JACK IN THE BOX INC /NEW/
Form 10-K
November 21, 2014

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 28, 2014
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. ¨
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 11, 2014, was approximately $2.2 billion.
Number of shares of common stock, $0.01 par value, outstanding as of the close of business on November 14, 2014 — 38,634,942.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

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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 2,888 Jack in the Box® quick-service restaurants ("QSRs") 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 largest QSR hamburger chain in nine of our top 10 major markets, which comprise approximately 70% of the total system. As of the end of our fiscal year on September 28, 2014, the Jack in the Box system included 2,250 restaurants in 21 states, as well as Guam, of which 431 were company-operated and 1,819 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 28, 2014, the Qdoba system included 638 restaurants in 47 states, as well as the District of Columbia and Canada, of which 310 were company-operated and 328 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. During 2014, we essentially completed our refranchising initiative focused on increasing franchise ownership in the Jack in the Box system through the sale of company-operated restaurants to new and existing franchisees. Through the sale of 37 company-operated Jack in the Box restaurants to franchisees and the development of 11 new franchise restaurants in fiscal 2014, we increased franchise ownership of the Jack in the Box system to 81% at the end of fiscal 2014 from 79% at the end of fiscal 2013. We plan to maintain franchise ownership in the Jack in the Box system at a level between 80-85%. Now that we are within the range of our targeted franchise ownership, we expect the majority of our new unit development will be through franchised restaurants.

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 2014, Qdoba comprised approximately 42% of our total company-operated units as compared with approximately 12% five years ago. We plan to continue to build out the number of Qdoba company locations at an accelerated pace over the next several years. 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 2014 was $6.83 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 2014, we continued to expand in both existing and new markets. We opened one company-operated restaurant and franchisees opened 11 Jack in the Box restaurants during the year. In fiscal 2015, approximately 10-15 new Jack in the Box restaurants are expected to open system-wide.

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				
	2014	2013	2012	2011	2010
Company-operated restaurants:					
Beginning of period	465	547	629	956	1,190
New	1	6	19	15	30
Refranchised	(37)	(78)	(97)	(332)	(219)
Closed	(2)	(11)	(4)	(10)	(46)
Acquired from franchisees	4	1	—	—	1
End of period total	431	465	547	629	956
% of system	19%	21%	24%	28%	43%
Franchise restaurants:					
Beginning of period	1,786	1,703	1,592	1,250	1,022
New	11	11	18	16	16
Refranchised	37	78	97	332	219
Closed	(11)	(5)	(4)	(6)	(6)
Sold to Company	(4)	(1)	—	—	(1)
End of period total	1,819	1,786	1,703	1,592	1,250
% of system	81%	79%	76%	72%	57%
System end of period total	2,250	2,251	2,250	2,221	2,206

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. Customer orders are prepared in full view, which gives our guests the ability to build a customized 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 ten to several hundred. While some of our restaurants serve breakfast, the majority 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 2014 was $10.93 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 areas, while franchise development is more weighted towards non-traditional sites (airports, campuses, etc.) or areas where local franchisees can operate more efficiently. During fiscal 2014, we opened 16 company-operated restaurants and franchisees opened 22 Qdoba restaurants, including four non-traditional sites and two locations in Canada. In fiscal 2015, 50-60 new Qdoba restaurants are expected to open system-wide, of which approximately half are expected to be company-operated locations.

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

	Fiscal Year				
	2014	2013	2012	2011	2010
Company-operated restaurants:					
Beginning of period	296	316	245	188	157
New	16	34	26	25	15
Refranchised	—	(3)	—	—	—
Acquired from franchisees	—	13	46	32	16
Closed	(2)	(64)	(1)	—	—
End of period total	310	296	316	245	188
% of system	49%	48%	50%	42%	36%
Franchise restaurants:					
Beginning of period	319	311	338	337	353
New	22	34	32	42	21
Refranchised	—	3	—	—	—
Sold to Company	—	(13)	(46)	(32)	(16)
Closed	(13)	(16)	(13)	(9)	(21)
End of period total	328	319	311	338	337
% of system	51%	52%	50%	58%	64%
System end of period total	638	615	627	583	525

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 brand specifications on sites we have reviewed.

We have multiple restaurant models with different seating capacities to 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 we 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 $1.4 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 ranges from approximately $0.3 million to $0.5 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 $0.4 million to $1.1 million depending on the type, square footage and 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 and royalty holidays. 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 stimulate growth we offer 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. 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. We continue to pursue non-traditional locations both through multi-location commitments and single unit franchise agreements. To enhance our multi unit non-traditional growth, we may offer agreements that provide for lower fees. Currently, the non-traditional franchise agreements we enter into provide for a $30,000 initial franchise fee, a 6% royalty rate and no marketing fees.

Restaurant Management and Operations

Jack in the Box and Qdoba 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.

For Jack in the Box company operations, 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 restaurant 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, vice presidents supervise directors of operations, who supervise district managers, who in turn supervise restaurant managers. All levels are eligible for quarterly performance bonuses based on goals related to restaurant sales, profit optimization and other operations performance standards.

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 2014, the Jack in the Box and Qdoba systems received more than 2.1 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 receives feedback that guests report through our toll-free number and via our website, and communicates that feedback to restaurant managers and franchise operators.

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Food Safety and Quality

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 and a food safety management program 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 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 Jack in the Box 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. We are currently engaged in a comprehensive review of our restaurant level technologies at Jack in the Box and Qdoba to identify opportunities to integrate systems across both of our brands.

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, 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. All restaurants contribute a small percentage of gross sales to a fund primarily used for production and development of brand assets. Advertising is primarily 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 creative services group to create custom advertising that meets their particular communication objectives while adhering to brand standards.

Employees

At September 28, 2014, we had approximately 19,150 employees, of whom 18,350 were restaurant employees, 700 were corporate personnel, and 100 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 support our employees, including part-time workers, by offering industry competitive wages and benefits. 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
Leonard A. Comma	45	Chairman of the Board and Chief Executive Officer	13
Mark H. Blankenship, Ph.D.	53	Executive Vice President, Chief People, Culture and Corporate Strategy Officer	17
Jerry P. Rebel	57	Executive Vice President and Chief Financial Officer	11
Phillip H. Rudolph	56	Executive Vice President, Chief Legal and Risk Officer and Corporate Secretary	7
Frances L. Allen	52	President, Jack in the Box Brand	—
Timothy P. Casey	54	President, Qdoba Restaurant Brand	2
Keith M. Guilbault	51	Senior Vice President and Chief Marketing Officer	10
Elana M. Hobson	54	Senior Vice President of Operations	37
Paul D. Melancon	58	Senior Vice President of Finance, Controller and Treasurer	9
Carol A. DiRaimo	53	Vice President of Investor Relations and Corporate Communications	6

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

Mr. Comma has been Chairman of the Board and Chief Executive Officer since January 2014. From May 2012 until October 2014, he also served as President, and from November 2010 through January 2014, as Chief Operating Officer. Mr. Comma served as Senior Vice President and Chief Operating Officer from February 2010 to November 2010, 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. 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 17 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 30 years of corporate finance experience.

Mr. Rudolph has been Executive Vice President since February 2010, and Chief Legal and Risk Officer and Corporate Secretary since October 2014. Previously, he held the titles of 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. Allen has served as President of the Jack in the Box brand since October 2014. She joined the Company with more than 30 years of branding and marketing experience, including senior leadership roles at such major organizations as Denny’s, Dunkin’ Brands, Sony Ericsson Mobile Communications, PepsiCo and Frito-Lay. From July 2010 to October 2014, Ms. Allen worked for Denny’s Corp., most recently as its Chief Brand Officer and, previously, as its Chief Marketing Officer. From 2007 to 2009, she was Chief Marketing Officer of Dunkin’ Brands; from 2004 to 2007, she was Vice President of Marketing, North America at Sony Ericsson Mobile Communications, and from 1998 to 2004, she held several positions at PepsiCo, most recently as Vice President of Marketing. Prior to that, Ms. Allen served at Frito-Lay as Director of International Advertising, and worked for several advertising agencies.

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.

Mr. Guilbault has been Senior Vice President and Chief Marketing Officer since November 2013. He was previously Vice President of Menu & Innovation from October 2012 to November 2013, Vice President of Franchising from October 2010 to October 2012, Division Vice President of Operations Initiatives from February 2010 to October 2010 and Division Vice President of Brand Innovation & Regional Marketing from February 2006 to February 2010. He joined the Company in 2004 as a Regional Vice President in Central California. Including his service with Jack in the Box Inc., Mr. Guilbault has more than 15 years of experience in management positions with several companies, including Mobil Oil Corporation, Priceline WebHouse Club and Freemarkets, Inc.

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 35 years of experience in accounting and finance, including 11 years with Price Waterhouse.

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, Qdoba Mexican Grill, and Qdoba 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 which 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, taxing and other services and 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 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.

Some 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, attitudes 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 health-based regulations 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, labor disruptions or employee relations issues), insurance, or 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, service initiatives or potential price increases necessary to cover higher input costs;
- customers trading down to lower priced items and/or shifting to competitive offerings 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 6%, respectively, of our consolidated 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 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 and Food Safety Management Plans 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. Moreover, 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 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 has increased, as has 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 has and may continue to 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 brand 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 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, and changing regulatory interpretations of federal or state labor laws;
- 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.

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The increasing amount and complexity of regulations and their interpretation 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. While we strive to comply with all applicable existing statutory and administrative rules, we cannot predict the effect on operations from issuance of additional requirements in the future.
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 caused by malware or other attack 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.
We have instituted controls intended to protect our point of sale (POS) systems and to limit third party access for vendors that require access to our restaurant networks. However, we cannot control every particular risk, particularly those affecting our franchise locations which are independent businesses. 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 POS, 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 reputational damage, 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 and risk mitigation planning, 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 continue to 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 we 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 by governmental agencies or courts of law of severe penalties or restrictions on our 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 28, 2014, the Company has a credit facility comprised of a $600.0 million revolving credit facility and a $197.5 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 could 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 28, 2014:

	Company-Operated	Franchise	Total
Company-owned restaurant buildings:			
On company-owned land	40	181	221
On leased land	147	497	644
Subtotal	187	678	865

Company-leased restaurant buildings on leased land	554	937	1,491
Franchise directly-owned or directly-leased restaurant buildings	—	532	532
Total restaurant buildings	741	2,147	2,888

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 54 years, including optional renewal periods. The remaining lease terms of our other leases range from approximately one year to 43 years, including optional renewal periods. At September 28, 2014, our restaurant leases had initial terms expiring as follows:

	Number of Restaurants	
Fiscal Year	Ground Leases	Land and Building Leases
2015 – 2019	228	677
2020 – 2024	245	596
2025 – 2029	146	102
2030 and later	25	116

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 was located in a leased facility in Wheat Ridge, Colorado, until November 2014, and has since moved to a leased facility in Lakewood, Colorado.

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 28, 2014	July 6, 2014	April 13, 2014	January 19, 2014
High	$65.87	$61.39	$62.90	$51.26
Low	$55.14	$52.41	$48.82	$38.53
	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

Dividends. The Company did not pay any cash dividends on its common stock during 2013. On May 9, 2014, the Board of Directors approved the initiation of a regular quarterly cash dividend. Two quarterly cash dividend payments of $0.20 per share of common stock were declared in fiscal 2014 on May 14, 2014 and July 31, 2014. On November 13, 2014, we declared a cash dividend of $0.20 per share of common stock, payable on December 12, 2014 to stockholders of record as of December 1, 2014. Our dividend is subject to the discretion of our Board of Directors and our compliance with applicable law, and depending on, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our credit agreement and other factors that our Board of Directors may deem relevant.

Stock Repurchases. The following table summarizes shares repurchased during the quarter ended September 28, 2014:

	(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
				$59,736,278
July 7, 2014 - August 3, 2014	—	$—	—	$159,736,278
August 4, 2014 - August 31, 2014	289,779	$59.45	289,779	$142,501,078
September 1, 2014 - September 28, 2014	407,331	$62.39	&	