Grill® ("Qdoba") fast-casual restaurants. The following summarizes the number of restaurants as of the end of each fiscal year:

	2013	2012	2011
Jack in the Box:			
Company-operated	465	547	629
Franchise	1,786	1,703	1,592
Total system	2,251	2,250	2,221
Qdoba:			
Company-operated	296	316	245
Franchise	319	311	338
Total system	615	627	583

References to the Company throughout these notes to the consolidated financial statements are made using the first person notations of "we," "us" and "our."

Basis of presentation — The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission ("SEC"). During fiscal 2012, we entered into an agreement to outsource our Jack in the Box distribution business. In the third quarter of fiscal 2013, we closed 62 Qdoba restaurants (the "2013 Qdoba Closures") as part of a comprehensive Qdoba market performance review. The results of operations for our distribution business and for the 62 Qdoba restaurants are reported as discontinued operations for all periods presented. Refer to Note 2, Discontinued Operations, for additional information. Unless otherwise noted, amounts and disclosures throughout these notes to the consolidated financial statements relate to our continuing operations.

Principles of consolidation — The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and the accounts of any variable interest entities ("VIEs") where we are deemed the primary beneficiary. All significant intercompany accounts and transactions are eliminated.

The Financial Accounting Standards Board ("FASB") authoritative guidance on consolidation requires the primary beneficiary of a VIE to consolidate that entity. The primary beneficiary of a VIE is an enterprise that has a controlling financial interest in the VIE. Controlling financial interest exists when an enterprise has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

The primary entities in which we possess a variable interest are franchise entities, which operate our franchise restaurants. We do not possess any ownership interests in franchise entities. We have reviewed these franchise entities and determined that we are not the primary beneficiary of the entities and therefore, these entities have not been consolidated. We hold and consolidate a variable interest in a subsidiary formed for the purpose of operating a franchisee lending program. For information related to this VIE, refer to Note 15, Variable Interest Entities.

Fiscal year — Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Fiscal years 2013, 2012 and 2011 include 52 weeks.

Use of estimates — In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, management is required to make certain assumptions and estimates that affect reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. In making these assumptions and estimates, management may from time to time seek advice and consider information provided by actuaries and other experts in a particular area. Actual amounts could differ materially from these estimates.

Cash and cash equivalents — We invest cash in excess of operating requirements in short-term, highly liquid investments with original maturities of three months or less, which are considered cash equivalents.

Accounts and other receivables, net is primarily comprised of receivables from franchisees, tenants and credit card processors. Franchisee receivables primarily include rents, royalties, and marketing fees associated with the franchise agreements, and in 2012 receivables arising from distribution services provided to franchisees. Tenant receivables relate to subleased properties where we are on the master lease agreement. We charge interest on past due accounts receivable and accrue interest on notes receivable based on the contractual terms. The allowance for doubtful accounts is based on historical experience and a review of existing receivables. Changes in accounts and other receivables are classified as an operating activity in the consolidated statements of cash flows.

Inventories consist principally of food, packaging and supplies, and are valued at the lower of cost or market on a first-in, first-out basis. Changes in inventories are classified as an operating activity in the consolidated statements of cash flows.

Assets held for sale typically represent the costs for new sites and existing sites that we plan to sell and lease back within the next year. Gains or losses realized on sale-leaseback transactions are deferred and amortized to income over the lease terms. If the determination is made that we no longer expect to sell an asset within the next year, the asset is reclassified out of assets held for sale and leaseback. Assets held for sale also periodically includes the net book value of property and/or equipment we plan to sell within the next year. Assets held for sale consisted of the following at each fiscal year-end (in thousands):

	2013	2012
Assets held for sale and leaseback	$11,574	$45,443
Other property and equipment held for sale	301	—
Assets held for sale	$11,875	$45,443

Property and equipment, at cost — Expenditures for new facilities and equipment, and those that substantially increase the useful lives of the property, are capitalized. Facilities leased under capital leases are stated at the present value of minimum lease payments at the beginning of the lease term, not to exceed fair value. Maintenance and repairs are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and gains or losses on the dispositions are reflected in results of operations.

Buildings, equipment and leasehold improvements are generally depreciated using the straight-line method based on the estimated useful lives of the assets, over the initial lease term for certain assets acquired in conjunction with the lease commencement for leased properties, or the remaining lease term for certain assets acquired after the commencement of the lease for leased properties. In certain situations, one or more option periods may be used in determining the depreciable life of assets related to leased properties if we deem that an economic penalty would be incurred otherwise. In either circumstance, our policy requires lease term consistency when calculating the depreciation period, in classifying the lease and in computing straight-line rent expense. Building, leasehold improvement assets and equipment are assigned lives that range from 2 to 35 years. Depreciation and amortization expense related to property and equipment was $92.0 million, $92.6 million and $91.8 million in 2013, 2012, and 2011 respectively.

Impairment of long-lived assets — We evaluate our long-lived assets, such as property and equipment, for impairment whenever indicators of impairment are present. This review generally includes a restaurant-level analysis, except when we are actively selling a group of restaurants in which case we perform our impairment evaluations at the group level. Impairment evaluations for individual restaurants take into consideration a restaurant's operating cash flows, the period of time since a restaurant has been opened or remodeled, refranchising expectations, and the maturity of the related market. Impairment evaluations for a group of restaurants take into consideration the group's expected future cash flows and sales proceeds from bids received, if any, or fair market value based on, among other considerations, the specific sales and cash flows of those restaurants. If the assets of a restaurant or group of restaurants subject to our impairment evaluation are not recoverable based upon the forecasted, undiscounted cash flows, we recognize an impairment loss by the amount which the carrying value of the assets exceeds fair value. Long-lived assets that meet the held for sale criteria, which excludes assets intended to be sold and leased back, are held for sale and reported at the lower of their carrying value or fair value, less estimated costs to sell.

Goodwill and intangible assets — Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired, if any. We generally record goodwill in connection with the acquisition of restaurants from franchisees. Likewise, upon the sale of restaurants to franchisees, goodwill is decremented. The amount of goodwill written-off is determined as the fair value of the reporting unit disposed of as a percentage of the fair value of the reporting unit retained. Goodwill is evaluated for impairment annually, or more frequently if indicators of impairment are present. We first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative factors indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform a two-step impairment test of goodwill. In the first step, we estimate the fair value of the reporting unit and compare it to the carrying value of the reporting unit. If the carrying value exceeds the fair value of the reporting unit, the second step is performed to measure the amount of the impairment loss, if any. In the second step, the amount of the impairment loss is the excess of the carrying amount of the goodwill over its implied fair value.

Intangible assets, net is comprised primarily of acquired franchise contract costs, our Qdoba trademark, lease acquisition costs and reacquired franchise rights. Acquired franchise contract costs and our Qdoba trademark were recorded in connection with our acquisition of Qdoba Restaurant Corporation in fiscal 2003. Acquired franchise contract costs represent the acquired value of franchise contracts, which are amortized over the term of the franchise agreements plus options based on the projected royalty revenue stream. Our Qdoba trademark asset has an indefinite life and is not amortized. Lease acquisition costs primarily represent the fair values of acquired lease contracts having contractual rents lower than fair market rents and are amortized on a straight-line basis over the remaining initial lease term. Reacquired franchise rights are recorded in connection with our acquisition of franchised restaurants and are amortized over the remaining contractual period of the franchise contract in which the right was granted.

Our non-amortizing intangible asset is evaluated for impairment annually, or more frequently if indicators of impairment are present. We first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the intangible asset is less than its carrying amount. If the qualitative factors indicate that it is more likely than not that the fair value of the intangible asset is less than its carrying amount, we compare the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized equal to the excess.

Company-owned life insurance — We have purchased company-owned life insurance (“COLI”) policies to support our non-qualified benefit plans. The cash surrender values of these policies were $94.5 million and $85.5 million as of September 29, 2013 and September 30, 2012, respectively, and are included in other assets, net in the accompanying consolidated balance sheets. Changes in cash surrender values are included in selling, general and administrative expenses in the accompanying consolidated statements of earnings. These policies reside in an umbrella trust for use only to pay plan benefits to participants or to pay creditors if the Company becomes insolvent. As of September 29, 2013 and September 30, 2012, the trust also included cash of $0.2 million and $0.7 million, respectively.

Book overdraft — Accounts payable in our consolidated balance sheets include book overdrafts totaling $0.8 million and $40.5 million at September 29, 2013 and September 30, 2012, respectively. Changes in such amounts are classified as a financing activity in the consolidated statements of cash flows.

Leases — We review all leases for capital or operating classification at their inception under the FASB authoritative guidance for leases. Our operations are primarily conducted under operating leases. Within the provisions of certain leases, there are rent holidays and escalations in payments over the base lease term, as well as renewal periods. The effects of the holidays and escalations have been reflected in rent expense on a straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed are recorded as deferred rent. The lease term commences on the date when we have the right to control the use of the leased property. Certain leases also include contingent rent provisions based on sales levels, which are accrued at the point in time we determine that it is probable such sales levels will be achieved.

Revenue recognition — Revenue from company restaurant sales is recognized when the food and beverage products are sold and are presented net of sales taxes.

Our franchise arrangements generally provide for franchise fees and continuing fees based upon a percentage of sales (“royalties”). In order to renew a franchise agreement upon expiration, a franchisee must obtain the Company’s approval and pay then current fees. Franchise development and license fees are recorded as deferred revenue until we have substantially performed all of our contractual obligations and the restaurant has opened for business. Franchise royalties are recorded in revenues on an accrual basis. Among other things, a franchisee may be provided the use of land and building, generally for a period of 20 years, and is required to pay negotiated rent, property taxes, insurance and maintenance. Certain franchise rents, which are contingent upon sales levels, are recognized in the period in which the contingency is met.

Gift cards — We sell gift cards to our customers in our restaurants and through selected third parties. The gift cards sold to our customers have no stated expiration dates and are subject to actual and/or potential escheatment rights in several of the jurisdictions in which we operate. We recognize income from gift cards when redeemed by the customer.

While we will continue to honor all gift cards presented for payment, we may determine the likelihood of redemption to be remote for certain card balances due to, among other things, long periods of inactivity. In these circumstances, to the extent we determine there is no requirement for remitting balances to government agencies under unclaimed property laws, card balances may be recognized as a reduction to selling, general and administrative expenses in the accompanying consolidated statements of earnings.

Income recognized on unredeemed gift card balances was $0.7 million in fiscal 2013 and $0.5 million and $0.6 million in fiscal 2012 and 2011, respectively.

Pre-opening costs associated with the opening of a new restaurant consist primarily of employee training costs and are expensed as incurred and are included in selling, general and administrative expenses in the accompanying consolidated statements of earnings.

Restaurant closure costs — All costs associated with exit or disposal activities are recognized when they are incurred. Restaurant closure costs, which are included in impairment and other charges, net in the accompanying consolidated statements of earnings and gains on the sale of company-operated restaurants, consist of future lease commitments, net of anticipated sublease rentals, and expected ancillary costs.

Self-insurance — We are self-insured for a portion of our workers' compensation, general liability, employee medical and dental, and automotive claims. We utilize a paid-loss plan for our workers' compensation, general liability and automotive programs, which have predetermined loss limits per occurrence and in the aggregate. We establish our insurance liability (undiscounted) and reserves using independent actuarial estimates of expected losses for determining reported claims and as the basis for estimating claims incurred but not reported. As of September 29, 2013, our estimated liability for general liability and workers' compensation claims exceeded our self-insurance retention limits by $22.9 million, which we expect our insurance providers to pay on our behalf in accordance with the contractual terms of our insurance policies.

Advertising costs — We administer marketing funds which include contractual contributions. In fiscal years 2013, 2012 and 2011 the marketing funds were approximately 5% and 1% of sales at all franchise and company-operated Jack in the Box and Qdoba restaurants, respectively. We record contributions from franchisees as a liability included in accrued liabilities in the accompanying consolidated balance sheets until such funds are expended. The contributions to the marketing funds are designated for advertising and we act as an agent for the franchisees with regard to these contributions. Therefore, we do not reflect franchisee contributions to the funds in our consolidated statements of earnings or cash flows.

Production costs of commercials, programming and other marketing activities are charged to the marketing funds when the advertising is first used for its intended purpose, and the costs of advertising are charged to operations as incurred. Total contributions and other marketing expenses, are included in selling, general, and administrative expenses in the accompanying consolidated statements of earnings. The following table provides a summary of advertising costs related to company-operated restaurants in each year. Qdoba advertising costs in fiscal years 2012 and 2011 have been reclassified to conform to the fiscal 2013 presentation (in thousands):

	2013	2012	2011
Jack in the Box	$46,739	$49,757	$63,094
Qdoba	16,123	13,135	10,061
Total	$62,862	$62,892	$73,155

Share-based compensation — We account for our share-based compensation as required by the FASB authoritative guidance on stock compensation, which generally requires, among other things, that all employee share-based compensation be measured using a fair value method and that the resulting compensation cost be recognized in the financial statements. Compensation expense for our share-based compensation awards is generally recognized on a straight-line basis over the shorter of the vesting period or the period from the date of grant to the date the employee becomes eligible to retire.

Income taxes — Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize interest and, when applicable, penalties related to unrecognized tax benefits as a component of our income tax provision.

Authoritative guidance issued by the FASB prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Refer to Note 10, Income Taxes, for additional information.

Derivative instruments — From time to time, we use utility derivatives to reduce the risk of price fluctuations related to natural gas. We also use interest rate swap agreements to manage interest rate exposure. We do not speculate using derivative instruments. We purchase derivative instruments only for the purpose of risk management.

All derivatives are recognized on the consolidated balance sheets at fair value based upon quoted market prices. Changes in the fair values of derivatives are recorded in earnings or other comprehensive income, based on whether or not the instrument is designated as a hedge transaction. Gains or losses on derivative instruments reported in other comprehensive income ("OCI") are reclassified to earnings in the period the hedged item affects earnings. If the underlying hedge transaction ceases to exist, any associated amounts reported in other comprehensive income are reclassified to earnings at that time. Any ineffectiveness is recognized in earnings in the current period. Refer to Note 5, Fair Value Measurements, and Note 6, Derivative Instruments, for additional information regarding our derivative instruments.

Contingencies — We recognize liabilities for contingencies when we have an exposure that indicates it is probable that an asset has been impaired or that a liability has been incurred and the amount of impairment or loss can be reasonably estimated. Our ultimate legal and financial liability with respect to such matters cannot be estimated with certainty and requires the use of estimates. When the reasonable estimate is a range, the recorded loss will be the best estimate within the range. We record legal settlement costs when those costs are probable and reasonably estimable.

Segment reporting — An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by our chief operating decision makers in deciding how to allocate resources. Similar operating segments can be aggregated into a single operating segment if the businesses are similar. We operate our business in two operating segments, Jack in the Box and Qdoba. Refer to Note 17, Segment Reporting, for additional discussion regarding our segments.

Effect of new accounting pronouncements — Accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our condensed consolidated financial statements upon adoption.

2. DISCONTINUED OPERATIONS

Distribution business — During fiscal 2012, we entered into an agreement with a third party distribution service provider pursuant to a plan approved by our board of directors to sell our Jack in the Box distribution business. During the first quarter of fiscal 2013, we completed the transition of our distribution centers. The distribution business assets sold in the transaction are classified as assets of discontinued operations held for sale in the consolidated balance sheet as of September 30, 2012. The operations and cash flows of the business have been eliminated and in accordance with the provisions of the Accounting Standards Codification (“ASC”) 205, Presentation of Financial Statements, the results are reported as discontinued operations for all periods presented.

As of September 29, 2013, there were no assets or liabilities classified as held for sale related to our distribution business. The following is a summary of our distribution business assets held for sale as of September, 30, 2012 (in thousands):

Inventories	$26,844
Property and equipment, net	3,747
Total assets of discontinued operations	$30,591

The following is a summary of our distribution business operating results, which are included in discontinued operations for each fiscal year (in thousands):

	2013	2012	2011
Revenue	$37,743	$616,982	$530,959
Operating loss before income tax benefit	$(6,446)	$(8,777)	$(2,429)

The loss on the sale of the distribution business was not material to our results of operations. The operating loss in fiscal 2013 and 2012 includes costs incurred to exit the distribution business consisting of $1.9 million and $6.0 million, respectively, for accelerated depreciation of a long-lived asset disposed of upon completion of the transaction, $1.6 million (net of reversals for deferred rent of $0.4 million) and $0.7 million, respectively, for future lease commitments, $1.2 million and $1.1 million, respectively, primarily related to costs incurred to terminate certain vendor contracts and in fiscal 2013, $1.3 million related to distribution center specific workers’ compensation claims.

Our liability for lease commitments related to our distribution centers is included in accrued liabilities and other long-term liabilities and has changed during 2013 as follows (in thousands):

Balance at beginning of year	$697

Additions	1,846
Adjustments	119
Cash payments	(1,344)
Balance at end of year	$1,318

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The future minimum lease payments and receipts for the next five fiscal years and thereafter are included in the amounts disclosed in Note 8, Leases.

2013 Qdoba Closures — During the third quarter of fiscal 2013, we closed 62 Qdoba restaurants. The decision to close these restaurants was based on a comprehensive analysis that took into consideration levels of return on investment and other key operating performance metrics.

Given the absence of proximity of the closed locations to those remaining in operation, we do not expect the majority of cash flows and sales lost from these closures to be recovered. In addition, there will not be any ongoing involvement or significant direct cash flows from the closed stores. Therefore, in accordance with the provisions of ASC 205, Presentation of Financial Statements, the results of operations for these restaurants are reported as discontinued operations for all periods presented.

The following is a summary of the results of operations related to the 2013 Qdoba Closures for each fiscal year (in thousands):

	2013	2012	2011
Company restaurant sales	$28,036	$35,731	$29,514
Operating loss before income tax benefit	$(44,576)	$(8,327)	$(6,136)

In 2013, the operating loss recognized includes exit costs of $22.2 million for asset impairments, $10.3 million for future lease commitments, net of reversals for deferred rent and tenant improvement allowances of $4.3 million, and $3.0 million of other exits costs (primarily severance, equipment removal costs and inventory write-offs). Our liability for lease commitments related to the Qdoba closures is included in accrued liabilities and other long-term liabilities and has changed as follows during fiscal 2013 (in thousands):

Balance at beginning of year	$—
Additions	14,072
Adjustments	530
Cash payments	(3,890)
Balance at end of year	$10,712

The future minimum lease payments and receipts for the next five fiscal years and thereafter are included in the amounts disclosed in Note 8, Leases.

3. SUMMARY OF REFRANCHISINGS, FRANCHISEE DEVELOPMENT AND ACQUISITIONS

Refranchisings and franchisee development — The following is a summary of the number of restaurants sold to franchisees, the number of restaurants developed by franchisees and the related gains and fees recognized (dollars in thousands):

	2013	2012	2011
Restaurants sold to franchisees	81	97	332
New restaurants opened by franchisees	45	50	58
Initial franchise fees	$4,017	$5,535	$15,898
Proceeds from the sale of company-operated restaurants:			
Cash (1)	$30,619	$47,115	$119,275
Notes receivable	—	1,200	1,000
	30,619	48,315	120,275
Net assets sold (primarily property and equipment)	(15,680)	(16,833)	(52,943)
Goodwill related to the sale of company-operated restaurants	(629)	(1,334)	(3,469)
Other (2)	(9,670)	(1,003)	(2,738)
Gains on the sale of company-operated restaurants	$4,640	$29,145	$61,125

(1)

Amounts in 2013 and 2012 include additional proceeds of $3.3 million and $2.3 million, respectively, recognized upon the extension of the underlying franchise and lease agreements related to restaurants sold in a prior year.

(2) Amounts in all years presented primarily represent impairment and lease commitment charges related to restaurants closed in connection with the sale of the related markets, and in 2013, charges for operating restaurant leases with lease commitments in excess of our sublease rental income.

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Franchise acquisitions — In each of the last three years, we have acquired Qdoba franchised restaurants in select markets where we believe there is continued opportunity for restaurant development. Additionally, in 2013 we exercised our right of first refusal and acquired one Jack in the Box franchise restaurant. We account for the acquisition of franchised restaurants using the acquisition method of accounting for business combinations. The purchase price allocations were based on fair value estimates determined using significant unobservable inputs (Level 3). The goodwill recorded primarily relates to the sales growth potential of the markets acquired and is expected to be deductible for income tax purposes. The following table provides detail of the combined acquisitions in each year (dollars in thousands):

	2013	2012	2011
Restaurants acquired from franchisees	14	46	32
Property and equipment	$3,030	$12,379	$6,934
Reacquired franchise rights	148	604	386
Goodwill	9,169	36,084	24,300
Liabilities assumed	(283)	(122)	(117)
Gains on the acquisition of franchise-operated restaurants (1)	—	—	(426)
Total consideration	$12,064	$48,945	$31,077

(1) In 2011, the assets acquired and liabilities assumed exceeded the consideration for two of the units acquired. The gains are included in selling, general and administrative expenses in the accompanying consolidated statements of earnings.

4. GOODWILL AND INTANGIBLE ASSETS, NET

The changes in the carrying amount of goodwill during 2013 and 2012 by reportable segment were as follows (in thousands):

	Jack in the Box	Qdoba	Total
Balance at October 2, 2011	$49,181	$56,691	$105,872
Acquisition of franchised restaurants	—	36,084	36,084
Sale of company-operated restaurants to franchisees	(1,334)	—	(1,334)
Balance at September 30, 2012	47,847	92,775	140,622
Acquisition of franchised restaurants	1,173	7,996	9,169
2013 Qdoba Closures	—	(174)	(174)
Sale of company-operated restaurants to franchisees	(629)	—	(629)
Balance at September 29, 2013	$48,391	$100,597	$148,988

Intangible assets, net consist of the following as of the end of each fiscal year (in thousands):

	2013	2012
Amortized intangible assets:		
Gross carrying amount	$17,203	$17,319
Less accumulated amortization	(9,613)	(8,913)
Net carrying amount	7,590	8,406
Non-amortized intangible assets:		
Trademark	8,800	8,800
Net carrying amount	$16,390	$17,206

Amortized intangible assets include acquired franchise contracts recorded in connection with our acquisition of Qdoba in 2003, lease acquisition costs and reacquired Qdoba franchise rights. The weighted-average life of these amortized intangible assets is approximately 24 years. Total amortization expense related to intangible assets was $1.0 million,

$0.9 million and $0.8 million in fiscal 2013, 2012 and 2011, respectively.

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The following table summarizes, as of September 29, 2013, the estimated amortization expense for each of the next five fiscal years (in thousands):

Fiscal Year	
2014	$855
2015	$798
2016	$754
2017	$706
2018	$661

5. FAIR VALUE MEASUREMENTS

Financial assets and liabilities — The following table presents the financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (3) (Level 1)	Significant Other Observable Inputs (3) (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value Measurements as of September 29, 2013:				
Non-qualified deferred compensation plan (1)	$(39,135)	$(39,135)	$—	$—
Interest rate swaps (Note 6) (2)	(1,190)	—	(1,190)	—
Total liabilities at fair value	$(40,325)	$(39,135)	$(1,190)	$—
Fair Value Measurements as of September 30, 2012:				
Non-qualified deferred compensation plan (1)	$(37,523)	$(37,523)	$—	$—
Interest rate swaps (Note 6) (2)	(2,433)	—	(2,433)	—
Total liabilities at fair value	$(39,956)	$(37,523)	$(2,433)	$—

(1) We maintain an unfunded defined contribution plan for key executives and other members of management excluded from participation in our qualified savings plan. The fair value of this obligation is based on the closing market prices of the participants' elected investments.

(2) We entered into interest rate swaps to reduce our exposure to rising interest rates on our variable debt. The fair values of our interest rate swaps are based upon Level 2 inputs which include valuation models as reported by our counterparties. The key inputs for the valuation models are quoted market prices, interest rates and forward yield curves.

(3) We did not have any transfers in or out of Level 1 or Level 2.

The fair values of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. At September 29, 2013, the carrying value of all financial instruments was not materially different from fair value, as the borrowings are prepayable without penalty. The estimated fair values of our capital lease obligations approximated their carrying values as of September 29, 2013.

Non-financial assets and liabilities — The Company's non-financial instruments, which primarily consist of property and equipment, goodwill and intangible assets, are reported at carrying value and are not required to be measured at fair value on a recurring basis. However, on a periodic basis (at least annually for goodwill and intangible assets and semi-annually for property and equipment) or whenever events or changes in circumstances indicate that their carrying value may not be recoverable, non-financial instruments are assessed for impairment. If applicable, the carrying values are written down to fair value.

The following table presents property and equipment long-lived assets measured at fair value on a non-recurring basis during fiscal year 2013 (in thousands):

	Fair Value Measurement	Impairment Charges
Long-lived assets held and used	$ 705	$ 3,874
Long-lived assets held for sale	$ 401	5,356

Long-lived assets held and used consist primarily of Jack in the Box restaurants determined to be underperforming or which we intend to close. Long-lived assets held for sale primarily relate to restaurants refranchised during the year for less than their carrying value. To determine fair value, we used the income approach, which assumes that the future cash flows reflect current market expectations. The future cash flows are generally based on the assumption that the highest and best use of the asset is to sell the store to a franchisee (market participant). These fair value measurements require significant judgment using Level 3 inputs, such as discounted cash flows, which are not observable from the market, directly or indirectly. Refer to Note 9, Impairment, Disposition of Property and Equipment, Restaurant Closing Costs and Restructuring, for additional information regarding impairment charges.

Due to the magnitude of the 2013 Qdoba closures, during the third quarter of fiscal 2013 we tested Qdoba's goodwill and trademark assets for impairment. To evaluate goodwill for impairment, we estimated the fair value of the Qdoba reporting unit and compared it to its carrying value. We engaged a valuation firm to assist us in the fair value analysis. To determine fair value, we used a multiple valuation technique approach, the results of which were weighted based on the technique that was assessed to be more representative of fair value. Based upon the fair value analysis, the estimated fair value of the Qdoba reporting unit was substantially in excess of its carrying value as of July 7, 2013. We also utilized the third party valuation firm to aid in our impairment analysis of the Qdoba trademark. To determine its fair value, we used the relief from royalty method and compared the estimated fair value to its carrying value. The estimated fair value of the Qdoba trademark was substantially in excess of its carrying value. During the fourth quarter of fiscal 2013, we performed our annual impairment test over all of our recorded goodwill and non-amortizing intangible assets. Based on this qualitative assessment, we determined there was no impairment as of September 29, 2013.

6. DERIVATIVE INSTRUMENTS

Objectives and strategies — We are exposed to interest rate volatility with regard to our variable rate debt. To reduce our exposure to rising interest rates, in August 2010, we entered into two interest rate swap agreements that effectively convert $100.0 million of our variable rate term loan borrowings to a fixed-rate basis from September 2011 through September 2014. These agreements have been designated as cash flow hedges under the terms of the FASB authoritative guidance for derivatives and hedging. To the extent that they are effective in offsetting the variability of the hedged cash flows, changes in the fair values of the derivatives are not included in earnings but are included in OCI. These changes in fair value are subsequently reclassified into net earnings as a component of interest expense as the hedged interest payments are made on our term debt.

Financial position — The following derivative instruments were outstanding as of the end of each fiscal year (in thousands):

	September 29, 2013		September 30, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swaps (Note 5)	Accrued liabilities	$(1,190)	Accrued liabilities	$(2,433)
Total derivatives		$(1,190)		$(2,433)

Financial performance — The following is a summary of the accumulated OCI activity related to our interest rate swap derivative instruments (in thousands):

	Location of Loss in Income	2013	2012	2011
Loss recognized in OCI	N/A	$(110)	$(1,055)	$(2,066)
Loss reclassified from accumulated OCI into income	Interest expense, net	$(1,353)	$(1,304)	$(117)

Amounts reclassified from accumulated OCI into interest expense represent payments made to the counterparty for the effective portions of the interest rate swaps. During 2013, 2012 and 2011, our interest rate swaps had no hedge ineffectiveness.

7. INDEBTEDNESS

The detail of our long-term debt at the end of each fiscal year is as follows (in thousands):

	2013	2012
Revolver, variable interest rate based on an applicable margin plus LIBOR, 2.48% at September 29, 2013	$175,000	$250,000
Term loan, variable interest rate based on an applicable margin plus LIBOR, 2.19% at September 29, 2013	190,000	165,000
Capital lease obligations, 9.96% weighted average interest rate at September 29, 2013	5,282	6,228
	370,282	421,228
Less current portion	(20,889)	(15,952)
	$349,393	$405,276

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New credit facility — During the first quarter of fiscal 2013, the Company refinanced its former credit facility and entered into an amended and restated credit agreement. The new credit facility is comprised of (i) a $400.0 million revolving credit facility and (ii) a $200.0 million term loan facility. The interest rate on the new credit facility is based on the Company's leverage ratio and can range from London Interbank Offered Rate ("LIBOR") plus 1.75% to 2.25% with no floor. The initial interest rate was LIBOR plus 2.00%. The revolving credit facility and the term loan facility both have maturity dates of November 5, 2017. As part of the credit agreement, we may also request the issuance of up to $75.0 million in letters of credit, the outstanding amount of which reduces our net borrowing capacity under the agreement. As of September 29, 2013, our unused borrowing capacity was $196.9 million.

Use of proceeds — The Company borrowed $200.0 million under the new term loan and approximately $220.0 million under the new revolving credit facility. The proceeds from the refinancing transaction were used to repay all borrowings under the former facility and to pay related transaction fees and expenses associated with the refinance of the facility, and will also be available for permitted share repurchases, permitted dividends, permitted acquisitions, ongoing working capital requirements and other general corporate purposes. At September 29, 2013, we had borrowings under the revolving credit facility of $175.0 million, $190.0 million outstanding under the term loan and letters of credit outstanding of $28.1 million.

Collateral — The Company's obligations under the credit facility are secured by first priority liens and security interests in the capital stock, partnership and membership interests owned by the Company and (or) its subsidiaries, and any proceeds thereof, subject to certain restrictions set forth in the credit agreement. Additionally, there is a negative pledge on all tangible and intangible assets (including all real and personal property) with customary exceptions as reflected in the credit agreement.

Covenants — We were subject to a number of customary covenants under our credit facility, including limitations on additional borrowings, acquisitions, loans to franchisees, capital expenditures, lease commitments, stock repurchases, and dividend payments and requirements to maintain certain financial ratios as defined in the credit agreement.

Future cash payments — Scheduled principal payments on our long-term debt outstanding at September 29, 2013 for each of the next five fiscal years and thereafter are as follows (in thousands):

Fiscal Year	
2014	$20,889
2015	20,866
2016	25,900
2017	20,863
2018	280,668
Thereafter	1,096
	$370,282

We may make voluntary prepayments of the loans under the revolving credit facility and term loan at any time without premium or penalty. Specific events such as asset sales, certain issuances of debt and insurance and condemnation recoveries, may trigger a mandatory prepayment.

Capitalized interest — We capitalize interest in connection with the construction of our restaurants and other facilities. Interest capitalized in was $0.1 million, $0.4 million and $0.3 million in 2013, 2012 and 2011, respectively.

8. LEASES

As lessee — We lease restaurants and other facilities, which generally have renewal clauses of 5 to 20 years exercisable at our option. In some instances, our leases have provisions for contingent rentals based upon a percentage of defined revenues. Many of our leases also have rent escalation clauses and require the payment of property taxes, insurance and maintenance costs. We also lease certain restaurant and office equipment, as well as various transportation equipment. Minimum rental obligations are accounted for on a straight-line basis over the term of the initial lease.

The components of rent expense were as follows in each fiscal year (in thousands):

	2013	2012	2011
Minimum rentals	$214,462	$211,050	$207,745
Contingent rentals	1,840	2,013	1,788
Total rent expense	216,302	213,063	209,533
Less rental expense on subleased properties	(136,970)	(130,275)	(109,300)
Net rent expense	$79,332	$82,788	$100,233

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The following table presents as of September 29, 2013, future minimum lease payments under capital and operating leases including leases recorded as divestment obligations relating to continuing and discontinued operations (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2014	$1,384	$229,287
2015	1,260	216,983
2016	1,198	217,778
2017	1,072	182,361
2018	792	150,904
Thereafter	1,315	723,884
Total minimum lease payments	7,021	$1,721,197
Less amount representing interest, 9.96% weighted average interest rate	(1,739)	
Present value of obligations under capital leases	5,282	
Less current portion	(903)	
Long-term capital lease obligations	$4,379	

Total future minimum lease payments of $1.1 billion included in the table above are expected to be recovered under our non-cancellable operating subleases.

Assets recorded under capital leases are included in property and equipment, and consisted of the following at each year-end (in thousands):

	2013	2012
Buildings	$19,105	$19,431
Less accumulated amortization	(14,808)	(14,499)
	$4,297	$4,932

Amortization of assets under capital leases is included in depreciation and amortization expense.

As lessor — We lease or sublease restaurants to certain franchisees and others under agreements that generally provide for the payment of percentage rentals in excess of stipulated minimum rentals, usually for a period of 20 years. Most of our leases have rent escalation clauses and renewal clauses of 5 to 20 years. The following details rents received under these agreements in each fiscal year (in thousands):

	2013	2012	2011
Total rental income (1)	$213,009	$200,760	$166,937
Contingent rentals	$16,966	$16,341	$10,364

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(1) Includes contingent rentals.

The minimum rents receivable expected to be received under these non-cancelable operating leases and subleases, excluding contingent rentals, as of September 29, 2013 are as follows (in thousands):

Fiscal Year	
2014	$199,481
2015	197,936
2016	213,205
2017	194,754
2018	175,720
Thereafter	1,672,315
Total minimum future rentals	$2,653,411

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Assets held for lease and included in property and equipment consisted of the following at each year-end (in thousands):

	2013	2012
Land	$79,015	$73,831
Buildings	684,288	643,113
Equipment	3,887	3,455
	767,190	720,399
Less accumulated depreciation	(400,211)	(353,157)
	$366,979	$367,242

9. IMPAIRMENT, DISPOSITION OF PROPERTY AND EQUIPMENT, RESTAURANT CLOSING COSTS AND RESTRUCTURING

Impairment and other charges, net in the accompanying consolidated statements of earnings is comprised of the following (in thousands):

	2013	2012	2011
Impairment charges	$3,874	$3,112	$1,367
Losses on disposition of property and equipment, net	3,645	5,904	7,524
Costs of closed restaurants (primarily lease obligations) and other	2,469	8,332	3,655
Restructuring costs	3,451	15,461	—
	$13,439	$32,809	$12,546

Impairment — When events and circumstances indicate that our long-lived assets might be impaired and their carrying amount is greater than the undiscounted cash flows we expect to generate from such assets, we recognize an impairment loss as the amount by which the carrying value exceeds the fair value of the assets. Impairment charges in 2013, 2012 and 2011 primarily represent charges to write down the carrying value of underperforming Jack in the Box restaurants and Jack in the Box restaurants we intend to or have closed.

Disposition of property and equipment — We also recognize accelerated depreciation and other costs on the disposition of property and equipment. When we decide to dispose of a long-lived asset, depreciable lives are adjusted based on the estimated disposal date and accelerated depreciation is recorded. Other disposal costs primarily relate to gains or losses recognized upon the sale of closed restaurant properties, and charges from our ongoing restaurant upgrade programs, remodels and rebuilds, and other corporate roll-out initiatives. In 2013, losses on the disposition of property and equipment includes income of $2.8 million from the resolution of four eminent domain matters involving Jack in the Box restaurants.

Restaurant closing costs consist of future lease commitments, net of anticipated sublease rentals and expected ancillary costs, and are included in impairment and other charges, net in the accompanying consolidated statements of earnings. Total accrued restaurant closing costs, included in accrued liabilities and other long-term liabilities, changed as follows during each fiscal year (in thousands):

	2013	2012
Balance at beginning of year	$20,677	$21,657
Additions	—	546
Adjustments	1,752	5,241
Cash payments	(6,108)	(6,767)
Balance at end of year	$16,321	$20,677

In each fiscal year, adjustments primarily relate to revisions to certain sublease costs and assumptions due to changes in market conditions.

The future minimum lease payments and receipts for the next five fiscal years and thereafter are included in the amounts disclosed in Note 8, Leases. Our obligations under the leases included in the above table expire at various dates between 2014 and 2030.

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Restructuring costs — Since the beginning of 2012, we have been engaged in a comprehensive review of our organization structure, including evaluating opportunities for outsourcing, restructuring of certain functions and workforce reductions. In fiscal 2012, as part of these cost saving initiatives, we offered a voluntary early retirement program ("VERP") to eligible employees which are noted as enhanced pension benefits in the table below. The following is a summary of the costs incurred in connection with these activities during each fiscal year (in thousands):

	2013	2012
Enhanced pension benefits (Note 11)	$—	$6,167
Severance costs	2,821	6,987
Other	630	2,307
	$3,451	$15,461

Refer to Note 11, Retirement Plans, for additional information regarding the costs associated with enhanced pension benefits in fiscal 2012. Total accrued severance costs related to our restructuring activities are included in accrued liabilities and changed as follows in each fiscal year (in thousands):

	2013	2012
Balance at beginning of year	$1,758	$—
Additions	2,821	6,987
Cash payments	(4,326)	(5,229)
Balance at end of the year	$253	$1,758

As part of the ongoing review of our organization structure, we expect to incur additional charges related to our restructuring activities; however, we are unable to make a reasonable estimate of the additional costs at this time. Our continuing efforts to lower our cost structure include identifying opportunities to reduce general and administrative costs as well as improve restaurant profitability across both brands.

10. INCOME TAXES

The fiscal year income taxes consist of the following (in thousands):

	2013	2012	2011
Current:			
Federal	$51,367	$35,205	$50,255
State	7,583	5,248	11,042
	58,950	40,453	61,297
Deferred:			
Federal	(16,897)	(5,553)	(8,077)
State	(1,707)	(1,062)	(4,755)
	(18,604)	(6,615)	(12,832)
Income tax expense from continuing operations	$40,346	$33,838	$48,465
Income tax benefit from discontinued operations	$(19,566)	$(6,651)	$(3,287)

A reconciliation of the federal statutory income tax rate to our effective tax rate for continuing operations is as follows:

	2013	2012	2011
Computed at federal statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	3.4	3.3	3.4
Benefit of jobs tax credits	(1.9)	(1.0)	(1.4)
Expense (benefit) related to COLIs	(2.9)	(4.6)	0.3
Other, net	(0.8)	0.5	(1.2)
	32.8 %	33.2 %	36.1 %

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The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at each year-end are presented below (in thousands):

	2013	2012
Deferred tax assets:		
Accrued pension and postretirement benefits	$66,698	$109,443
Accrued insurance	13,115	12,096
Accrued vacation pay expense	3,259	4,611
Deferred income	1,441	1,969
Impairment	27,944	22,763
Divestment	11,361	6,252
Other reserves and allowances	3,964	3,489
Tax loss and tax credit carryforwards	4,619	5,093
Leasing transactions	7,471	10,893
Share-based compensation	13,128	18,722
Other, net	4,280	3,297
Total gross deferred tax assets	157,280	198,628
Valuation allowance	(4,619)	(5,093)
Total net deferred tax assets	152,661	193,535
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation	(9,753)	(27,230)
Intangible assets	(27,350)	(23,837)
Other	(40)	—
Total gross deferred tax liabilities	(37,143)	(51,067)
Net deferred tax assets	$115,518	$142,468

Deferred tax assets at September 29, 2013 include state net operating loss carryforwards of approximately $78.1 million expiring at various times between 2017 and 2034. At September 29, 2013 and September 30, 2012, we recorded a valuation allowance related to state net operating losses of $4.6 million and $5.1 million, respectively. The current year change in the valuation allowance of $0.5 million relates to net operating losses. We believe that it is more likely than not that these loss carryforwards will not be realized and that the remaining deferred tax assets will be realized through future taxable income or alternative tax strategies.

Our gross unrecognized tax benefits associated with uncertain income tax positions decreased during fiscal 2013 based on a preliminary assessment of a state income tax audit. A reconciliation of the beginning and ending amount of unrecognized tax benefits follows (in thousands):

	2013	2012
Balance beginning of year	$905	$629
Change related to tax positions	(136)	276
Balance at end of year	$769	$905

From time to time, we may take positions for filing our tax returns which may differ from the treatment of the same item for financial reporting purposes. The ultimate outcome of these items will not be known until the IRS has completed its examination or until the statute of limitations has expired.

It is reasonably possible that changes of approximately $0.8 million to the gross unrecognized tax benefits will be required within the next twelve months. These changes relate to the possible settlement of state tax audits.

The major jurisdictions in which the Company files income tax returns include the United States and states in which we operate that impose an income tax. The federal statutes of limitations have not expired for fiscal years 2008 and forward. The statutes of limitations for California and Texas, which constitute the Company’s major state tax jurisdictions, have not expired for fiscal years 2001 and 2007, respectively, and forward. Generally, the statutes of limitations for the other state jurisdictions have not expired for fiscal years 2009 and forward.

11. RETIREMENT PLANS

We sponsor programs that provide retirement benefits to most of our employees. These programs include defined contribution plans, defined benefit pension plans and postretirement healthcare plans.

Defined contribution plans — We maintain a qualified savings plan pursuant to Section 401(k) of the Internal Revenue Code, which allow administrative and clerical employees who have satisfied the service requirements and reached age 21 to defer a percentage of their pay on a pre-tax basis. We match 50% of the first 4% of compensation deferred by the participant. Our contributions under these plans were $1.0 million in 2013, and $1.2 million in both 2012 and 2011. We also maintain an unfunded, non-qualified deferred compensation plan for key executives and other members of management who are excluded from participation in the qualified savings plans. This plan allows participants to defer up to 50% of their salary and 85% of their bonus, on a pre-tax basis. We match 100% of the first 3% contributed by the participant. To compensate executives no longer eligible to participate in our supplemental defined benefit pension plan, we also contribute a supplemental amount equal to 4% of an eligible employee's salary and bonus for a period of ten years in such eligible position. Our contributions under the non-qualified deferred compensation plan were $1.1 million in 2013, 2012, and 2011. In all plans, a participant's right to Company contributions vest at a rate of 25% per year of service.

Defined benefit pension plans — We sponsor two defined benefit pension plans, a "Qualified Plan" covering substantially all full-time employees hired prior to January 1, 2011, and an unfunded supplemental executive retirement plan ("SERP") which provides certain employees additional pension benefits and was closed to new participants effective January 1, 2007. In fiscal 2011, the Board of Directors approved changes to our Qualified Plan whereby participants no longer accrue benefits effective December 31, 2015. This change was accounted for as a plan "curtailment" in accordance with the authoritative guidance issued by the FASB. Benefits under both plans are based on the employees' years of service and compensation over defined periods of employment.

In April 2012, we announced a voluntary early retirement program to eligible employees. The offering period for participation in the VERP ended during the third quarter of fiscal 2012. In connection with the VERP, we were required to re-measure the liability for our Qualified Plan as of June 30, 2012. As a result, we incurred a charge and an increase to our pension benefit obligation ("PBO") in fiscal 2012 of $6.2 million for enhanced retirement benefits under our Qualified Plan.

Postretirement healthcare plans — We also sponsor two healthcare plans closed to new participants that provide postretirement medical benefits to certain employees who have met minimum age and service requirements. The plans are contributory; with retiree contributions adjusted annually, and contain other cost-sharing features such as deductibles and coinsurance.

JACK IN THE BOX INC. AND SUBSIDIARIES
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Obligations and funded status — The following table provides a reconciliation of the changes in benefit obligations, plan assets and funded status of our retirement plans as of September 29, 2013 and September 30, 2012 (in thousands):

	Qualified Plan		SERP		Postretirement Health Plans	
	2013	2012	2013	2012	2013	2012
Change in benefit obligation:						
Obligation at beginning of year	$466,097	$354,472	$63,156	$55,604	$37,307	$29,578
Service cost	10,210	9,068	543	466	—	61
Interest cost	19,964	19,891	2,664	3,056	1,586	1,617
Participant contributions	—	—	—	—	131	134
Actuarial (gain) loss	(85,578)	98,120	1,773	6,767	(4,612)	6,574
Benefits paid	(28,625)	(21,621)	(3,419)	(3,404)	(1,331)	(1,512)
Other	—	—	—	667	162	855
Cost of VERP	—	6,167	—	—	—	—
Obligation at end of year	$382,068	$466,097	$64,717	$63,156	$33,243	$37,307
Change in plan assets:						
Fair value at beginning of year	$311,988	$261,835	$—	$—	$—	$—
Actual return on plan assets	33,062	53,174	—	—	—	—
Participant contributions	—	—	—	—	131	134
Employer contributions	20,000	18,600	3,419	3,404	1,038	523
Benefits paid and other	(28,625)	(21,621)	(3,419)	(3,404)	(1,169)	(657)
Fair value at end of year	$336,425	$311,988	$—	$—	$—	$—
Funded status at end of year	$(45,643)	$(154,109)	$(64,717)	$(63,156)	$(33,243)	$(37,307)
Amounts recognized on the balance sheet:						
Current liabilities	$—	$—	$(4,392)	$(3,411)	$(1,438)	$(1,440)
Noncurrent liabilities	(45,643)	(154,109)	(60,325)	(59,745)	(31,805)	(35,867)
Total liability recognized	$(45,643)	$(154,109)	$(64,717)	$(63,156)	$(33,243)	$(37,307)
Amounts in AOCI not yet reflected in net periodic benefit cost:						
Unamortized actuarial loss, net	$68,454	$180,044	$21,632	$22,029	$9,024	$14,427
Unamortized prior service cost	—	—	1,349	1,618	—	—
Total	$68,454	$180,044	$22,981	$23,647	$9,024	$14,427
Other changes in plan assets and benefit obligations recognized in OCI:						
Net actuarial (gain) loss	$(95,925)	$65,278	$1,773	$6,767	$(4,612)	$6,574
Amortization of actuarial loss	(15,665)	(11,871)	(2,170)	(1,140)	(791)	(89)
Amortization of prior service cost	—	—	(269)	(432)	—	—
Total recognized in OCI	(111,590)	53,407	(666)	5,195	(5,403)	6,485
Net periodic benefit cost and other losses	23,124	26,665	5,646	5,094	2,377	1,767
Total recognized in comprehensive income	$(88,466)	$80,072	$4,980	$10,289	$(3,026)	$8,252

Amounts in AOCI expected to be amortized in fiscal 2014 net periodic benefit cost:			
Net actuarial loss	$3,574	$859	$542
Prior service cost	—	269	—
Total	$3,574	$1,128	$542

Additional year-end pension plan information — The pension benefit obligation (“PBO”) is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases. The accumulated benefit obligation (“ABO”) also reflects the actuarial present value of benefits attributable to employee service rendered to date but does not include the effects of estimated future pay increases. Therefore, the ABO as compared to plan assets is an indication of the assets currently available to fund vested and nonvested benefits accrued through the end of the fiscal year. The funded status is measured as the difference between the fair value of a plan’s assets and its PBO.

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As of September 29, 2013 and September 30, 2012, the Qualified Plan's ABO exceeded the fair value of its plan assets. The SERP is an unfunded plan and, as such, had no plan assets as of September 29, 2013 and September 30, 2012. The following sets forth the PBO, ABO and fair value of plan assets of our pension plans as of the measurement date in each year (in thousands):

	2013	2012
Qualified Plan:		
Projected benefit obligation	$382,068	$466,097
Accumulated benefit obligation	$377,800	$458,493
Fair value of plan assets	$336,425	$311,988
SERP:		
Projected benefit obligation	$64,717	$63,156
Accumulated benefit obligation	$64,385	$60,602
Fair value of plan assets	$—	$—

Net periodic benefit cost — The components of the fiscal year net periodic benefit cost were as follows (in thousands):

	2013	2012	2011
Qualified Plan:			
Service cost	$10,210	$9,068	$9,982
Interest cost	19,964	19,891	18,557
Expected return on plan assets	(22,715)	(20,332)	(20,732)
Actuarial loss	15,665	11,871	8,518
Cost of VERP	—	6,167	—
Net periodic benefit cost	$23,124	$26,665	$16,325
SERP:			
Service cost	$543	$466	$806
Interest cost	2,664	3,056	3,023
Actuarial loss	2,170	1,140	1,305
Amortization of unrecognized prior service cost	269	432	488
Net periodic benefit cost	$5,646	$5,094	$5,622
Postretirement health plans:			
Service cost	$—	$61	$80
Interest cost	1,586	1,617	1,585
Actuarial loss	791	89	202
Amortization of unrecognized prior service cost	—	—	31
Net periodic benefit cost	$2,377	$1,767	$1,898

Prior service costs are amortized on a straight-line basis from date of participation to full eligibility. Unrecognized gains or losses are amortized using the "corridor approach." Under the corridor approach, the net gain or loss in excess of 10% of the greater of the PBO or the market-related value of the assets, if applicable, is amortized on a straight-line basis over the remaining service period of plan participants expected to receive benefits.

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Assumptions — We determine our actuarial assumptions on an annual basis. In determining the present values of our benefit obligations and net periodic benefit costs as of and for the fiscal years ended September 29, 2013, September 30, 2012 and October 2, 2011, respectively, we used the following weighted-average assumptions:

	2013	2012	2011
Assumptions used to determine benefit obligations (1):			
Qualified Plan:			
Discount rate	5.37 %	4.34 %	5.60 %
Rate of future pay increases	3.50 %	3.50 %	3.50 %
SERP:			
Discount rate	4.88 %	4.34 %	5.60 %
Rate of future pay increases	3.50 %	3.50 %	3.50 %
Postretirement health plans:			
Discount rate	5.04 %	4.34 %	5.60 %
Assumptions used to determine net periodic benefit cost:			
Qualified Plan (2):			
Discount rate	4.34 %	4.78 %	5.82 %
Long-term rate of return on assets	7.25 %	7.25 %	7.75 %
Rate of future pay increases	3.50 %	3.50 %	3.50 %
SERP (3):			
Discount rate	4.34 %	5.60 %	5.82 %
Rate of future pay increases	3.50 %	3.50 %	3.50 %
Postretirement health plans (3):			
Discount rate	4.34 %	5.60 %	5.82 %

(1) Determined as of end of year.

(2) During fiscal year 2012, the discount rate and long-term rate of return on plan assets used to determine net period benefit costs were updated as of June 30, 2012, in connection with the VERP re-measurement from the rates determined at the beginning of the year of 5.60% and 7.75%, respectively.

(3) Determined as of beginning of year.

The assumed discount rates were determined by considering the average of pension yield curves constructed of a population of high-quality bonds with a Moody's or Standard and Poor's rating of "AA" or better whose cash flow from coupons and maturities match the year-by-year projected benefit payments from the plans. Since benefit payments typically extend beyond the date of the longest maturing bond, cash flows beyond 30 years were discounted back to the 30th year and then matched like any other payment.

The assumed expected long-term rate of return on assets is the weighted average rate of earnings expected on the funds invested or to be invested to provide for the pension obligations. The long-term rate of return on assets was determined taking into consideration our projected asset allocation and economic forecasts prepared with the assistance of our actuarial consultants.

The assumed discount rate and expected long-term rate of return on assets have a significant effect on amounts reported for our pension and postretirement plans. A quarter percentage point decrease in the discount rate and long-term rate of return used would have decreased fiscal 2013 earnings before income taxes by $2.8 million and $0.8 million, respectively.

The assumed average rate of compensation increase is the average annual compensation increase expected over the remaining employment periods for the participating employees.

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For measurement purposes, the weighted-average assumed health care cost trend rates for our postretirement health plans were as follows for each fiscal year:

	2013	2012	2011
Healthcare cost trend rate for next year:			
Participants under age 65	8.50 %	8.50 %	7.70 %
Participants age 65 or older	8.00 %	8.00 %	7.00 %
Rate to which the cost trend rate is assumed to decline:			
Participants under age 65 (1)	4.80% / 4.90%	4.50 %	5.10 %
Participants age 65 or older (1)	4.80% / 4.90%	4.50 %	4.50 %
Year the rate reaches the ultimate trend rate:			
Participants under age 65 (1)	2038 / 2045	2029	2040
Participants age 65 or older (1)	2037 / 2045	2027	2028

(1) In fiscal 2013, rates and years are stated for the two post retirement health plans sponsored by The Company. In 2012 and 2011, rates and years were the same for both plans.

The assumed healthcare cost trend rate represents our estimate of the annual rates of change in the costs of the healthcare benefits currently provided by our postretirement plans. The healthcare cost trend rate implicitly considers estimates of healthcare inflation, changes in healthcare utilization and delivery patterns, technological advances and changes in the health status of the plan participants. The healthcare cost trend rate assumption has a significant effect on the amounts reported. For example, a 1.0% change in the assumed healthcare cost trend rate would have the following effect (in thousands):

	1% Point Increase	1% Point Decrease
Total interest and service cost	$206	$(176)
Postretirement benefit obligation	$4,046	$(3,452)

Plan assets — Our investment philosophy is to (1) protect the corpus of the fund; (2) establish investment objectives that will allow the market value to exceed the present value of the vested and unvested liabilities over time; while (3) obtaining adequate investment returns to protect benefits promised to the participants and their beneficiaries. Our asset allocation strategy utilizes multiple investment managers in order to maximize the plan’s return while minimizing risk. We regularly monitor our asset allocation, and senior financial management and the Finance Committee of the Board of Directors review performance results at least semi-annually. In August 2012, we adjusted our target asset allocation for our Qualified Plan and we plan to reallocate our plan assets over a period of time, as deemed appropriate by senior financial management, to achieve our target asset allocation. Our plan asset allocation at the end of fiscal 2013 and target allocations were as follows:

	2013	Target	Minimum	Maximum
Domestic equity	32 %	25 %	15 %	35 %
International equity	24	25	15	35
Core fixed funds	24	25	20	30
Real return bonds	3	3	—	10
Alternative investments	5	5	—	10
Real estate	9	8	—	10
High yield	1	5	—	10
Commodities	2	4	—	10

	100 %	100 %

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The fair values of the Qualified Plan's assets at September 29, 2013 and September 30, 2012 by asset category are as follows (in thousands):

		Total	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Items Measured at Fair Value at September 29, 2013:					
Asset Category:					
Cash and cash equivalents	(1)	$4,344	$ 4,344	$—	$—
Equity:					
U.S	(2)	26,317	26,317	—	—
Commingled	(3)	159,612	159,612	—	—
Fixed income:					
Corporate bonds	(5)	4,017	—	4,017	—
Government and mortgage securities	(7)	9,121	9,121	—	—
Other	(8)	98,654	16,553	82,101	—
Real estate	(10)	29,352	—	—	29,352
Diversified funds	(11)	5,008	5,008	—	—
		$336,425	$ 220,955	$86,118	$ 29,352
Items Measured at Fair Value at September 30, 2012:					
Asset Category:					
Cash and cash equivalents	(1)	$2,689	$ 2,689	$—	$—
Equity:					
U.S.	(2)	44,103	44,103	—	—
Commingled	(3)	128,919	128,919	—	—
Fixed income:					
Asset-backed securities	(4)	5,406	—	5,406	—
Corporate bonds	(5)	9,621	—	9,621	—
Non-government-backed C.M.O.'s	(6)	4,234	—	4,234	—
Government and mortgage securities	(7)	74,925	51,439	23,486	—
Other	(8)	16,185	16,185	—	—
Interest rate swaps	(9)	121	—	121	—
Real estate	(10)	25,785	—	—	25,785
		$311,988	$ 243,335	$42,868	$ 25,785

(1) Cash and cash equivalents are comprised of commercial paper, short-term bills and notes, and short-term investment funds, which are valued at unadjusted quoted market prices.

(2) U.S. equity securities are comprised of investments in common stock of U.S. companies for total return purposes. These investments are valued by the trustee at closing prices from national exchanges on the valuation date.

(3) Commingled equity securities are comprised of investments in mutual funds, the fair value of which is determined by reference to the fund's underlying assets, which are primarily marketable equity securities that are traded on national exchanges and valued at unadjusted quoted market prices.

(4) Asset-backed securities are comprised of collateralized obligations and mortgage-backed securities, which are valued by the trustee using observable, market-based inputs.

(5) Corporate bonds are comprised of mutual funds traded on national securities exchanges, valued at unadjusted quoted market prices, as well as securities traded in markets that are not considered active, which are valued based

on quoted market prices, broker/dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

(6) Non-government backed securities are comprised of collateralized obligations and mortgage-back securities, which the trustee values using observable, market-based inputs.

(7) Government and mortgage securities are comprised of government and municipal bonds, including treasury bills, notes and index linked bonds which are valued using an unadjusted quoted price in an active market or observable, market-based inputs.

(8) Other fixed income securities are comprised of other commingled funds invested in registered securities which are valued at the unadjusted quoted price in an active market or exchange and long-duration US government/credit funds which are valued based on observable inputs, which include quoted market prices in active markets for similar securities, valuations based on commonly quoted benchmark interest rates, maturities, ratings and/or securities indices.

(9) Interest rate swaps are derivative instruments used to reduce exposure to the impact of changing interest rates and are valued using observable, market-based inputs.

(10) Real estate is investments in a real estate investment trust for purposes of total return. These investments are valued at unit values provided by the investment managers and their consultants.

(11) Diversified funds are comprised of exchange-traded commodities futures and treasury bills, which are valued at unadjusted quoted market prices.

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The following table presents the changes in Level 3 investments for the qualified plan during 2012 and 2013 (in thousands):

	Real Estate
Balance at October 2, 2011	$8,415
Actual return on plan assets:	
Relating to assets still held at the reporting date	2,513
Relating to assets sold during the period	(15)
Purchases, sales and settlements	14,872
Balance at September 30, 2012	$25,785
Actual return on plan assets:	
Relating to assets still held at the reporting date	$3,831
Relating to assets sold during the period	(6)
Purchases, sales and settlements	(258)
Balance at September 29, 2013	$29,352

Future cash flows — Our policy is to fund our plans at or above the minimum required by law. As of the date of our last actuarial funding valuation, there was no minimum requirement. Contributions expected to be paid in the next fiscal year and the projected benefit payments for each of the next five fiscal years and the total aggregate amount for the subsequent five fiscal years are as follows (in thousands):

	Pension Plans	Postretirement Health Plans
Estimated net contributions during fiscal 2014	$24,392	$1,438
Estimated future year benefit payments during fiscal years:		
2014	$15,785	$1,438
2015	$15,959	$1,470
2016	$16,028	$1,518
2017	$16,237	$1,617
2018	$16,941	$1,788
2019-2023	$101,388	$11,199

We will continue to evaluate contributions to our Qualified Plan based on changes in pension assets as a result of asset performance in the current market and economic environment. Expected benefit payments are based on the same assumptions used to measure our benefit obligation at September 29, 2013 and include estimated future employee service.

12. SHARE-BASED EMPLOYEE COMPENSATION

Stock incentive plans — We offer share-based compensation plans to attract, retain and motivate key officers, employees and non-employee directors to work toward the financial success of the Company.

Our stock incentive plans are administered by the Compensation Committee of the Board of Directors and have been approved by the stockholders of the Company. The terms and conditions of our share-based awards are determined by the Compensation Committee for each award date and may include provisions for the exercise price, expirations, vesting, restriction on sales and forfeitures, as applicable. We issue new shares to satisfy stock issuances under our stock incentive plans.

Our Amended and Restated 2004 Stock Incentive Plan authorizes the issuance of up to 11,600,000 common shares in connection with the granting of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units or performance units to key employees, directors, and other designated employees. As of September 29, 2013, 3,297,947 shares of common stock were available for future issuance under this plan.

There are two other plans under which we can no longer issue awards, although awards outstanding under these plans may still vest and be exercised: the 2002 Stock Incentive Plan and the Non-Employee Director Stock Option Plan.

We also maintain a deferred compensation plan for non-management directors under which those who are eligible to receive fees or retainers may choose to defer receipt of their compensation. The deferred amounts are converted to stock equivalents. The plan requires settlement in shares of our common stock based on the number of stock equivalents at the time of a participant's separation from the Board of Directors. This plan provides for the issuance of up to 350,000 shares of common stock in connection with the crediting of stock equivalents. As of September 29, 2013, 153,738 shares of common stock were available for future issuance under this plan.

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We maintain an employee stock purchase plan ("ESPP") for all eligible employees to purchase shares of common stock at 95% of the fair market value on the date of purchase. Employees may authorize us to withhold up to 15% of their base compensation during any offering period, subject to certain limitations. A maximum of 200,000 shares of common stock may be issued under the plan. As of September 29, 2013, 111,701 shares of common stock were available for future issuance under this plan.

Compensation expense — The components of share-based compensation expense recognized in each year are as follows (in thousands):

	2013	2012	2011
Stock options	$5,075	$3,549	$5,118
Performance share awards	2,311	897	443
Nonvested stock awards	430	408	602
Nonvested stock units	3,356	1,874	1,727
Deferred compensation for directors	220	155	172
Total share-based compensation expense	$11,392	$6,883	$8,062
Associated tax benefits	$2,094	$1,115	$1,290

Stock options — Prior to fiscal 2007, options granted had contractual terms of 10 or 11 years and employee options generally vested over a 4-year period. Beginning fiscal 2007, option grants have contractual terms of 7 years and employee options vest over a 3-year period. Options may vest sooner for employees meeting certain age and years of service thresholds. Prior to 2009, we granted options to non-management directors that vested 6 months from the date of grant. All option grants provide for an option exercise price equal to the closing market value of the common stock on the date of grant.

The following is a summary of stock option activity for fiscal 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at September 30, 2012	4,648,587	$22.95		
Granted	376,793	$27.49		
Exercised	(2,584,413)	$23.99		
Forfeited	(28,701)	$22.20		
Expired	(7,410)	$12.50		
Options outstanding at September 29, 2013	2,404,856	$22.59	3.67	$ 42,111
Options exercisable at September 29, 2013	1,588,209	$22.45	2.76	$ 28,027
Options exercisable and expected to vest at September 29, 2013	2,394,255	$22.58	3.66	$ 41,953

The aggregate intrinsic value in the table above is the amount by which the current market price of our stock on September 29, 2013 exceeds the exercise price.

We use a valuation model to determine the fair value of options granted which requires the input of highly subjective assumptions, including the expected volatility of the stock price. The following table presents the weighted-average assumptions used for stock option grants in each year, along with the related weighted-average grant date fair value:

	2013	2012	2011
Risk-free interest rate	1.09 %	1.98 %	1.19 %
Expected dividends yield	— %	— %	— %
Expected stock price volatility	42.24 %	39.84 %	43.17 %
Expected life of options (in years)	6.50	6.64	6.05

Weighted-average grant date fair value	$11.84	$7.37	$8.25

The risk-free interest rate was determined by a yield curve of risk-free rates based on published U.S. Treasury spot rates in effect at the time of grant and has a term equal to the expected life of the related options. The dividend yield assumption is based on the Company's history and expectations of dividend payouts. The expected stock price volatility in all years represents an average of the implied volatility and the Company's historical volatility. The expected life of the options represents the period of time the options are expected to be outstanding and is based on historical trends.

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As of September 29, 2013, there was approximately $2.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to stock options grants which is expected to be recognized over a weighted-average period of 1.5 years. The total intrinsic value of stock options exercised was $25.9 million, $6.0 million and $4.2 million in 2013, 2012 and 2011, respectively.

Performance share awards — Performance share awards, granted in the form of stock units, represent a right to receive a certain number of shares of common stock based on the achievement of corporate performance goals and continued employment during the vesting period. Performance share awards issued to executives vest at the end of a 3-year period and vested amounts may range from 0% to as high as 150% of targeted amounts depending on the achievement of performance measures at the end of a 3-year period. Prior to 2012, we issued performance share awards to other members of management that vest at the end of a 3-year period with vested amounts ranging from 0% to 100% depending on the achievement of performance measures at the end of the first year of the three-year period. The expected cost of the shares is based on the fair value of our stock on the date of grant and is reflected over the vesting period with a reduction for estimated forfeitures. These awards may be settled in cash or shares of common stock at the election of the Company on the date of grant. It is our intent to settle these awards with shares of common stock.

The following is a summary of performance share award activity for fiscal 2013:

	Shares	Weighted-Average Grant Date Fair Value
Performance share awards outstanding at September 30, 2012	374,059	$19.79
Granted	89,236	$27.49
Issued	(31,209)	$19.27
Forfeited	(32,745)	$21.36
Canceled	(74,116)	$20.00
Performance share awards outstanding at September 29, 2013	325,225	$21.73
Vested and subject to release at September 29, 2013	48,569	$21.45

As of September 29, 2013, there was approximately $5.1 million of total unrecognized compensation cost related to performance-vested stock awards which is expected to be recognized over a weighted-average period of 1.5 years. The weighted-average grant date fair value of awards granted was $27.49, $19.62,and $21.74 in 2013, 2012 and 2011, respectively. The total fair value of awards that vested during 2013, 2012 and 2011 was $1.0 million, $0.5 million and $0.6 million, respectively.

Nonvested stock awards — We previously issued nonvested stock awards (“RSAs”) to certain executives under our share ownership guidelines. Effective fiscal 2009, we no longer issue RSA awards and have replaced them with grants of nonvested restricted stock units. The RSAs vest, subject to the discretion of our Board of Directors in certain circumstances, upon retirement or termination based upon years of service. These awards are amortized to compensation expense over the estimated vesting period based upon the fair value of our common stock on the award date.

The following is a summary of RSA activity for fiscal 2013:

	Shares	Weighted-Average Grant Date Fair Value
Nonvested stock awards outstanding at September 30, 2012	394,117	$14.81
Released	(56,681)	$9.94
Forfeited	(21,621)	$26.67
Nonvested stock awards outstanding at September 29, 2013	315,815	$14.87

Vested	204,505	$13.00

As of September 29, 2013, there was approximately $0.7 million of total unrecognized compensation cost related to RSAs, which is expected to be recognized over a weighted-average period of 2.8 years. In 2013, 2012 and 2011, the total fair value of RSAs that vested in each year was $1.2 million, $0.3 million and $0.2 million, respectively.

Nonvested stock units — In February 2009, the Board of Directors approved the issuance of a new type of stock award, nonvested restricted stock units ("RSUs"). RSUs are generally issued to executives, non-management directors and certain other members of management and employees. Prior to fiscal 2011, RSUs were granted to certain Executive and Senior Vice Presidents pursuant to our share ownership guidelines. These awards vest upon retirement or termination based on years of service. As of September 29, 2013, 60,272 such RSUs were outstanding.

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Beginning fiscal 2011, we replaced the ownership share grants with time-vested RSUs for all Vice Presidents and Officers that vest ratably over 5 years and have a 50% or 100% holding requirement on settled shares, which must be held until termination. As of September 29, 2013, 207,240 such RSUs were outstanding. RSUs issued to non-management directors vest 12 months from the date of grant or upon termination of board service and totaled 51,649 units as of September 29, 2013. RSUs issued to certain other employees either cliff vest or vest over 3 years and totaled 64,460 units as of September 29, 2013. These awards are amortized to compensation expense over the estimated vesting period based upon the fair value of our common stock on the award date.

The following is a summary of RSU activity for fiscal 2013:

	Shares	Weighted-Average Grant Date Fair Value
Nonvested stock units outstanding at September 30, 2012	290,616	$21.25
Granted	151,716	$28.95
Released	(41,418)	$21.51
Canceled	(17,293)	$23.22
Nonvested stock units outstanding at September 29, 2013	383,621	$24.17

As of September 29, 2013, there was approximately $4.6 million of total unrecognized compensation cost related to RSUs, which is expected to be recognized over a weighted-average period of 3.0 years. The weighted-average grant date fair value of awards granted was $28.95, $22.26 and $20.02 in 2013, 2012 and 2011, respectively. In 2013, 2012 and 2011, the total fair value of RSUs that vested and were released was $0.9 million, $1.8 million and $0.9 million, respectively.

Non-management directors' deferred compensation — All awards outstanding under our directors' deferred compensation plan are accounted for as equity-based awards and deferred amounts are converted into stock equivalents at the then-current market price of our common stock. During fiscal 2013, 2012 and 2011, 44,714, 44,713 and 20,259 shares of common stock were issued in connection with director retirements having a fair value of $1.4 million, $1.0 million and $0.5 million, respectively.

The following is a summary of the stock equivalent activity for fiscal 2013:

	Stock Equivalents	Weighted-Average Grant Date Fair Value
Stock equivalents outstanding at September 30, 2012	119,343	$16.21
Deferred directors' compensation	7,083	$31.06
Stock distribution	(44,714)	$11.02
Stock equivalents outstanding at September 29, 2013	81,712	$20.34

Employee stock purchase plan — The following is a summary of shares issued pursuant to our ESPP in each year:

	2013	2012	2011
Common stock issued	7,144	11,087	13,140
Fair value of common stock issued	$29.71	$21.65	$19.99

13. STOCKHOLDERS' EQUITY

Repurchases of common stock — In November 2011, the Board of Directors ("Board") approved a program, expiring November 2013 to repurchase up to $100.0 million in shares of our common stock. This authorization was fully utilized in fiscal 2013. In November 2012 and August 2013, the Board approved two new programs, each of which provide repurchase authorizations for up to an additional $100.0 million in shares of our common stock, expiring

November 2014 and November 2015, respectively. During fiscal 2013, we repurchased 4.0 million shares at an aggregate cost of $140.1 million. As of September 29, 2013, there was $136.8 million remaining under the November 2012 and August 2013 authorizations.

14. AVERAGE SHARES OUTSTANDING

Our basic earnings per share calculation is computed based on the weighted-average number of common shares outstanding. Our diluted earnings per share calculation is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive common shares include stock options, nonvested stock awards and units, non-management director stock

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equivalents and shares issuable under our ESPP. Performance-vested stock awards are included in the average diluted shares outstanding each period if the performance criteria have been met at the end of the respective periods.
The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding (in thousands):

	2013	2012	2011
Weighted-average shares outstanding — basic	43,351	43,999	49,302
Effect of potentially dilutive securities:			
Stock options	957	462	422
Nonvested stock awards and units	371	270	225
Performance-vested stock awards	220	217	136
Weighted-average shares outstanding — diluted	44,899	44,948	50,085
Excluded from diluted weighted-average shares outstanding:			
Antidilutive	145	2,753	3,157
Performance conditions not satisfied at the end of the period	209	358	328

15. VARIABLE INTEREST ENTITIES

In January 2012, we formed Jack in the Box Franchise Finance, LLC ("FFE") for the purpose of operating a franchisee lending program to assist Jack in the Box franchisees in re-imaging their restaurants. We are the sole equity investor in FFE. The lending program was comprised of a $20.0 million commitment from the Company in the form of a capital note and an $80.0 million Senior Secured Revolving Securitization Facility ("FFE Facility") entered into with a third party. The lending period and the revolving period expired in June 2012. At September 29, 2013 and September 30, 2012, we had no borrowings under the FFE Facility and do not plan to make any further contributions.
We determined that FFE is a VIE and that the Company is its primary beneficiary. We considered a variety of factors in identifying the primary beneficiary of FFE including, but not limited to, who holds the power to direct matters that most significantly impact FFE's economic performance (such as determining the underwriting standards and credit management policies), as well as what party has the obligation to absorb the losses of FFE. Based on these considerations, we determined that the Company is the primary beneficiary and the entity is reflected in the accompanying consolidated financial statements.
FFE's assets consolidated by the Company represent assets that can be used only to settle obligations of the consolidated VIE. Likewise, FFE's liabilities consolidated by the Company do not represent additional claims on the Company's general assets; rather they represent claims against the specific assets of FFE. The impact of FFE's results were not material to the Company's consolidated statement of earnings or cash flows. The FFE's balance sheet consisted of the following at September 29, 2013 and September 30, 2012 (in thousands):

	2013	2012
Cash	$250	$444
Other current assets (1)	2,368	2,536
Other assets, net (1)	8,367	11,051
Total assets	$10,985	$14,031
Current liabilities (2)	$3,010	$14
Other long-term liabilities (2)	8,076	14,428
Retained earnings	(101)	(411)
Total liabilities and stockholders' equity	$10,985	$14,031

(1)Consists primarily of amounts due from franchisees.
(2)Consists primarily of the capital note contribution from Jack in the Box which is eliminated in consolidation.

The Company's maximum exposure to loss is equal to its outstanding contributions as of September 29, 2013. This amount represents estimated losses that would be incurred should all franchisees default on their loans without any consideration of recovery. To offset the credit risk associated with the Company's variable interest in FFE, the Company holds a security interest in the assets of FFE subordinate and junior to all other obligations of FFE.

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16. COMMITMENTS, CONTINGENCIES AND LEGAL MATTERS

Commitments — As of September 29, 2013, we had unconditional purchase obligations during the next five fiscal years as follows (in thousands):

Fiscal Year	Purchase Obligations
2014	$662,729
2015	298,207
2016	171,871
2017	142,830
2018	79,507
Total	$1,355,144

These obligations primarily represent amounts payable under purchase contracts for goods related to restaurant operations.

Legal matters — The Company assesses contingencies, including litigation contingencies, to determine the degree of probability and range of possible loss for potential accrual in its financial statements. An estimated loss contingency is accrued in the financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable, assessing contingencies is highly subjective and requires judgments about future events. When evaluating litigation contingencies, we may be unable to provide a meaningful estimate due to a number of factors, including the procedural status of the matter in question, the availability of appellate remedies, insurance coverage related to the claim or claims in question, the presence of complex or novel legal theories, and/or the ongoing discovery and development of information important to the matter. In addition, damage amounts claimed in litigation against us may be unsupported, exaggerated or unrelated to possible outcomes, and as such are not meaningful indicators of our potential liability. The Company regularly reviews contingencies to determine the adequacy of the accruals and related disclosures. The ultimate amount of loss may differ from these estimates.

Gessele v. Jack in the Box Inc. — In August 2010, five former employees instituted litigation in federal court in Oregon alleging claims under the federal Fair Labor Standards Act (“FLSA”) and Oregon wage and hour laws. The plaintiffs allege that the Company failed to pay non-exempt employees for certain meal breaks and improperly recorded payroll deductions for shoe purchases and for workers’ compensation expenses. In April 2013, the district court: (i) granted certification of the Oregon state law claims with respect to payroll deductions for shoe purchases and workers’ compensation expenses, (ii) granted conditional certification for these same claims under the FLSA, and (iii) denied certification for meal break claims under both federal and Oregon law. We intend to vigorously defend against this lawsuit. We have made an accrual for a single claim for which we believe a loss is both probable and estimable. This accrued loss contingency did not have a material effect on our results of operations. Due to the procedural status of the other claims in this case, we have not established a loss contingency accrual for these claims as the liability with respect to these claims is not probable and we are currently unable to estimate a range of loss. Nonetheless, an unfavorable resolution of this matter could have a material adverse effect on our business, results of operations, liquidity or financial condition.

Lease guarantees — In connection with the sale of the distribution business, we have assigned the leases at two of our distribution centers to third parties. Under these agreements, which expire in 2015 and 2017, the Company remains secondarily liable for the lease payments for which we were responsible under the original lease. As of September 29, 2013, the amount remaining under these lease guarantees totaled $2.9 million. We have not recorded a liability for the guarantees as the likelihood of the third party defaulting on the assignment agreements was deemed to be less than probable.

Other legal matters — In addition to the matter described above, the Company is subject to normal and routine litigation brought by former, current or prospective employees, customers, franchisees, vendors, landlords, shareholders or others. We intend to defend ourselves in any such matters. Some of these matters may be covered, at least partly, by insurance. Although the Company currently believes that the ultimate determination of liability in connection with legal claims pending against it, if any, in excess of amounts already provided for these matters in the consolidated financial statements will not have a material adverse effect on our business, the Company’s annual results of operations, liquidity or financial position, it is possible that our results of operations, liquidity, or financial position could be materially affected in an particular future reporting period by the unfavorable resolution of one or more of these matters or contingencies during such period.

17. SEGMENT REPORTING

Reflecting the information currently being used in managing the Company as a two-branded restaurant operations business, our segments comprise results related to system restaurant operations for our Jack in the Box and Qdoba brands. This segment reporting

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structure reflects the Company’s current management structure, internal reporting method and financial information used in deciding how to allocate Company resources. Based upon certain quantitative thresholds, both operating segments are considered reportable segments.

We measure and evaluate our segments based on segment earnings from operations. Summarized financial information concerning our reportable segments is shown in the following table (in thousands):

	2013	2012	2011
Revenues by Segment:			
Jack in the Box restaurant operations segment	$1,179,295	$1,252,028	$1,445,105
Qdoba restaurant operations segment	310,572	257,267	187,720
Consolidated revenues	$1,489,867	$1,509,295	$1,632,825
Earnings from Operations by Segment:			
Jack in the Box restaurant operations segment	$113,864	$96,302	$133,898
Qdoba restaurant operations segment	24,470	24,717	17,545
FFE operations	(129)	(203)	(245)
Consolidated earnings from operations	$138,205	$120,816	$151,198
Total Expenditures for Long-Lived Assets by Segment (Including Discontinued Operations):			
Jack in the Box restaurant operations segment	$55,221	$56,378	$100,142
Qdoba restaurant operations segment	29,469	23,621	24,236
Distribution operations	—	201	4,934
Consolidated expenditures for long-lived assets	$84,690	$80,200	$129,312
Total Depreciation Expense by Segment:			
Jack in the Box restaurant operations segment	$76,191	$79,287	$81,826
Qdoba restaurant operations segment	15,815	13,309	10,015
Consolidated depreciation expense	$92,006	$92,596	$91,841

Interest income and expense, income taxes and total assets are not reported for our segments, in accordance with our method of internal reporting.

18. SUPPLEMENTAL CONSOLIDATED CASH FLOW INFORMATION

Additional information related to cash flows is as follows (in thousands):

	2013	2012	2011
Cash paid during the year for:			
Interest, net of amounts capitalized	$12,824	$19,471	$14,801
Income tax payments	$43,365	$35,751	$47,541
Non cash transactions:			
Stock repurchase accrual at fiscal year end	$7,288	$—	$—

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19. SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENT INFORMATION (in thousands)

	September 29, 2013	September 30, 2012
Accounts and other receivables, net:		
Trade	$ 31,301	$ 67,478
Notes receivable	2,877	5,324
Other	8,244	7,708
Allowances for doubtful accounts	(673)	(1,712)
	$ 41,749	$ 78,798
Other assets, net:		
Company-owned life insurance policies	$ 94,704	$ 86,276
Deferred rent receivable	36,732	30,846
Deferred tax asset	88,833	115,537
Other	45,491	21,265
	$ 265,760	$ 253,924
Accrued liabilities:		
Payroll and related taxes	$ 46,970	$ 58,503
Sales and property taxes	11,386	13,055
Insurance	35,209	33,391
Advertising	17,706	21,400
Gift card liability	3,629	3,247
Deferred franchise fees	1,537	1,725
Lease commitments related to closed or refranchised locations	12,737	5,387
Other	24,712	27,929
	$ 153,886	$ 164,637
Other long-term liabilities:		
Pension plans	$ 105,968	$ 213,854
Straight-line rent accrual	50,726	54,288
Deferred franchise fees	1,143	1,977
Other	128,287	101,083
	$ 286,124	$ 371,202

Notes receivable consist primarily of temporary financing provided to franchisees to facilitate the closing of certain refranchising transactions.

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20. UNAUDITED QUARTERLY RESULTS OF OPERATIONS (in thousands, except per share data)

	16 Weeks Ended	12 Weeks Ended		
Fiscal Year 2013	January 20, 2013	April 14, 2013	July 7, 2013	September 29, 2013
Revenues	$454,335	$347,222	$350,329	$ 337,981
Earnings from operations	$43,175	$27,447	$30,884	$ 36,699
Net earnings (losses)	$20,689	$13,291	$(5,656)	$ 22,828
Net earnings (losses) per share:				
Basic	$0.48	$0.30	$(0.13)	$ 0.53
Diluted	$0.47	$0.29	$(0.12)	$ 0.51
	16 Weeks Ended	12 Weeks Ended		
Fiscal Year 2012	January 22, 2012	April 15, 2012	July 8, 2012	September 30, 2012
Revenues	$448,090	$358,256	$354,052	$ 348,897
Earnings from operations	$26,803	$39,173	$23,728	$ 31,112
Net earnings	$11,950	$21,632	$11,592	$ 12,477
Net earnings per share:				
Basic	$0.27	$0.49	$0.26	$ 0.28
Diluted	$0.27	$0.48	$0.26	$ 0.27

The amounts reported in prior quarters have been adjusted in the table above to conform to the fiscal 2013 third quarter discontinued operations presentation related to the 2013 Qdoba Closures. Refer to Note 2, Discontinued Operations, for additional information.