UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED September 27, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _______ TO _______.

COMMISSION FILE NUMBER 1-9390

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.)

9357 Spectrum Center Blvd.
San Diego, California 92123
(Address of principal executive offices)

9330 Balboa Avenue
San Diego, California 92123
(Former name or former address, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	JACK	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 ☑ 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 ☑

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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 10, 2020, was approximately $1.0 billion.

Number of shares of common stock, $0.01 par value, outstanding as of the close of business on November 12, 2020 — 22,722,941.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2021 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 expressions. Certain 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 "Discussion of 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

Unless otherwise specified in this Annual Report on Form 10-K ("Annual Report"), or the context requires, Jack in the Box Inc.(NASDAQ: JACK) is referred to as the "Company," "Jack in the Box," or in the first-person notations of "we," "us" and "our."

ITEM 1. BUSINESS

General

Jack in the Box Inc., based in San Diego, California, operates and franchises Jack in the Box® quick-service restaurants ("QSRs"). We opened our first restaurant in 1951 and have since become one of the nation's largest hamburger chains. Based on number of restaurants, our top 10 major markets comprise approximately 70% of the total system, and Jack in the Box is at least the second largest QSR hamburger chain in eight of those major markets.

As of September 27, 2020, we operated and franchised 2,241 Jack in the Box quick-service restaurants, primarily in the western and southern United States, including one in Guam. Of the 2,241 restaurants at fiscal year-end, 2,097, or 94%, were franchised.

The Company operates as a single segment for reporting purposes. Our revenue is derived from sales by company-operated restaurants and by charging royalties, rent, advertising fees, and franchise and other fees to our franchisees.

Strategy

Our long-term goals are focused on meeting evolving customer needs, with an emphasis on improving operations consistency and targeted investments designed to maximize our returns. The key initiatives of our long-term goals include:

- ***Simplifying Restaurant Operations*** - We will continue focusing on redefining and elevating the guest experience to drive consistency through back-of-the-house simplification, including kitchen equipment / technology that can drive higher throughput, improved quality, and labor cost benefits.
- ***Differentiating Through Innovation -*** We will continue focusing on what makes us different by balancing premium and value innovation and leveraging our unique brand personality to differentiate creatively and focus on our core customer.
- ***Expanding our Brand Footprint -*** We are focused on growing units in existing, developing and new markets, primarily through franchise restaurants.
- ***Enhancing the Guest Experience -*** We are focused on targeted investments designed to maximize our returns while meeting the evolving needs of our customers to drive a consistent experience and brand image in our restaurants and across digital platforms through leveraging technology such as our mobile application to meet the evolving needs of our customers and improve in-store efficiencies.

Our Brand

Jack in the Box restaurants offer a broad selection of distinctive products including classic burgers like our Jumbo Jack® and innovative product lines such as Buttery Jack® burgers. We also offer quality products such as breakfast sandwiches with freshly cracked eggs, and craveable favorites such as tacos and curly fries, along with specialty sandwiches, salads, and real ice cream shakes, among other items. We allow our guests to customize their meals to their tastes and order any product when they want it, including breakfast items any time of day (or night). We are known for variety and innovation, which has led to the development of four strong dayparts: breakfast, lunch, dinner, and late-night.

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 people and are open 18-24 hours a day.

Through the execution of our refranchising strategy, we have increased franchise ownership of the Jack in the Box system to 94% at the end of fiscal 2020. In fiscal 2020, our franchisees developed 27 new franchise restaurants, and we expect the majority of new unit growth will be through franchise restaurants. The following table summarizes the changes in the number of company-operated and franchise restaurants over the past five years:

	Fiscal Year				
	2020	**2019**	**2018**	**2017**	**2016**
Company-operated restaurants:					
Beginning of period	137	137	276	417	413
New	—	—	1	2	4
Refranchised	—	—	(135)	(178)	(1)
Closed	(1)	—	(5)	(15)	—
Acquired from franchisees	8	—	—	50	1
End of period total	144	137	137	276	417
% of system	6 %	6 %	6 %	12 %	18 %
Franchise restaurants:					
Beginning of period	2,106	2,100	1,975	1,838	1,836
New	27	19	11	18	12
Refranchised	—	—	135	178	1
Closed	(28)	(13)	(21)	(9)	(10)
Sold to company	(8)	—	—	(50)	(1)
End of period total	2,097	2,106	2,100	1,975	1,838
% of system	94 %	94 %	94 %	88 %	82 %
System end of period total	2,241	2,243	2,237	2,251	2,255

Franchising Program

The franchise agreement generally provides for an initial franchise fee of $50,000 per restaurant for a 20-year term, and royalty and marketing payments generally set at 5.0% of gross sales. Royalty rates are typically 5.0% of gross sales but may range as high as 10.0% of gross sales. Some existing agreements provide for lower royalties for a limited time and may have variable rates. We may offer development agreements to franchisees (referred to in this context as "Developers") for construction of one or more new restaurants over a defined period of time and in a defined geographic area. Developers may be required to pay fees for certain company-sourced new sites. Developers may lose their rights to future development if they do not maintain the required opening schedule. To stimulate growth, we have offered a waiver of development fees for new sites, in addition to lower royalty rates or a development loan, to franchisees who open restaurants within a specified timeframe.

Site Selection and Design

Site selections for all new company-operated 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 approved.

Our company-operated restaurants have multiple restaurant models with different seating capacities to improve our flexibility in selecting locations. 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.

Based on the geographical location and constraints of the potential restaurant property, as well as the prototype building selected for use, typical costs to develop a traditional restaurant, range from approximately $1.4 million to $2.0 million, excluding the land value. The majority of our corporate restaurants are constructed on leased land or on land that we purchase and subsequently sell, along with the improvements, in sale and leaseback transactions. 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 $0.4 million.

Restaurant Management and Operations

Jack in the Box 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. We focus on attracting, selecting, engaging, and retaining employees and franchisees who share our passion for creating long-lasting, successful restaurants.

Managers of company-operated restaurant are supervised by district managers, who are overseen by directors of operations, who report to the vice president of company operations. Under our performance system, the vice president is eligible for annual incentive compensation based on achievement of goals related to company-wide performance and restaurant level margin. Directors are eligible for an annual incentive compensation based on achievement of goals related to the sales and profit of their assigned region, and a company-wide performance goal. District managers and restaurant managers are eligible for quarterly incentives based on growth in restaurant sales and profit and certain other operational performance standards.

Company-operated restaurant managers are required to complete an extensive management training program involving a combination of in-restaurant 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.

Customer Satisfaction

Company-operated and franchise-operated restaurants devote significant resources toward offering quality food and excellent service at all of our restaurants. One tool we have used to help us maintain a high level of customer satisfaction is our Voice of Guest program, which provides restaurant managers, district managers, and franchise operators with ongoing feedback from guests who complete a short satisfaction survey via an invitation typically 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. Our Guest Relations Department receives feedback that guests provide via phone and our website and communicates that feedback to restaurant managers and franchise operators. We also collect and respond to guest feedback through social media, restaurant reviews and other feedback sources.

Food Safety

Our “farm-to-fork” food safety program is designed to maintain high standards for the food products and food preparation procedures used by our vendors and in our restaurants. We maintain product specifications for our ingredients and our Food Safety and Regulatory Compliance Department must approve all suppliers of food products to our restaurants. We use third-party and internal audits to review the food safety management programs of our vendors. We manage food safety in our restaurants through a comprehensive food safety management program that is based on the Food and Drug Administration (“FDA”) Food Code requirements. The food safety management program includes employee training, ingredient testing, documented restaurant practices, and attention to product safety at each stage of the food preparation cycle. In addition, our food safety management program 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

All of our company-operated restaurants and franchisees have a long-term contract with a third-party distributor. Under this contract, the distributor will provide distribution services to our Jack in the Box restaurants through August 2022 through seven distribution centers in the continental United States.

The primary commodities purchased by our restaurants are beef, poultry, pork, cheese, and produce. We monitor and purchase commodities in order to minimize the impact of fluctuations in price and supply. Contracts are entered into and commodity market positions may be secured when we consider them to be advantageous. However, certain commodities remain subject to price fluctuations. Most, if not all essential food and beverage products are available or can be made available upon short notice from alternative qualified suppliers.

Information Systems

Our restaurant software allows for daily polling of sales, inventory, and other data from the restaurants directly. Our company restaurants and traditional-site franchise restaurants use standardized Windows-based touch screen point-of-sale (“POS”) platforms. These platforms allow the restaurants to accept cash, credit cards, and our re-loadable gift cards. The single POS system for all restaurants helps franchisees and brand managers adapt more quickly to meet consumer demands and introduce new products, pricing, promotions, and technologies such as the Jack in the Box mobile app, third party delivery, or any other business-driving initiative while maintaining a secure, PCI-compliant payment system.

We have business intelligence systems that provide us with visibility to the key metrics in the operation of company and franchise restaurants. These systems play an integral role in enabling us to accumulate and analyze market information. Our company restaurants use labor scheduling systems to assist managers in managing labor hours based on forecasted sales volumes. We also have inventory management systems that 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 order confirmation screens.

Advertising and Promotion

We build brand awareness and drive sales through our marketing and advertising programs. These activities are supported primarily by financial contributions to a marketing fund from all company and franchise restaurants based on a percentage of gross sales. Activities to build brand equity, advertise products, and attract customers include, but are not limited to, system-wide and regional campaigns on television, digital and social media, radio, and print media, as well as reaching consumers through our branded mobile app and delivery partnerships.

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, local and national competitive changes, changes in consumer dining habits and preferences, and new information regarding diet, nutrition, and health, all of which may 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 (including technological and other innovations), speed of service, personnel, advertising and other marketing efforts, name identification, restaurant location, and image and attractiveness of the facilities.

Each 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 or independent restaurants in the quick-service and the fast-casual segments, and with other consumer options including grocery and specialty stores, catering, and delivery services. In selling franchises, we compete with many other restaurant franchisors and franchisors generally, some of whom have substantially greater financial resources than we do.

Human Capital Management

Jack in the Box recognizes and takes care of its employees by offering a wide range of competitive pay, recognition, and benefit programs. We are proud to provide our employees, many who begin their career at Jack in the Box with their first entry-level job, the opportunity to grow and advance as we invest in their education and career development.

As of September 27, 2020, we had approximately 5,200 employees, of whom 4,840 were restaurant employees, 330 were corporate management and staff, and 40 were field management. Most of our employees are paid on an hourly basis, except certain restaurant and operations management and corporate positions. We employ both full-time and part-time restaurant employees in order to provide the flexibility necessary during peak periods of restaurant operations and meet the individual needs of our employees. As of the end of fiscal 2020, approximately 60% of our restaurant employees were part-time. We have not experienced any significant work stoppages.

We are committed to providing market-competitive pay and benefits. All corporate management and staff and restaurant management positions, including hourly assistant managers and team leaders, are eligible for performance-based cash incentive programs. Each incentive plan reinforces and rewards individuals for achievement of specific company and/or restaurant business goals.

We strive to ensure pay equity between our female employees and male employees performing equal or substantially similar work. Each year, we review the median pay of our male and female employees, share the results with the Board of Directors, and take remedial action as appropriate.

We offer comprehensive benefit programs to our employees that provide flexibility of choice through our Total Rewards framework of pay and recognition, health and wellness, financial well-being, work/life happiness, culture and community, and learning and development. We recognize and support the growth and development of our employees and offer opportunities to participate in internal as well as external learning programs. An increased focus area has been on educational benefits for our restaurant teams, including enhancing tuition reimbursement and adding new scholarship, high school diploma, and English as a Second Language (“ESL”) programs. In addition, we hold regular restaurant level talent and development planning reviews to assist us with growing our internal restaurant teams, resulting in a majority of current restaurant managers being promoted from within.

COVID-19 Response

We took early action regarding employee well-being in response to the COVID-19 pandemic, implementing comprehensive protocols to protect the health and safety of our employees and guests. Remote work for corporate management and staff was adopted ahead of state and county requirements. We limited reductions in scheduled hours for employees in our company-operated restaurants. For employees of our company-operated restaurants, we also enhanced our benefits programs to offer expanded supplemental paid sick leave ahead of state and county mandates and in counties where sick leave is not mandated, waived employee cost-sharing for COVID-19 testing, waived employee cost-sharing for all virtual visits, provided COVID-19 401(k) enhancements, and made free meals available for restaurant employees during their work shifts. We believe that employee sentiment regarding our response to the pandemic is very favorable.

Trademarks and Service Marks

The JACK IN THE BOX® name and logos are of material importance to us and are registered trademarks and service marks in the United States and elsewhere. In addition, we have registered or applied to register numerous service marks and trade names for use in our businesses, including the Jack in the Box design marks 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, seasonal weather conditions, and weather crises, all of which affect the public's dining habits. We are not able to predict the impact that the COVID-19 pandemic may have on the seasonality of our business.

Government 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, consumer protection, taxing, and other agencies and departments. Restaurants are also subject to rules and regulations imposed by owners and operators of shopping centers, airports, or other locations where a restaurant is located. Difficulties or failures in obtaining and maintaining any required permits, licenses or approvals, 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, increased cost of operations, or the imposition of fines and other penalties.

We are subject to federal, state, and local laws governing restaurant menu labeling, as well as laws restricting the use of, or requiring disclosures about, certain ingredients used in food sold at our restaurants.

We are also subject to federal and state laws regulating the offer and sale of franchises, as well as judicial and administrative interpretations of such laws. 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. Our franchisees are subject to these same laws. Many of our food service personnel are paid at rates set in relation to the federal and state minimum wage laws and, accordingly, changes in the minimum wage requirements may increase labor costs for us and our franchisees. Federal and state laws may also require us to provide paid and unpaid leave, or healthcare or other employee benefits to our employees, which could result in significant additional expense to us and our franchisees. 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 and our brand to provide full and equal access to persons with physical disabilities.

Our collection or use of personal information about our employees or our guests is regulated at the federal and state levels, including the California Consumer Privacy Act.

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.

In addition to laws and regulations governing restaurant businesses directly, there are also regulations, such as the Food Safety Modernization Act, that govern the practices of food manufacturers and distributors, including our suppliers.

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

Available Information

The Company's corporate website can be found at www.jackintheboxinc.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, 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"). The SEC also maintains an Internet site (www.sec.gov) that contains our reports, proxy and information statements, and other information.

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 material based on currently available information may also have an adverse effect on our results.

Risks Related to Operating in the Restaurant Industry

The COVID-19 pandemic has disrupted and is expected to continue to disrupt our business, which has affected and could continue to materially affect our operations, financial condition and results of operations for an extended period of time.

The COVID-19 pandemic outbreak, federal, state and local government responses to COVID-19 and our responses to the outbreak have all disrupted and may continue to disrupt our business. Individuals are being encouraged to practice social distancing, restricted from gathering in groups, and in some areas, placed on complete restriction from non-essential movements outside of their homes. In response to the COVID-19 outbreak and these changing conditions, the majority of our company-owned and franchise-operated restaurants have operated in an off-premise capacity, including drive-thru, third-party delivery and carry-out throughout the pandemic. We have implemented a number of safety procedures, including implementing heightened sanitation requirements, practicing employee social distancing, and adhering to glove and mask protocol for all restaurant employees.

Our operating results substantially depend upon our franchisees' sales volumes, restaurant profitability, and financial stability. The financial impact of COVID-19 has had, and could continue to have in the future, an adverse effect on our franchisees' liquidity. To ensure financial health of our valued franchise operators, we reduced March and April marketing fees and postponed collection of these marketing fees, postponed the collection of certain franchisee rental payments and extended all fiscal 2020 franchise development agreements by at least six months and suspended other required capital investments. To the extent our franchisees experience financial distress, our operating results may be adversely impacted, potentially materially affecting our liquidity, financial condition, or results of operations.

As discussed in this report, we have a significant amount of debt outstanding and have previously drawn down on our Variable Funding Notes, which provided us $107.9 million of unrestricted cash, to provide additional security to our liquidity position and provide financial flexibility given uncertain market and economic conditions as a result of the COVID-19 pandemic. A material increase in our level of debt could have certain material adverse effects on us. There can be no guarantee that additional liquidity will be readily available or available on favorable terms, especially the longer the COVID-19 outbreak lasts.

Our business could be further disrupted if any of our company or franchised restaurant employees are diagnosed with COVID-19 since this could require us or our franchisees to quarantine some or all of a restaurant's employees and disinfect the restaurant's facilities. If a significant percentage of our or our franchisees' workforce is unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with COVID-19, our results may be adversely impacted, potentially materially affecting our liquidity, financial condition, or results of operations.

Our suppliers could be adversely impacted by the COVID-19 outbreak. If our suppliers' employees are unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with COVID-19, we could face cost increases and/or shortages of food items or other supplies across our restaurants and our results could be adversely impacted by such supply interruptions.

The equity markets in the United States have been extremely volatile due to the COVID-19 outbreak and our stock price has fluctuated significantly.

Additional government regulations or legislation as a result of COVID-19 in addition to decisions we have made and may make in the future relating to the compensation of and benefit offerings for our company-operated restaurant team members could also have an adverse effect on our business. We cannot predict the types of government regulations or legislation that may be passed relating to employee compensation as a result of the COVID-19 outbreak. We have implemented an emergency paid sick leave program at our company-operated restaurants and taken other compensation and benefit actions to support our restaurant team members during the COVID-19 business interruption, but those actions may not be sufficient to compensate our team members for the entire duration of any business interruption resulting from COVID-19. Those team members might seek and find other employment during that interruption, which could materially adversely affect our ability to properly staff and reopen our restaurants with experienced team members when the business interruptions caused by COVID-19 abate or end.

The COVID-19 outbreak also may have the effect of heightening other risks disclosed, including, but not limited to, those related to consumer confidence, increase in food and commodity costs, supply chain interruptions, labor availability and cost, cybersecurity incidents, increased indebtedness, regulatory and legal complexity, and governmental regulations.

We face significant competition in the food service industry and our inability to compete may adversely affect our business.

The food service industry is highly competitive with respect to price, service, location, product offering, image and attractiveness of the facilities, personnel, advertising, brand identification, and food quality. Our competition includes a large number of national and regional restaurant chains, as well as locally owned and independent businesses. In particular, we operate in the quick service restaurant chain segment, in which we face a number of established competitors, as well as frequent new entrants to the segment nationally and in regional markets. Some of our competitors have significantly greater financial, marketing, technological, personnel, and other resources than we do. In addition, many of our competitors have greater name recognition nationally or in some of the local or regional markets in which we have restaurants.

Additionally, the trend toward convergence in grocery, deli, delivery, and restaurant services is increasing the number of our competitors. For example, competitive pressures can come from deli sections and in-store cafes of major grocery store chains, including those targeted at customers who desire high-quality food and convenience, as well as from convenience stores and other dining outlets. These competitors may have, among other things, a more diverse menu, lower operating costs and prices, better locations, better facilities, more effective marketing, and more efficient operations than we do. Such increased competition could decrease the demand for our products and negatively affect our sales, operating results, profits, business and financial position, and prospects (collectively, our "financial results").

While we continue to make improvements to our facilities, to implement new service, technology, and training initiatives, and to introduce new products, there can be no assurance that such efforts will generate increased sales or sufficient customer interest. Many of our competitors are remodeling their facilities, implementing service improvements, introducing a variety of new products and service offerings, and advertising that their ingredients are healthier or locally sourced. Such competing products and health- or environmental-focused claims may hurt our competitive positioning as existing or potential customers could seek out other dining options.

Changes in demographic trends and in customer tastes and preferences could cause sales and the royalties that we receive from franchisees to decline.

Changes in customer preferences, demographic trends, and the number, type, and location of competing restaurants have great impact in the restaurant industry. Our sales and the revenue that we receive from franchisees could be impacted by changes in customer preferences related to dietary concerns, such as preferences regarding calories, sodium content, carbohydrates, fat, additives, and sourcing, or in response to environmental and animal welfare concerns. Such preference changes could result in customers favoring other foods to the exclusion of our menu items. If we fail to adapt to changes in customer preferences and trends, we may lose customers and our sales and the rents, royalties and marketing fees we receive from franchisees may deteriorate.

Changes in consumer confidence and declines in general economic conditions could negatively impact our financial results.

The restaurant industry depends on consumer discretionary spending. We are impacted by consumer confidence, which is, in turn, influenced by general economic conditions and discretionary income levels. A material decline in consumer confidence or a decline in family "food away from home" spending could cause our financial results to decline. If economic conditions worsen, customer traffic could be adversely impacted if our customers choose to dine out less frequently or reduce the amount they spend on meals while dining out, which could cause our company and our franchised average restaurant sales to decline. An economic downturn may be caused by a variety of factors, such as macro-economic changes, increased unemployment rates, increased taxes, interest rates, or other changes in government fiscal policy. High gasoline prices, increased healthcare costs, declining home prices, and political unrest, foreign or domestic, may potentially contribute to an economic downturn, as may regional or local events, including natural disasters or local regulation. The impact of these factors may be exacerbated by the geographic profile of our brand. Specifically, nearly 70% of our restaurants are located in the states of California and Texas. Economic conditions, state and local laws, or government regulations affecting those states may therefore more greatly impact our results than would similar occurrences in other locations.

Increases in food and commodity costs could decrease our profit margins or result in a modified menu, which could adversely affect our financial results.

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. As is true of all companies in the restaurant industry, we are susceptible to increases in food costs that are outside of our control. Factors that can impact food and commodity costs include general economic conditions, seasonal fluctuations, weather and climate conditions, global demand, trade protections and subsidies, food safety issues, infectious diseases, possible terrorist activity, currency fluctuations, product recalls, and government regulatory schemes. Additionally, some of our produce, meats, and restaurant supplies are sourced from outside the United States. Any new or increased import duties, tariffs, or taxes, or other changes in U.S. trade or tax policy, could result in higher food and commodity costs that would adversely impact our financial results.

Weather and climate related issues, such as freezes or drought, may lead to temporary or even longer-term spikes in the prices of some ingredients such as produce and meats, or of livestock feed. Increasing weather volatility or other long-term changes in global weather patterns, including any changes associated with global climate change, could have a significant impact on the price or availability of some of our ingredients. Any increase in the prices of the ingredients most critical to our menu, such as beef, chicken, pork, tomatoes, lettuce, dairy products, and potatoes could adversely affect our financial results. In the event of cost increases with respect to one or more of our raw ingredients, we may choose to change our pricing or suspend serving a menu item rather than paying the increased cost for the particular ingredient.

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 currently represent approximately 18% and 6% respectively, of our 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 our produce contracts contain predetermined price limits, 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 purchasing practices or menu offerings. We and our franchisees also may not be able to pass along price increases to our customers 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.

Failure to receive scheduled deliveries of high-quality food ingredients and other supplies could harm our operations and reputation.

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 or 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, labor shortages, or financial or solvency issues of our distributors or suppliers, product recalls, or other issues. Further, increases in fuel prices could result in increased distribution costs. In addition, if any of our distributors, suppliers, vendors, or other contractors fail to meet our quality or safety standards or otherwise do not perform adequately, or if any one or more of them 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 reputation, financial condition, and results of operations may be materially affected.

We have a limited number of suppliers for our major products and rely on a distribution network with a limited number of distribution partners for the majority of our national distribution program. If our suppliers or distributors are unable to fulfill their obligations under their contracts, it could harm our operations.

We contract with a distribution network with a limited number of distribution partners located throughout the nation to provide the majority of our food distribution services. Through these arrangements, our food supplies are largely distributed through several primary distributors. If any of these relationships are interrupted or terminated, or if one or more supply or distribution partners are unable or unwilling to fulfill their obligations for whatever reasons, product availability to our restaurants may be interrupted, and business and financial results may be negatively impacted. Although we believe that alternative supply and distribution sources are available, there can be no assurance that we will be able to identify or negotiate with such sources on terms that are commercially reasonable to us.

Food safety and food-borne illness concerns may have an adverse effect on our business by reducing demand and increasing costs.

Food safety is a top priority for our company, and we expend significant resources on food safety programs to ensure that our customers are able to enjoy safe and high-quality food products. These include a daily, structured food safety assessment and documentation process at our restaurants, and periodic third-party and internal audits to review the food safety performance of our vendors, distributors and restaurants. Nonetheless, food safety risks cannot be completely eliminated, and food safety and food-borne illness issues do occur in the food service industry. Any report or publicity linking us to instances of food-borne illness or other food safety issues, including issues involving food tampering, natural or foreign objects, or other contaminants or adulterants in our food, could adversely affect our reputation, as well as our financial results. Furthermore, our reliance on food suppliers and distributors increases the risk that food-borne illness incidents could be introduced by third-party vendors outside our direct control. Although we test and audit these activities, we cannot guarantee that all food items are safely and properly maintained during transport or distribution throughout the supply chain.

Additionally, past reports linking nationwide or regional incidents of food-borne illnesses such as salmonella, E. coli, and listeria to certain products such as produce and proteins, or human-influenced illness such as hepatitis A or norovirus, have resulted in consumers avoiding certain products and restaurant concepts for a period of time. Similarly, reaction to media-influenced reports of avian flu, incidents of “mad cow” disease, or similar concerns have also caused some consumers to avoid products that are, or are suspected of being, affected and could have an adverse effect on the price and availability of affected ingredients. Further, if we react to these problems by changing our menu or other key aspects of the brand experience, we may lose customers who do not accept those changes, and we may not be able to attract enough new customers to generate sufficient revenue to make our restaurants profitable.

Our restaurants currently have an ingredient mix that can be exposed to one or more food allergens, such as eggs, wheat, milk, fish, shellfish, tree nuts, peanuts, and soy. We employ precautionary allergen training steps for food handlers in order to minimize risk of allergen cross contamination and we post allergen information on nutritional posters in our restaurants or otherwise make such information available to guests upon request. Even with such precautionary measures, the potential risk of allergen cross contamination exists in a restaurant environment. A potentially serious allergic reaction by a guest may result in adverse public communication, media coverage, a decline in restaurant sales, and a material decline in our financial results.

Negative publicity relating to our business or industry could adversely impact our reputation.

Our business can be materially and adversely affected by widespread negative publicity of any type, particularly regarding food quality, food safety, nutritional content, safety or public health issues (such as outbreaks, pandemics, epidemics, or the prospect of any of these), obesity or other health concerns, animal welfare issues, and employee relations issues, among other things. Adverse publicity in these areas could damage the trust customers place in our brand. The increasingly widespread use of mobile devices and social media platforms 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, whether or not accurate. Any widespread negative publicity regarding the Company, our brand, our vendors and suppliers, and our franchisees, or negative publicity about the restaurant industry in general, whether or not accurate, could cause a decline in restaurant sales, and could have a material adverse effect on our financial results.

Additionally, employee or customer claims against us or our franchisees based on, among other things, wage and hour violations, discrimination, harassment, or wrongful termination may also create negative publicity that could adversely affect us and divert financial and management resources that would otherwise be focused on the future performance of our operations. Consumer demand for our products could decrease significantly if any such incidents or other matters create negative publicity or otherwise erode consumer confidence in us, our brand or our products, or in the restaurant industry in general.

We are also subject to the risk of negative publicity associated with animal welfare regulations and campaigns. Our restaurants utilize ingredients manufactured from beef, poultry, and pork. Our policies require that our approved food suppliers and their raw material providers engage in proper animal welfare practices. Despite our policies and efforts, media reports and portrayals of inhumane acts toward animals by participants in the food supply chain, whether by our suppliers or not, can create a negative opinion or perception of the food industry's animal welfare efforts. Such media reports and negative publicity could impact guest perception of our brand or industry and can have a material adverse effect on our financial results.

Our business could be adversely affected by increased labor costs.

Labor is a primary component of our operating costs. Increased labor costs due to factors such as competition for workers, labor market pressures, increased minimum wage requirements, paid sick leave or vacation accrual mandates, or other legal or regulatory changes, such as predictive scheduling, may adversely impact operating costs for us and our franchisees. Additional taxes or requirements to incur additional employee benefit costs, including the requirements of the Patient Protection and Affordable Care Act (the "Affordable Care Act") or any new or replacement healthcare requirements, could also adversely impact our operating costs.

The enactment of additional state or local minimum wage increases above federal wage rates or regulations related to non-exempt employees has increased and could continue to increase labor costs for employees across our system-wide operations, especially considering our concentration of restaurants in California.

Inability to attract, train and retain top-performing personnel could adversely impact our financial results or business.

We believe that our continued success will depend, in part, on our ability to attract and retain the services of skilled personnel, from our senior management to our restaurant employees. The loss of the services of, or our inability to attract and retain, such personnel could have a material adverse effect on our business. We believe good managers and crew are a key part of our success, and we devote significant resources to recruiting and training our restaurant managers and crew. We aim to reduce turnover among our restaurant crews and managers in an effort to retain top performing employees and better realize our investment in training new employees. Any failure to do so may adversely impact our operating results by increasing training costs and making it more difficult to deliver outstanding customer service, which could have a material adverse effect on our financial results.

We may not have the same resources as our competitors for marketing, advertising, and promotion.

Some of our competitors have greater financial resources, which enable them to: invest significantly more than us in advertising, particularly television and radio ads, as well as endorsements and sponsorships; have a presence across more media channels; and support multiple system and regional product launches at one time. Should our competitors increase spending on marketing, advertising, and promotion, or should the cost of advertising increase or our advertising funds decrease for any reason (including reduced sales, implementation of reduced spending strategies, or a decrease in the percentage contribution to the marketing fund for any reason), our results of operations and financial condition may be materially impacted.

In addition, our financial results may be harmed if our marketing, advertising, and promotional programs are less effective than those of our competitors. The growing prevalence and importance of social media platforms, behavioral advertising, and mobile technology also pose challenges and risks for our marketing, advertising, and promotional strategies; and failure to effectively use and gain traction on these platforms or technologies could cause our advertising to be less effective than our competitors. Moreover, improper or damaging use of social media or mobile technology, including by our employees, franchisees, or guests could increase our costs, lead to litigation, or result in negative publicity, all of which could have a material adverse effect on our financial results.

We may be adversely impacted by severe weather conditions, natural disasters, terrorist acts, or civil unrest that could result in property damage, injury to employees and staff, and lost restaurant sales.

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 by natural disasters, such as earthquakes and wild fires, or "man-made" calamities such as terrorist incidents or civil unrest, and their aftermath. Such occurrences could result in lost restaurant sales, property damage, lost products, interruptions in supply, and increased costs.

If systemic or widespread adverse changes in climate or weather patterns occur, we could experience more severe impact, which could have a material adverse effect on our financial results. The impact of these factors may be exacerbated by our geographic profile, as nearly 70% of our restaurants are located in the states of California and Texas.

Risks Related to Our Business Strategy

We may not achieve our development goals.

We intend to grow the brand primarily 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 at acceptable cost and other 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 brand, acquire name recognition, successfully market our products or attract new customers;
- operating cost levels that reduce the demand for, or raise the cost of, developing new restaurants;
- the challenge of identifying, recruiting, and training qualified franchisees or company 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;
- unique regulations or challenges applicable to operating in non-traditional locations, such as airports, and military or government facilities; 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.

Our highly franchised business model presents a number of risks, and the failure of our franchisees to operate successful and profitable restaurants could negatively impact our business.

As of September 27, 2020, approximately 94% of our operating restaurant properties were franchised restaurants; therefore, our success increasingly relies on the financial success and cooperation of our franchisees, yet we have limited influence over their operations. Our income arises from two sources: fees from franchised restaurants (e.g., rent and royalties based on a percentage of sales) and, to a lesser degree, sales from our remaining Company-operated restaurants. Our franchisees manage their businesses independently, and therefore are responsible for the day-to-day operation of their restaurants. The revenues we realize from franchised restaurants are largely dependent on the ability of our franchisees to grow their sales. If our franchisees do not experience sales growth, our revenues and margins could be negatively affected as a result. Also, if sales trends worsen for franchisees, their financial results may deteriorate, which could result in, among other things, restaurant closures, or delayed or reduced payments to us. Our refranchising strategy has increased that dependence and the potential effect of those factors. Our success also increasingly depends on the willingness and ability of our independent franchisees to implement shared strategies and major initiatives, which may include financial investment, and to remain aligned with us on operating and promotional plans. Franchisees' ability to contribute to the achievement of our plans is dependent in large part on the availability to them of funding at reasonable interest rates and may be negatively impacted by the financial markets in general or by the credit worthiness of our franchisees or the Company. 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, franchisees' business obligations may not be limited to the operation of Jack in the Box 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 you that our franchisees will successfully participate in our strategic or marketing initiatives or operate their restaurants in a manner consistent with our requirements, standards, and expectations. As compared to some of our competitors, our 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, including bankruptcy, or fails to adhere to our standards, projecting an image inconsistent with our brand or negatively impacting our financial results.

We are subject to financial and regulatory risks associated with our owned and leased properties and real estate development projects.

We own or lease the real properties on which most of our restaurants are located and lease or sublease to the franchisee a majority of our franchised restaurant sites. 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, cost and damages arising out of owning, operating, leasing, or otherwise having interests in real property.

If we close a restaurant in a leased location, we may remain committed to perform our obligations under the applicable lease, which would include, among other things, payment of the base rent for the balance of the lease term. Additionally, the potential losses associated with our inability to cancel leases may result in our keeping open restaurant locations that are performing significantly below targeted levels. As a result, ongoing lease obligations at closed or underperforming restaurant locations could impair our results of operations. In addition, at the end of the lease term and expiration of all renewal periods, we may be unable to renew the lease without substantial additional cost, if at all. As a result, we may be required to close or relocate a restaurant, which could subject us to construction and other costs and risks and may have an adverse effect on our operating performance.

Our tax provision may fluctuate due to changes in expected earnings.

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, we may occasionally take positions on our tax returns that differ from their treatment for financial reporting purposes. The difference in treatment of such positions could have an adverse impact on our effective tax rate.

General Business Risks

We are subject to the risk of cybersecurity breaches, intrusions, data loss, or other data security incidents.

We and our franchisees rely on computer systems and information technology to conduct our business. We have instituted controls, including information security governance controls that are intended to protect our computer systems, our point of sale ("POS") systems, and our information technology systems and networks; and adhere to payment card industry data security standards and limit third party access for vendors that require access to our restaurant networks. We also have business continuity plans that attempt to anticipate and mitigate failures. However, we cannot control or prevent every cybersecurity risk.

A material failure or interruption of service, or a breach in the security of our computer systems caused by malware, ransomware or other attack, could cause reduced efficiency in operations, or other business interruptions; could negatively impact delivery of food to restaurants, or financial functions such as vendor payment, employee payroll, franchise operations reporting, or our ability to receive customer payments through our POS or other systems, or could result in the loss or misappropriation of customer or employee data. Such events could negatively impact cash flows or require significant capital investment to rectify; result in damage to our business or reputation or loss of consumer or employee confidence; and lead to potential costs, fines and litigation. Damage to our business or reputation or loss of consumer confidence may also result from any failure by our franchisees to implement standard computer systems and information technology, as we are dependent on our franchisees to adopt appropriate safeguards. These risks may be magnified by increased and changing regulations. The costs of compliance and risk mitigation planning, including increased investment in technology or personnel in order to protect valuable business or consumer information, have increased significantly in recent years, and may also negatively impact our financial results.

Restaurants and other retailers have faced, and we could in the future become subject to, claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information or the loss of personally identifiable information, and we may also be subject to lawsuits or other proceedings in the future relating to these types of incidents. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our financial results.

We collect and maintain personal information about our employees and our guests and are seeking to provide our guests with new digital experiences. These digital experiences will require us to open up access into our Point of Sale systems to allow for capabilities like mobile order and pay, third party delivery, and digital menu boards. The collection and use of personal information are regulated at the federal and state levels; such regulations include the California Consumer Privacy Act. We increasingly rely on cloud computing and other technologies that result in third parties holding significant amounts of customer or employee information on our behalf. There has been an increase over the past several years in the frequency and sophistication of attempts to compromise the security of these types of systems. If the security and information systems that we or our outsourced third-party providers use to store or process such information are compromised or if we, or such third parties, otherwise fail to comply with applicable laws and regulations, we could face litigation and the imposition of penalties that could adversely affect our financial performance. Our reputation as a brand or as an employer could also be adversely affected by these types of security breaches or regulatory violations, which could impair our ability to attract and retain qualified employees.

We are subject to risks associated with our increasing dependence on digital commerce platforms and technologies to maintain and grow sales, and we cannot predict the impact that these digital commerce platforms and technologies, other new or improved technologies or alternative methods of delivery may have on consumer behavior and our financial results.

Advances in technologies, including advances in digital food order and delivery technologies, and changes in consumer behavior driven by such advances could have a negative effect on our business. Technology and consumer offerings continue to develop, and we expect that new and enhanced technologies and consumer offerings will be available in the future, including those with a focus on restaurant modernization, restaurant technology and digital engagement and ordering. We may pursue certain of those technologies and consumer offerings if we believe they offer a sustainable guest proposition and can be successfully integrated into our business model. However, we cannot predict consumer acceptance of these digital platforms, delivery channels or systems or other technologies or their impact on our business.

We are dependent on information technology and digital service providers and any material failure, misuse or interruption of our computer systems, supporting infrastructure, consumer-facing digital capabilities or social media platforms could adversely affect our business.

We are dependent upon information technology and digital service providers to properly conduct our business, including point-of-sale processing in our restaurants, order processing through digital channels, management of our supply chain, collection of cash, payment of obligations and various other processes and procedures. Our ability to efficiently manage our business, service our customers and process digital orders through our mobile application and third-party delivery partnerships depends significantly on the reliability and performance of our systems and those managed by our service providers. The failure of these systems and processes to operate effectively, including an interruption or degradation in such systems or services, could be harmful and cause delays in customer service, loss of digital sales, reduce efficiency or cause delays in operations. Significant capital investments may be required to remediate any such problems. Additionally, the success of certain of our strategic initiatives, including to expand our consumer-facing digital capabilities to connect with customers and drive growth, is highly dependent on our technology systems and digital service providers.

If we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, the Company's stockholders could lose confidence in our financial results, which could harm our business and the value of the Company's common shares.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting. During the fourth quarter of fiscal 2019, management identified a material weakness in internal control related to ineffective information technology general controls (ITGCs) as further disclosed in Part II, Item 9A. As a result, management concluded that our internal control over financial reporting was not effective as of the end of our fiscal year 2019. During fiscal year 2020, we completed the remediation measures related to the material weakness and management concluded that our internal control over financial reporting was effective as of the fiscal year ended September 27, 2020. We cannot be certain that we will be successful in maintaining adequate internal controls over our financial reporting and financial processes in the future. We may in the future discover areas of our internal controls that need improvement. Furthermore, to the extent our business grows or significantly changes, our internal controls may become more complex, and we would require significantly more resources to ensure our internal controls remain effective. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market value of the Company's common stock. Additionally, the existence of any material weakness may require management to devote significant time and incur significant expense to remediate any such material weaknesses and management may not be able to remediate any such material weaknesses in a timely manner.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business.

Our ability to successfully implement our business strategy depends, in part, on our ability to further build brand recognition using our trademarks, service marks, trade dress, and other proprietary intellectual property, including our name and logos, our strategy, and the ambiance of our restaurants. If our efforts to protect our intellectual property are inadequate, or if any third party misappropriates or infringes our intellectual property, either in print or on the Internet or a social media platform, the value of our brand may be harmed, which could have a material adverse effect on our business and might prevent our brand from achieving or maintaining market acceptance.

We franchise our brand to various franchisees. While we try to ensure that the quality of our brand is maintained by all franchisees, we cannot assure that all franchisees will uphold brand standards so as not to harm the value of our intellectual property or our reputation.

Jack in the Box may be subject to risk associated with disagreements with key stakeholders, such as franchisees.

In addition to its shareholders, Jack in the Box has several key stakeholders, including its independent franchise operators. Third parties such as franchisees are not subject to the control of the Company and may take actions or behave in ways that are adverse to the Company. Because the ultimate interests of franchisees and the Company are largely aligned around maximizing restaurant profits, the Company does not believe that any areas of disagreement between the company and franchisees are likely to create material risk to the Company or its shareholders. Nevertheless, it is possible that conflict and disagreements with these or other critical stakeholders could distract management or otherwise have a material adverse effect on the Company's business.

The securitized debt instruments issued by certain of our wholly-owned subsidiaries have restrictive terms, and any failure to comply with such terms could result in default, which could harm the value of our brand and adversely affect our business.

The Series 2019-1 Senior Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Master Issuer maintains specified reserve accounts to be used to make required payments in respect of the Series 2019-1 Senior Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Series 2019-1 Class A-2 Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the assets pledged as collateral for the Series 2019-1 Senior Notes are in stated ways defective or ineffective and (iv) covenants relating to record keeping, access to information and similar matters. The Series 2019-1 Senior Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to failure to maintain stated debt service coverage ratios, the sum of gross sales for specified restaurants being below certain levels on certain measurement dates, certain manager termination events, an event of default, and the failure to repay or refinance the Series 2019-1 Class A-2 Notes on the applicable scheduled maturity date. The Series 2019-1 Senior Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal, or other amounts due on or with respect to the Series 2019-1 Senior Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective, and certain judgments.

In the event that a rapid amortization event occurs under the Indenture (including, without limitation, upon an event of default under the Indenture or the failure to repay the securitized debt at the end of the applicable term) which would require repayment of the Series 2019-1 Senior Notes, the funds available to us would be reduced or eliminated, which would in turn reduce our ability to operate and/or grow our business. If our subsidiaries are not able to generate sufficient cash flow to service their debt obligations, they may need to refinance or restructure debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If our subsidiaries are unable to implement one or more of these alternatives, they may not be able to meet debt payment and other obligations which could have a material adverse effect on our financial condition.

We have a significant amount of debt outstanding. Such indebtedness, along with the other contractual commitments of our Company or its subsidiaries, could adversely affect our business, financial condition and results of operations, as well as the ability of certain of our subsidiaries to meet debt payment obligations.

Under the Indenture, the Master Issuer has approximately $1.4 billion of outstanding debt as of September 27, 2020, which includes $107.9 million of borrowings we drew down on our revolving credit facility during the year to provide additional security and liquidity given the uncertainty of the COVID-19 pandemic.

This level of debt could have certain material adverse effects on the Company, including but not limited to:

- our available cash flow in the future to fund working capital, capital expenditures, acquisitions, and general corporate or other purposes could be impaired, and our ability to obtain additional financing for such purposes is limited;
- 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 and 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 Indenture.
- 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.

In addition, we may incur additional indebtedness in the future. If new debt or other liabilities are added to our current consolidated debt levels, the related risks that it now faces could intensify.

The securitization transaction documents impose certain restrictions on our activities or the activities of our subsidiaries, and the failure to comply with such restrictions could adversely affect our business.

The Indenture and the management agreement entered into between certain of our subsidiaries and the Indenture trustee (the “Management Agreement”) contain various covenants that limit our and our subsidiaries’ ability to engage in specified types of transactions. For example, the Indenture and the Management Agreement contain covenants that, among other things, restrict, subject to certain exceptions, the ability of certain subsidiaries to:

- incur or guarantee additional indebtedness;
- sell certain assets;
- alter the business conducted by our subsidiaries;
- create or incur liens on certain assets; or
- consolidate, merge, sell or otherwise dispose of all or substantially all of the assets held within the securitization entities.

As a result of these restrictions, we may not have adequate resources or the flexibility to continue to manage the business and provide for growth of the Jack in the Box system, including product development and marketing for the Jack in the Box brand, which could adversely affect our future growth prospects, financial condition, results of operations and liquidity.

Changes in accounting standards may negatively impact our results of operations.

Changes in accounting standards, policies, or related interpretations by accountants or regulatory entities may negatively impact our financial results. Many accounting standards require management to make subjective assumptions and estimates, such as those required for long-lived assets, retirement benefits, self-insurance, restaurant closing costs, goodwill and other intangibles, legal accruals, and income taxes. Changes in those underlying assumptions and estimates could significantly change our results.

We are subject to increasing legal complexity and may be subject to claims or lawsuits that are costly to defend and could result in our payment of substantial damages or settlement costs.

We are subject to complaints or litigation brought by current or former employees, customers, current or former franchisees, vendors, landlords, shareholders, competitors, government agencies, or others. We assess contingencies to determine the degree of probability and range of possible losses 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 results. 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 our operations and hurt our performance. Further, adverse publicity resulting from claims against us or our franchisees may harm our business or that of our franchisees.

Unionization activities or labor disputes may disrupt our operations and affect our profitability.

Some or all of our employees or our franchisees' employees may elect to be represented by labor unions in the future. If a significant number of these employees were to become unionized and collective bargaining agreement terms were significantly different from current compensation arrangements, this could adversely affect our business and financial results or the business and financial results of our franchisees. In addition, a labor dispute or organizing effort involving some or all of our employees or our franchisees' employees may harm our brand and reputation. Resolution of such disputes may be costly and time-consuming, and thus increase our costs and distract management resources.

Increasing regulatory and legal complexity may adversely affect restaurant operations and our financial results.

Our regulatory environment exposes us to complex compliance and similar risks that could affect our operations and results in material ways. In many of our markets, we are subject to increasing regulation, which has increased our cost of doing business. We are affected by the cost, compliance and other risks associated with the often conflicting and highly prescriptive regulations, including where inconsistent standards imposed by multiple governmental authorities can adversely affect our business and increase our exposure to litigation or governmental investigations or proceedings.

Our success depends in part on our ability to manage the impact of new, potential or changing regulations that can affect our business plans and operations. These include regulations affecting product packaging, marketing, the nutritional content and safety of our food and other products, labeling and other disclosure practices. Compliance efforts with those regulations may be affected by the need to comply with different, potentially conflicting laws in different jurisdictions, and the need to rely on the accuracy and completeness of information from third-party suppliers (particularly given varying requirements and practices for testing and disclosure).

Regulatory bodies may enact new laws or promulgate new regulations that are adverse to our business, or they may view matters or interpret laws and regulations differently than they have in the past or in a manner adverse to our business. For example, a recently enacted law in California purports to codify an employment classification test set forth by the California Supreme Court that established a new standard for determining employee or independent contractor status. Although we would argue that the law does not change the status of franchisees or their employees, it has been suggested that the law could be read to, for example, make franchisors legally liable for the conduct of franchisee employees. Acceptance of this or similar arguments by the courts in California or elsewhere could impact our financial results or affect restaurant operations.

Our insurance may not provide adequate levels of coverage against claims.

We believe that we maintain insurance policies customary for businesses of our size, type, and experience. Historically, through the use of deductibles or self-insurance retentions, we retained a portion of expected losses for our workers' compensation, general liability, certain employee medical and dental, employment, property, and other claims. However, there are types of losses that we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such losses could have a material adverse effect on our business and results of operations.

Risks Related to Government Regulations

Governmental regulation, including in one or more of the following areas, may adversely affect our existing and future operations and results, including by harming our ability to profitably operate our restaurants.

Americans with Disabilities Act and Similar State Laws

We are subject to the Americans with Disabilities Act ("ADA") and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations, and other areas. The expenses associated with any modifications we may be required to undertake with respect to our restaurants or services, or any damages, legal fees, and costs associated with litigating or resolving claims under the ADA or similar state laws, could be material.

Food Regulation

The Food Safety Modernization Act signed into law in January 2011, granted the FDA new authority regarding the safety of the entire food system, including through increased inspections and mandatory food recalls. Although restaurants are not directly implicated by these requirements, our suppliers may initiate or otherwise be subject to food recalls or other consequences impacting the availability of certain products, which could result in adverse publicity, or require us to take actions that could be costly for us or otherwise impact our business and financial results.

Local Licensure, Zoning, and Other Regulation

Each of our restaurants is subject to state and local licensing and regulation by health, sanitation, food, and workplace safety and other agencies. We may experience material difficulties, delays, or failures in obtaining the necessary licenses or approvals for new restaurants, which could delay planned restaurant openings. In addition, stringent and varied requirements of local regulators with respect to zoning, land use, and environmental factors could delay or prevent development of new restaurants in particular locations.

Environmental Laws

We are subject to federal, state, and local environmental laws and regulations concerning the discharge, storage, handling, release, and disposal of hazardous or toxic substances, as well as local ordinances restricting the types of packaging we can use in our restaurants. If and to the extent any hazardous or toxic substances are present on or adjacent to any of our restaurant locations, we believe any such contamination would be the responsibility of one or more third parties, and would have been or should be addressed by the responsible party. If the relevant third parties have not or do not address the identified contamination properly or completely, then under certain environmental laws, we could be held liable as an owner or operator to address any remaining contamination, sometimes without regard to whether we knew of, or were responsible for, the release or presence of hazardous or toxic substances. Any such liability could be material. Further, we may not have identified all of the potential environmental liabilities at our properties, and any such liabilities could have a material adverse effect on our financial results. We also cannot predict what environmental laws or laws regarding packaging will be enacted in the future, how existing or future environmental or packaging laws will be administered or interpreted, or the amount of future expenditures that we may need to make to comply with, or to satisfy claims relating to, such laws.

Employment and Immigration Laws

We and our franchisees are subject to the federal labor laws, including the Fair Labor Standards Act, as well as various state and local laws governing such matters as minimum wages, exempt status classification, overtime, breaks, schedules, and other working conditions for employees. Federal, state, and local laws may also require us to provide paid and unpaid leave, healthcare, or other benefits to our employees. Changes in the law, or penalties associated with any failure on our part to comply with legal requirements, could increase our labor costs or result in significant additional expense to us and our franchisees.

States in which we operate may adopt new immigration laws or enforcement programs, and the U.S. Congress and the Department of Homeland Security from time to time consider and may implement changes to federal immigration laws, regulations, or enforcement programs. Such changes and enforcement programs may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome. Although we require all workers to provide us with government-specified documentation evidencing their employment eligibility, some of our employees may, without our knowledge, be unauthorized workers. All of our Company employees currently participate in the "E-Verify" program, an Internet-based, free program run by the United States government to verify employment eligibility. However, use of the "E-Verify" program does not guarantee that we will successfully identify all applicants who are ineligible for employment. Unauthorized workers are subject to deportation and may subject us to fines or penalties, and if any of our employees or our franchisees' employees are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and keep qualified employees. Termination of a significant number of employees who are found to be unauthorized workers may disrupt operations, cause temporary increases in labor costs to train new employees, and result in additional adverse publicity. We could also become subject to fines, penalties, and other costs related to claims that we did not fully comply with all record keeping obligations of federal and state immigration compliance laws. These factors could materially adversely affect our financial results.

Franchising Activities

Our franchising activities are subject to federal regulations administered by the U.S. Federal Trade Commission, laws enacted by a number of states, and rules and regulations promulgated by the U.S. Federal Trade Commission. In particular, we are subject to federal and state laws regulating the offer and sale of franchises, as well as judicial and administrative interpretations of such laws. 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. Failure to comply with new or existing franchise laws, rules, and regulations in any jurisdiction or to obtain required government approvals could negatively affect our ability to grow or expand our franchise business and sell franchises.

The proliferation of federal, state, and local regulations increases our compliance risks, which in turn could adversely affect our business.

The restaurant and retail industries are subject to extensive federal, state, and local laws and regulations, including regulations relating to:

- the preparation, ingredients, labeling, packaging, advertising, and sale of food and beverages;
- building and zoning requirements;
- sanitation and safety standards;
- employee healthcare, including the implementation and legal, regulatory, and cost implications of the Affordable Care Act;
- labor and employment, including minimum wage adjustments, overtime, working conditions, employment eligibility and documentation, sick leave, and other employee benefit and fringe benefit requirements, and changing judicial, administrative, or regulatory interpretations of federal or state labor laws;
- the registration, offer, sale, termination, and renewal of franchises;
- Americans with Disabilities Act;
- payment cards;
- climate change, including regulations related to the potential impact of greenhouse gases, water consumption, or taxes on carbon emissions; and
- privacy obligations, including the recently passed California Consumer Privacy Act and other new or proposed federal and state regulations.

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 legal and regulatory claims which, in turn, could have a material adverse effect on our business. While we strive to comply with all applicable existing rules and regulations, we cannot predict the effect on our operations from modifications to the language or interpretations of existing requirements, or to the issuance of new or additional requirements in the future.

Legislation and regulations regarding our products and ingredients, including the nutritional content of our products, could impact customer preferences and negatively impact our financial results.

Changes in government regulation and consumer eating habits may impact the ingredients and nutritional content of our menu offerings or require us to disclose the nutritional content of our menu offerings. For example, a number of states, counties, and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to customers or have enacted legislation restricting the use of certain types of ingredients in restaurants. Furthermore, the Affordable Care Act requires chain restaurants to publish calorie information on their menus and menu boards. These and other requirements may increase our expenses, slow customers' ordering process, or negatively influence the demand for our offerings; all of which can impact sales and profitability.

Compliance with current and future laws and regulations in a number of areas, including with respect to ingredients, nutritional content of our products, and packaging and serviceware may be costly and time-consuming. Additionally, if consumer health regulations change significantly, we may be required to modify our menu offerings or packaging, and as a result, may experience higher costs or reduced demand associated with such changes. Some government authorities are increasing regulations regarding trans-fats and sodium. While we have removed all artificial or "added during manufacturing" trans fats from our ingredients, some ingredients have naturally occurring trans-fats. Future requirements limiting trans-fats or sodium content may require us to change our menu offerings or switch to higher cost ingredients. These actions may hinder our ability to operate in some markets or to offer our full menu in these markets, which could have a material adverse effect on our business. If we fail to comply with such laws and regulations, our business could also experience a material adverse effect.

Failure to obtain and maintain required licenses and permits or to comply with food control regulations could lead to the loss of our food service licenses and, thereby, harm our business.

We are required, as a restaurant business, under state and local government regulations to obtain and maintain licenses, permits, and approvals to operate our businesses. Such regulations are subject to change from time to time. Any failure by us or our franchisees to obtain and maintain these licenses, permits, and approvals could adversely affect our financial results.

Risks Related to Our Common Stock

Our quarterly results and, as a result, the price of our common stock, may fluctuate significantly and could fall below the expectations of securities analysts and investors due to various factors.

Our quarterly results and the price of our common stock may each fluctuate significantly and could fail to meet the expectations of securities analysts and investors because of factors including:

- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of comparable companies;
- changes in our stockholder base;
- volatility of the stock market in general;
- changes to the regulatory and legal environment in which we operate; and
- general domestic and worldwide economic conditions.

As a result of these factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year. Same-store sales, system-wide sales, and earnings from continuing operations per share in any particular future period may decrease, or commodity, labor, or other operating costs and selling, general, and administrative expenses may increase. In the future, operating results may fall below the expectations of securities analysts and investors, which could cause the price of our common stock to fall. In addition, the stock market has historically experienced significant price and volume fluctuations. These fluctuations may be unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the price of our common stock. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our financial results, and those fluctuations could materially reduce the price of our common stock.

Actions of activist stockholders could cause us to incur substantial costs, divert management's attention and resources, and have an adverse effect on our business.

From time to time, we may be subject to proposals by stockholders urging us to take certain corporate actions. If activist stockholder activities ensue, our business could be adversely affected because responding to proxy contests and reacting to other actions by activist stockholders can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. For example, we may be required to retain the services of various professionals to advise us on activist stockholder matters, including legal, financial, and communications advisers, the costs of which may negatively impact our future financial results. In addition, perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist stockholder initiatives may result in the loss of potential business opportunities, harm our ability to attract new investors, customers, employees, and joint venture partners, and cause our stock price to experience periods of volatility or stagnation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth information about our restaurant locations (by state) for all restaurants in operation as of September 27, 2020:

	Company-Operated	Franchise	Total
Arizona	5	168	173
California	108	835	943
Colorado	—	17	17
Hawaii	—	30	30
Idaho	—	32	32
Illinois	—	13	13
Indiana	—	3	3
Kansas	—	5	5
Louisiana	—	17	17
Missouri	—	58	58
Nevada	—	77	77
New Mexico	—	8	8
North Carolina	—	19	19
Ohio	—	2	2
Oklahoma	8	9	17
Oregon	—	53	53
South Carolina	—	10	10
Tennessee	—	9	9
Texas	23	579	602
Utah	—	3	3
Washington	—	149	149
Guam	—	1	1
	144	2,097	2,241

Of the total 2,241 restaurants, our interest in restaurant properties consists of the following:

	Company-Operated	Franchise	Total
Company-owned restaurant buildings:			
On company-owned land	8	199	207
On leased land	54	571	625
Subtotal	62	770	832
Company-leased restaurant buildings on leased land	82	1,037	1,119
Franchise directly-owned or directly-leased restaurant buildings	—	290	290
Total restaurant buildings	144	2,097	2,241

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 14% of our leases provide for contingent rental payments between 1% and 12% 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.

In addition to the restaurant locations, we own our corporate headquarters located in San Diego, California, which consists of approximately 70,000 square feet and approximately four acres of undeveloped land directly adjacent to it. We believe that our current office space is suitable and adequate for its intended purpose.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Information about our 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. as of September 27, 2020:

Name	Age	Positions	Years with the Company
Darin Harris	51	Chief Executive Officer	—
Dawn Hooper	50	Vice President, Controller and Interim Principal Financial Officer	19
Melissa Corrigan, Ph.D.	50	Senior Vice President, Chief Human Resources Officer	23
Dean Gordon	58	Senior Vice President, Chief Supply Chain Officer	11
Adrienne Ingoldt	38	Senior Vice President, Chief Brand and Experience Officer	5
Jennifer Kennedy	38	Senior Vice President, Chief Product and Innovation Officer	11
Drew Martin	56	Senior Vice President, Chief Information Officer	4
Sarah Super	44	Senior Vice President, General Counsel and Risk Officer	7
Marcus Tom	63	Senior Vice President, Chief Operating Officer	3

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

Mr. Harris has been Chief Executive Officer since June 2020. He was previously Chief Executive Officer of North America for flexible working company, IWG PLC, Regus, North America, from April 2018 to May 2020. Prior to that, from August 2013 to January 2018, Mr. Harris served as Chief Executive Officer of CiCi's Enterprises LP. For just under five years, Mr. Harris also served as Chief Operating Officer for Primrose Schools from November 2008 to July 2013. He previously held franchise leadership roles as Senior Vice President at Arby's Restaurant Group, Inc, from June 2005 to October 2008 and Vice President, Franchise and Corporate Development at Captain D's Seafood, Inc., from May 2000 to January 2004. He was also a prior franchise operator of multiple Papa John's Pizza and Qdoba Mexican Grill restaurants from November 2002 to June 2005. Mr. Harris has more than 25 years of leadership experience in the restaurant industry encompassing operations, franchising, brand strategy and restaurant development.

Ms. Hooper has been Vice President, Controller since May 2020 and has served as the Company's interim principal financial officer upon the resignation of our former Chief Financial Officer in August 2020. She previously served as Assistant Controller from January 2013 to May 2020. She previously held positions of increasing responsibility in accounting since joining the Company in 2000. Prior to joining the Company, Ms. Hooper worked for KPMG LLP from September 1993 to September 2000. Ms. Hooper has more than 25 years in experience in accounting and finance.

Dr. Corrigan has been Senior Vice President, Chief Human Resources Officer since November 2019. She previously served as its Vice President and Human Resources Officer from November 2018 to November 2019 and Vice President of Human Resources and Total Rewards from 2015 to 2018. Dr. Corrigan was Vice President of Human Resources from 2013 to 2015, and she was Director of Human Resources from 2011 to 2013. She previously held several positions of increasing responsibility in Learning and Development since joining the Company in 1997 as a Training and Development Program Manager and has more than 20 years of experience with the Company in human resources related roles.

Mr. Gordon has been Senior Vice President, Chief Supply Chain Officer since November 2019. He previously served as its Vice President and Chief Supply Chain Officer from July 2017 to November 2019. He was previously Vice President of Supply Chain Services since October 2012, and Division Vice President of Purchasing from February 2009 to October 2012. Prior to joining the Company in February 2009, Mr. Gordon was Vice President of Supply Chain Management for Potbelly Sandwich Works from December 2005 to February 2009, and he held various positions with Applebee's International from August 2000 to December 2005, most recently as Executive Director of Procurement. Mr. Gordon also held a number of positions at Prandium, Inc., an operator of multiple restaurant concepts, from October 1994 to August 2000. Mr. Gordon has over 20 years of Supply Chain Management experience.

Ms. Ingoldt has been Senior Vice President, Chief Brand and Experience Officer since November 2019. She previously served as Vice President of Marketing Communications, and Director of Marketing Communications, from February 2018 to November 2019 and August 2015 to February 2018, respectively. Prior to joining the Company in August 2015, she worked for advertising agency Vitro LLC from April 2012 to August 2015, as their Group Account Director leading multiple consumer brands.

Ms. Kennedy served as Senior Vice President, Chief Product and Innovation Officer since November 2019. Before that, she was Vice President, Culinary and Product Marketing from November 2017 to November 2019; Director, Product Marketing, from October 2016 to November 2017; Director, Integrated Marketing from March 2016 to October 2016; and Director, Innovation from September 2014 to March 2016. Ms. Kennedy left the Company on November 13, 2020.

Mr. Martin has been Senior Vice President, Chief Information Officer since November 2019. He previously served as Vice President and Chief Information Officer from November 2016 to November 2019. He was previously Executive Vice President and Chief Information Officer for Lytx Inc. (formerly DriveCam) from October 2011 to December 2014. He previously held IT leadership positions with Sony Electronics and PepsiCo, and from January 2015 until November 2016, was owner and a principal in Silicon Beach Advisors, a technology strategy consulting firm. Mr. Martin has over 25 years of experience in corporate IT and innovation.

Ms. Super has been Senior Vice President, General Counsel and Risk Officer since November 2019. She previously served as Vice President and Associate General Counsel from May 2018 until November 2019. Prior to joining the Company in December 2013, she was a partner at the law firm of Gordon & Rees. Ms. Super has more than 15 years of legal experience.

Mr. Tom has been Senior Vice President, Chief Operating Officer since November 2019. He previously served as Vice President and Chief Operating Officer from February 2018 to November 2019. Prior to joining the Company, Mr. Tom served as the Senior Vice President of Operations for JAB Beech Inc.'s Einstein Bros. Bagels brand from July 2015 to December 2016, and its Caribou Coffee brand from January 2017 to December 2017. From March 2006 to June 2015, Mr. Tom held several positions at Starbucks Coffee Company. From January 2014 to June 2015, he served as Director of Business Operations for all licensed stores in the U.S. and Canada. From May 2012 to December 2013, he served as the Director of Licensed Stores, and from 2006 to 2012 as the Director of Company Stores. Prior to joining Starbucks, Mr. Tom held several positions with YUM Brands International from 1991 to 2006. Mr. Tom has more than 15 years of experience in operation leadership positions in the restaurant industry.

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."

Dividends. In fiscal 2020 and 2019, the Board of Directors declared three and four cash dividends, respectively, of $0.40 per share each. Our dividend is subject to the discretion and approval of our Board of Directors and our compliance with applicable law, and depends upon, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, and other factors that our Board of Directors may deem relevant.

Stock Repurchases. There were no share repurchases of our common stock during the fourth quarter of 2020. As of September 27, 2020, there was approximately $122.2 million remaining under Board-authorized stock buyback programs, consisting of $22.2 million which expires in November 2020 and $100.0 million that expires in November 2021.

On November 13, 2020, the Board of Directors authorized an additional $100.0 million stock buy-back program that expires on November 30, 2022.

Stockholders. As of November 12, 2020, there were 517 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 27, 2020. 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))**
Equity compensation plans approved by security holders (2)	513,522	$91.85	1,907,050

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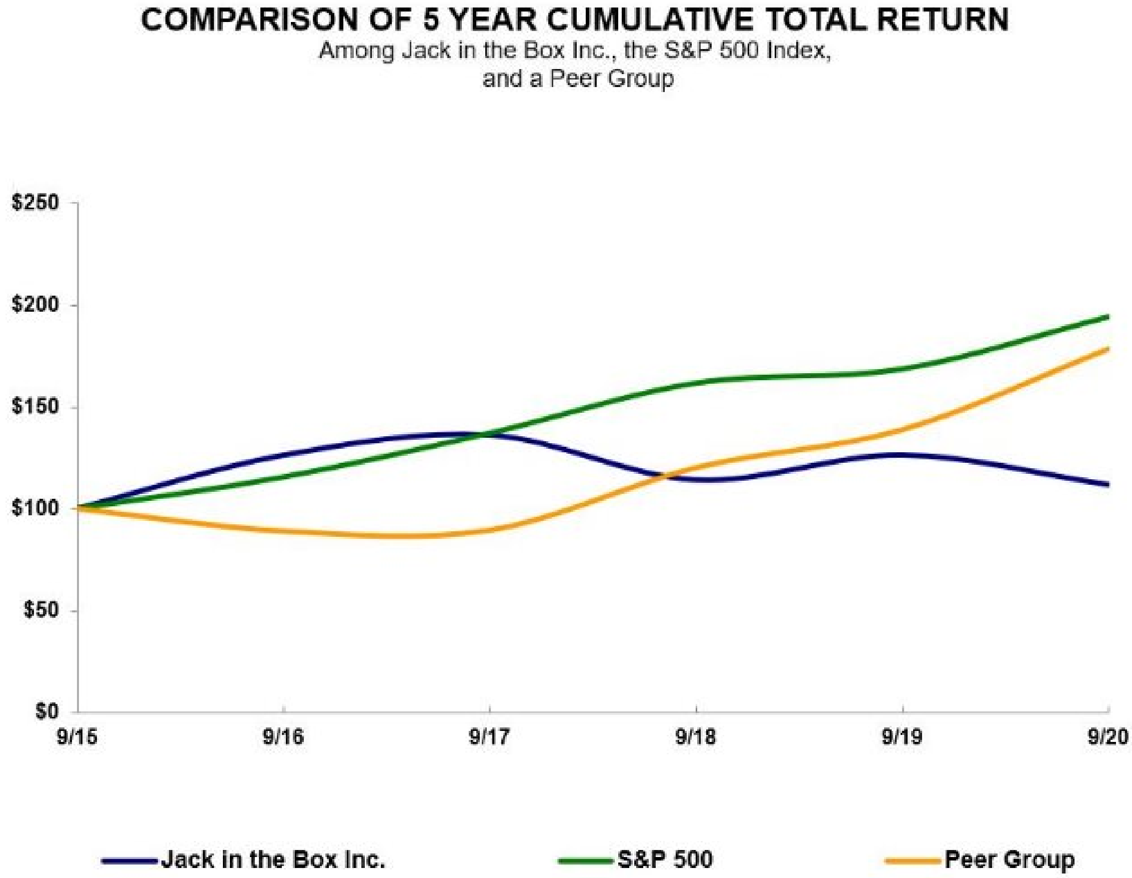
(1) Includes shares issuable in connection with our outstanding stock options, performance share awards, nonvested stock units, and non-management director deferred stock equivalents. The weighted-average exercise price in column (b) includes the weighted-average exercise price of stock options.

(2) For a description of our equity compensation plans, refer to Note 13, *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, 2015 in the Company's common stock and in the comparison groups and assumes reinvestment of dividends. The Company uses a Peer Group to assess the competitive pay levels of our senior executives, and to evaluate program design elements.



	2015	2016	2017	2018	2019	2020
Jack in the Box Inc.	$100	$126	$136	$114	$127	$112
S&P 500 Index	$100	$115	$137	$161	$168	$194
Peer Group (1)	$100	$89	$89	$120	$139	$178

(1) The Peer Group Index comprises the following companies: BJ's Restaurants, Inc.; Bloomin' Brands, Inc.; Brinker International, Inc.; The Cheesecake Factory Inc.; Chipotle Mexican Grill Inc.; Cracker Barrel Old Country Store, Inc.; Denny's Corp.; Dine Brands Global Inc.; Domino's Pizza, Inc.; Dunkin' Brands Group, Inc.; Papa John's Int'l, Inc.; Red Robin Gourmet Burgers, Inc.; Texas Roadhouse, 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 below include 52-weeks, except for 2016, which includes 53-weeks. The selected financial data reflects Qdoba Restaurant Corporation as discontinued operations for all fiscal years presented below. 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				
	2020	2019	2018	2017	2016
	(dollars and shares in thousands, except per share data)				
Statements of Earnings Data (1):					
Total revenues (2), (3)	$ 1,021,506	$ 950,107	$ 869,690	$ 1,097,291	$ 1,162,258
Operating costs and expenses (2), (3)	$ 794,183	$ 749,250	$ 682,407	$ 889,912	$ 971,995
Gains on the sale of company-operated restaurants	(3,261)	(1,366)	(46,164)	(38,034)	(1,230)
Total operating costs and expenses, net (2), (3)	$ 790,922	$ 747,884	$ 636,243	$ 851,878	$ 970,765
Earnings from continuing operations	$ 89,394	$ 91,747	$ 104,339	$ 128,573	$ 106,473
Earnings per Share and Share Data:					
Earnings per share from continuing operations (1):					
Basic	$ 3.87	$ 3.55	$ 3.66	$ 4.20	$ 3.16
Diluted	$ 3.84	$ 3.52	$ 3.62	$ 4.16	$ 3.12
Cash dividends declared per common share (1)	$ 1.20	$ 1.60	$ 1.60	$ 1.60	$ 1.20
Weighted-average shares outstanding — Basic (1)(4)	23,125	25,823	28,499	30,630	33,735
Weighted-average shares outstanding — Diluted (1)(4)	23,269	26,068	28,807	30,914	34,146
Market price at year-end	$ 80.24	$ 90.45	$ 83.83	$ 101.92	$ 95.94
Other Operating Data:					
Company-operated average unit volume (6)	$ 2,489	$ 2,465	$ 2,193	$ 1,874	$ 1,870
Franchise-operated average unit volume (5)(6)	$ 1,595	$ 1,523	$ 1,488	$ 1,475	$ 1,454
System average unit volume (5)(6)(7)	$ 1,651	$ 1,581	$ 1,553	$ 1,543	$ 1,530
Change in fiscal basis company-operated same-store sales (5)	3.1%	1.7%	0.6%	(1.3)%	—%
Change in fiscal basis franchise-operated same-store sales (5)	4.0%	1.3%	0.1%	0.9%	1.6%
Change in fiscal basis system same-store sales (5)	4.0%	1.3%	0.1%	0.5%	1.2%
Capital expenditures from continuing operations (1)	$ 19,528	$ 47,649	$ 37,842	$ 38,970	$ 52,761
Balance Sheet Data (at end of period) (1):					
Total assets (3)	$ 1,906,494	$ 958,483	$ 823,397	$ 1,234,745	$ 1,345,012
Long-term debt, net of current maturities	$ 1,376,913	$ 1,274,374	$ 1,037,927	$ 1,079,982	$ 934,972
Stockholders' (deficit) equity (8)	$ (793,361)	$ (737,584)	$ (591,699)	$ (388,130)	$ (217,206)

(1) Financial data was extracted or derived from our audited consolidated financial statements.
(2) The Company adopted the revenue recognition guidance in the first quarter of 2019 using the modified retrospective method; therefore, periods prior to 2019 do not reflect adjustments for the guidance and are not comparable.
(3) The Company adopted the new accounting guidance for leases during the first quarter of 2020 on a modified retrospective basis using the effective date transition method; therefore, periods prior to 2020 do not reflect adjustments for the guidance and are not comparable.
(4) Weighted-average shares reflect the impact of common stock repurchases under Board-approved programs.
(5) Changes in same-store sales and average unit volumes 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 and percentage rent 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.
(6) 2016 average unit volume is adjusted to exclude the 53rd week for comparison purposes.
(7) 2019 system average unit volume has been revised from the previously reported $1,614 to $1,581 as a correction.
(8) In 2016, the Company began to accumulate a stockholders' deficit related to the execution of our share repurchase programs authorized by our Board of Directors.

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 fiscal year, 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 27, 2020 and September 29, 2019 for fiscal years 2020 and 2019, respectively. A comparison of our results of operations and cash flows for fiscal 2019 compared to fiscal 2018 can be found under Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended September 29, 2019.

Our MD&A consists of the following sections:

- ***Overview*** — a general description of our business and fiscal 2020 highlights.
- ***Financial reporting*** — a discussion of changes in presentation, if any.
- ***Results of operations*** — an analysis of our consolidated statements of earnings for fiscal 2020 compared to fiscal 2019.
- ***Liquidity and capital resources*** — an analysis of our cash flows, including capital expenditures, share repurchase activity, dividends, and known trends that may impact liquidity, and the impact of inflation, if applicable.
- ***Discussion of critical accounting estimates*** — a discussion of accounting policies that require critical judgments and estimates.
- ***New accounting pronouncements*** — a discussion of new accounting pronouncements, dates of implementation, and the impact on our consolidated financial position or results of operations, if any.

We have included in our MD&A certain performance metrics that management uses to assess company performance and which we believe will be useful in analyzing and understanding our results of operations. These metrics include:

- Changes in sales at restaurants open more than one year ("same-store sales"), system restaurant sales, franchised restaurant sales, and average unit volumes ("AUVs"). Same-store sales, restaurant sales, and AUVs are presented for franchised 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 and percentage rent revenues are calculated based on a percentage of franchise sales. We believe franchise and system same-store sales, franchised and system restaurant sales, and AUV information are useful to investors as they have a direct effect on the Company's profitability.
- Adjusted EBITDA, which represents net earnings on a generally accepted accounting principles ("GAAP") basis excluding gains or losses from discontinued operations, income taxes, interest expense, net, gains on the sale of company-operated restaurants, impairment and other charges, net, depreciation and amortization, and the amortization of tenant improvement allowances and other, and pension settlement charges. We are presenting Adjusted EBITDA because we believe that it provides a meaningful supplement to net earnings of the Company's core business operating results, as well as a comparison to those of other similar companies. Management believes that Adjusted EBITDA, when viewed with the Company's results of operations in accordance with GAAP and the accompanying reconciliations within MD&A, provides useful information about operating performance and period-over-period change, and provides additional information that is useful for evaluating the operating performance of the Company's core business without regard to potential distortions. Additionally, management believes that Adjusted EBITDA permits investors to gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced.

Same-store sales, system restaurant sales, franchised restaurant sales, AUVs, and Adjusted EBITDA are not measurements determined in accordance with GAAP and should not be considered in isolation, or as an alternative to earnings from operations, or other similarly titled measures of other companies.

IMPACT OF COVID-19

Throughout the pandemic, substantially all of our restaurants have remained open, with dining rooms closed and all locations operating in an off-premise capacity, which has historically represented close to 90% of the Company's business, including drive-thru, third-party delivery, and carry-out. While we navigate through this time of uncertainty, Jack in the Box remains committed to operating our restaurants with integrity, providing great guest service, and most importantly, protecting the health and safety of our employees and guests.

In the last five weeks of the second quarter, upon the rise in "shelter-in-place" mandates and "social distancing" requirements across the country, system same-store sales decreased by 17.0%; however, starting in our third quarter and continuing into our fourth quarter we have seen an acceleration of system same-store sales. The acceleration of sales during the pandemic has been largely driven by average check growth while we have continued to experience a significant reduction in restaurant traffic. Given the uncertainty associated with the COVID-19 pandemic, the Company has not provided any guidance for fiscal 2021 at this time, but will evaluate on a quarterly basis, with the intent to return to providing guidance once the visibility into sustained trends becomes more clear.

To mitigate the impact of COVID-19 on the Company, operations, franchisees and our employees, we have undertaken the following actions:

- Implemented a short-term cash preservation strategy (refer to the Liquidity and Capital Resources section for further information).
- Provided financial support to our franchisees in the form of a reduction and payment deferral of marketing fees, postponement of rent, and extended deadlines for remodel requirements and development agreements.
- Instituted a new emergency paid sick leave program at company-operated restaurants and have procured protective masks, gloves, sneeze guards and thermometers at all company-owned and franchised locations.

OVERVIEW

As of September 27, 2020, we operated and franchised 2,241 Jack in the Box quick-service restaurants, primarily in the western and southern United States, including one in Guam.

We derive revenue from retail sales at Jack in the Box company-operated restaurants and rental revenue, royalties (based upon a percent of sales), franchise fees and contributions for advertising and other services from franchisees. In addition, we recognize gains or losses from the sale of company-operated restaurants to franchisees, which are included as a line item within operating costs and expenses, net, in the accompanying consolidated statements of earnings.

The following summarizes the most significant events occurring in fiscal 2020, and certain trends compared to fiscal 2019:

- ***System same-store sales*** — System same-store sales increased 4.0% in fiscal 2020 as a result of strong sales momentum in the second half of our fiscal year.
- ***Company restaurant operations* —** Company restaurant costs including food and packaging, payroll and employee benefits, and occupancy and other operating costs, as a percentage of sales increased to 75.4% from 73.8% in the prior year primarily due to wage inflation and increases in other operating costs.
- ***Franchise operations*** — Franchise restaurant sales increased 4.9% for the year, resulting in higher royalties and percentage rent for the Company.
- ***Corporate initiatives*** — During 2020, we executed on previously announced corporate initiatives, which included the sale of one of our corporate office buildings as we consolidated our corporate facilities, as well as completing a lump sum payment option in connection with the Company's pension plan de-risking strategy.
- ***Return of cash to shareholders* —** We returned cash to shareholders in the form of share repurchases and quarterly cash dividends. We repurchased 1.9 million shares of our common stock during fiscal 2020 at an aggregate cost of $153.5 million. We declared dividends of $1.20 per share totaling $27.7 million.
- ***Adjusted EBITDA*** — Adjusted EBITDA increased in 2020 to $274.2 million from $269.0 million in 2019.

FINANCIAL REPORTING

In fiscal 2020, we adopted Accounting Standards Codification Topic 842, *Leases* ("ASC 842"), effective at the beginning of our fiscal year on a modified retrospective basis using the effective date transition method. Our consolidated financial statements reflect the application of ASC 842 guidance beginning in 2020, while our consolidated financial statements for prior periods were prepared under the guidance of a previously applicable accounting standard.

The most significant effects of this transition that affect comparability of our results of operations between 2020 and 2019 include the following:

- Our transition to ASC 842 resulted in the gross presentation of property tax and maintenance expenses and related lessee reimbursements as "Franchise occupancy expenses" and "Franchise rental revenues", respectively. These expenses and reimbursements were presented on a net basis under the previous accounting standard. Although there was no net impact to our consolidated statement of earnings from this change, the presentation resulted in total increases in "Franchise rental revenues" and "Franchise occupancy expenses" of $37.4 million.

- ASC 842 also changed how lessees account for leases subleased at a loss. Under ASC 842, sublease income and lessee rent expense are recorded as franchise rent revenue and franchise occupancy costs as earned or incurred. As a result of this change, franchise revenues and franchise occupancy expenses increased by $4.2 million and $4.8 million, respectively.

RESULTS OF OPERATIONS FOR FISCAL 2020 AND 2019

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.

	2020	2019
Revenues:		
Company restaurant sales	34.2 %	35.4 %
Franchise rental revenues	31.4 %	28.7 %
Franchise royalties and other	17.5 %	17.9 %
Franchise contributions for advertising and other services	17.0 %	18.0 %
	100.0 %	100.0 %
Operating costs and expenses, net:		
Food and packaging (1)	29.4 %	29.0 %
Payroll and employee benefits (1)	30.5 %	29.7 %
Occupancy and other (1)	15.5 %	15.0 %
Franchise occupancy expenses (excluding depreciation and amortization) (2)	65.5 %	61.1 %
Franchise support and other costs (3)	7.3 %	7.1 %
Franchise advertising and other services expenses (4)	104.2 %	104.3 %
Selling, general and administrative expenses	7.9 %	8.0 %
Depreciation and amortization	5.2 %	5.8 %
Impairment and other charges, net	(0.6)%	1.3 %
Gains on the sale of company-operated restaurants	(0.3)%	(0.1)%
Earnings from operations	22.6 %	21.3 %
Income tax rate (5)	26.8 %	20.8 %

(1) As a percentage of company restaurant sales.
(2) As a percentage of franchise rental revenues.
(3) As a percentage of franchise royalties and other.
(4) As a percentage of franchise contributions for advertising and other services.
(5) As a percentage of earnings from continuing operations and before income taxes.

The following table summarizes changes in same-store sales for company-owned, franchised, and system-wide restaurants:

	2020	2019
Company	3.1 %	1.7 %
Franchise	4.0 %	1.3 %
System	4.0 %	1.3 %

The following table summarizes the changes in the number and mix of company and franchise restaurants in each fiscal year:

	2020			2019		
	Company	Franchise	Total	Company	Franchise	Total
Beginning of year	137	2,106	2,243	137	2,100	2,237
New	—	27	27	—	19	19
Acquired from franchisees	8	(8)	—	—	—	—
Closed	(1)	(28)	(29)	—	(13)	(13)
End of year	144	2,097	2,241	137	2,106	2,243
% of system	6 %	94 %	100 %	6 %	94 %	100 %

The following table summarizes the restaurant sales for company-owned, franchised, and total system-wide restaurants *(in thousands)*:

	2020	2019
Company-owned restaurant sales	$ 348,987	$ 336,807
Franchised restaurant sales (1)	3,323,745	3,167,920
System sales (1)	$ 3,672,732	$ 3,504,727

(1) Franchised restaurant sales represent sales at franchised restaurants and are revenues of our franchisees. System sales include company and franchised restaurant sales. We do not record franchised sales as revenues; however, our royalty revenues, marketing fees and percentage rent revenues are calculated based on a percentage of franchised sales. We believe franchised and system restaurant sales information is useful to investors as they have a direct effect on the Company's profitability.

Below is a reconciliation of Non-GAAP Adjusted EBITDA to the most directly comparable GAAP measure, net earnings *(in thousands)*:

	2020	2019
Net earnings - GAAP	$ 89,764	$ 94,437
Earnings from discontinued operations, net of income taxes	(370)	(2,690)
Income taxes	32,727	24,025
Interest expense, net	66,743	84,967
Pension settlement charges	39,218	—
Gains on the sale of company-operated restaurants	(3,261)	(1,366)
Impairment and other charges, net	(6,493)	12,455
Depreciation and amortization	52,798	55,181
Amortization of franchise tenant improvement allowances and other	3,028	1,983
Adjusted EBITDA - Non-GAAP	$ 274,154	$ 268,992

Company Restaurant Operations

The following table presents company restaurant sales and costs as a percentage of the related sales in each fiscal year. Percentages may not add due to rounding *(dollars in thousands)*:

	2020		2019	
Company restaurant sales	$ 348,987		$ 336,807	
Company restaurant costs:				
Food and packaging	$ 102,449	29.4 %	$ 97,699	29.0 %
Payroll and employee benefits	$ 106,540	30.5 %	$ 100,158	29.7 %
Occupancy and other	$ 54,157	15.5 %	$ 50,613	15.0 %

Company restaurant sales increased $12.2 million in 2020 as compared with the prior year. In 2020, the increase was primarily driven by an increase in the number of company-operated restaurants related to the acquisition of eight restaurants from a franchisee during the year which resulted in additional sales of $6.1 million, average check growth, and menu price increases, and were partially offset by a decline in traffic during COVID-19 impacted weeks.

Same-store sales at company-operated restaurants increased 3.1% in 2020 compared to a year ago. The following table summarizes the increases (decreases) in company-operated same-store sales:

	2020 vs. 2019
Transactions	(8.9)%
Average check (1)	12.0 %
Change in same-store sales	3.1 %

(1) Includes price increases of approximately 2.6% in 2020.

Food and packaging costs as a percentage of company restaurant sales increased to 29.4% in 2020 from 29.0% a year ago due primarily to higher costs for ingredients and changes in product mix, partially offset by menu price increases. Commodity costs increased by 3.5% for the year due primarily to increases in beef and cheese. Beef, our most significant commodity, increased 14.9% compared to a year ago.

Payroll and employee benefit costs as a percentage of company restaurant sales increased to 30.5% in 2020 compared with 29.7% a year ago due primarily to higher average wages resulting from wage inflation and a highly competitive labor market, and higher incentive compensation costs during the year; partially offset by higher sales leverage.

Occupancy and other costs as a percentage of company restaurant sales increased to 15.5% in 2020 from 15.0% a year ago due primarily to higher costs for delivery fees as we grow our delivery sales mix, supplies primarily related to COVID-19, and the acquisition in 2020 of eight restaurants with lower than average sales volumes; partially offset by leverage from higher same-store sales.

Franchise Operations

The following table presents franchise revenues and costs in each fiscal year and other information we believe is useful in analyzing the change in franchise operating results (*dollars in thousands*):

	2020	2019
Franchise rental revenues	$ 320,647	$ 272,815
Royalties	171,407	163,047
Franchise fees and other	6,912	6,764
Franchise royalties and other	178,319	169,811
Franchise contributions for advertising and other services	173,553	170,674
Total franchise revenues	$ 672,519	$ 613,300
Franchise occupancy expenses	$ 210,038	$ 166,584
Franchise support and other costs	13,059	12,110
Franchise advertising and other services expenses	180,794	178,093
Total franchise costs	$ 403,891	$ 356,787
Franchise costs as a percentage of total franchise revenues	60.1 %	58.2 %
Average number of franchise restaurants	2,084	2,081
Franchised restaurant sales	$ 3,323,745	$ 3,167,920
Franchise restaurant AUV	$ 1,595	$ 1,523
Increase in franchise-operated same-store sales	4.0 %	1.3 %
Royalties as a percentage of total franchise restaurant sales	5.2 %	5.1 %

Franchise rental revenues increased $47.8 million, or 17.5%, in 2020 versus a year ago due primarily to our adoption of ASC 842, which increased our rental revenues $41.6 million for the year, as well as higher percentage rent driven by higher franchise restaurant sales.

Franchise royalties and other increased $8.5 million, or 5.0%, in 2020 compared with the prior year due primarily to an increase in franchise restaurant sales driving royalties higher.

Franchise contributions for advertising and other services increased $2.9 million, or 1.7% in 2020 versus a year ago primarily due to a $2.6 million increase in technology and sourcing fees primarily as a result of an increase in technology fees in July 2019. Marketing contributions were $0.3 million higher than last year due to higher franchise restaurant sales which more than offset the impact of a $7.9 million decrease in marketing fee contribution percentages for March and April.

Franchise occupancy expenses increased $43.5 million in 2020 versus a year ago due primarily to the adoption of ASC 842, which increased franchise occupancy expenses by $42.2 million for the year.

Franchise support and other costs increased $0.9 million in 2020 versus a year ago due primarily to an increase in franchisee bad debt expense related to specific franchise situations that occurred in the first quarter of 2020.

Franchise advertising and other service expenses increased $2.7 million, or 1.5% in 2020 versus a year ago primarily as a result of higher technology and sourcing costs of $2.4 million for the year.

Depreciation and Amortization

Depreciation and amortization decreased $2.4 million in 2020 as compared with the prior year, primarily due to certain of our franchise building assets becoming fully depreciated in the current fiscal year.

Selling, General and Administrative ("SG&A") Expenses

The following table presents the increase (decrease) in SG&A expenses in 2020 compared with the prior year (*in thousands*):

	2020 vs. 2019
Advertising	$ (1,888)
Incentive compensation (including share-based compensation and related payroll taxes)	(2,277)
Cash surrender value of COLI policies, net	401
Litigation matters	1,500
Insurance	2,216
Other (includes transition services income and savings related to our restructuring plan)	4,533
	$ 4,485

Advertising costs represent company contributions to our marketing fund and are generally determined as a percentage of company-operated restaurant sales. Advertising costs in 2020 decreased $1.9 million versus a year ago primarily due to a $2.0 million discretionary marketing fund contribution made by the Company in 2019 that was not made in 2020.

Incentive compensation decreased by $2.3 million in 2020 versus a year ago primarily due to a decrease in share-based compensation of $3.7 million, resulting from the departures of our former Chief Executive Officer and Chief Financial Officer in 2020, partially offset by an increase in annual incentives of $1.4 million as a result of higher achievement levels.

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 negative impact of $0.4 million versus the prior year.

Litigation matters increased by $1.5 million in 2020 versus a year ago primarily due to a California Private Attorney General Act lawsuit settled for $3.8 million in the current year and litigation costs accrued for various other pending legal matters, partially offset by a $3.8 million settlement in our favor from a class action lawsuit related to credit card interchange fees.

Insurance costs increased $2.2 million in 2020 versus the prior year primarily due to less favorable development factors related to workers' compensation and general liability claims compared to the prior year.

Impairment and Other Charges, Net

The following table presents the components of impairment and other charges, net, in each fiscal year (*in thousands*):

	2020	2019
Restructuring costs	$ 1,168	$ 8,455
Costs of closed restaurants and other	1,872	8,628
Gains on disposition of property and equipment, net	(9,768)	(6,244)
Accelerated depreciation	235	1,616
	$ (6,493)	$ 12,455

Impairment and other charges, net decreased $18.9 million in 2020 versus the prior year primarily from higher gains on the sale of property and equipment of $3.5 million, primarily due to a $10.8 million gain recognized on the sale of one of our corporate office buildings in fiscal 2020 compared to a $5.7 million gain on the sale of a restaurant property in the prior year, and from lower restructuring costs of $7.3 million, as our general and administrative cost reduction initiative came to its conclusion as planned. Additionally, costs of closed restaurants and other decreased by $6.8 million due primarily to the write-off of software development costs associated with a discontinued technology project in the prior year and higher canceled project costs for the prior year.

Refer to Note 9, *Impairment and Other Charges, Net,* of the notes to the consolidated financial statements for additional information regarding these charges.

Gains on the Sale of Company-Operated Restaurants

In 2020 and 2019, no company-operated restaurants were sold to franchisees. Gains on the sale of company-operated restaurants in both periods pertain to meeting certain contingent consideration provisions included in restaurants sold in previous years. Refer to Note 3, S*ummary of Refranchisings and Franchise Acquisitions*, of the notes to our consolidated financial statements for further information regarding these gains.

Other Pension and Post-Retirement Expenses, Net

Other pension and post-retirement expenses, net increased by $40.2 million in 2020 versus the prior year, primarily due to non-cash pension settlement charges of $39.2 million in fiscal 2020. Refer to Note 12, *Retirement Plans*, of the notes to the consolidated financial statements for additional information regarding these charges.

Interest Expense, Net

Interest expense, net, is comprised of the following in each fiscal year (*in thousands*):

	2020	2019
Interest expense	$ 67,273	$ 86,027
Interest income	(530)	(1,060)
Interest expense, net	$ 66,743	$ 84,967

Interest expense, net, decreased $18.2 million in 2020 as compared to a year ago primarily due to a charge of $23.6 million from the early termination of our interest rate swaps in the prior year. Excluding this impact, interest expense increased by $5.3 million, primarily as a result of higher average debt balances.

Income Taxes

The income tax provisions reflect effective tax rates of 26.8% and 20.8% in fiscal years 2020 and 2019, respectively. The major components of the year-over-year change in tax rates were the impact of nonrecurring activities in fiscal year 2019 including the termination of interest rate swap agreements and the release of a federal tax liability due to expiration of statute of limitations, and a current year increase in deduction limitations on officers' compensation and nondeductible costs resulting from a California Private Attorney General Act lawsuit settled in the current year.

Earnings from Discontinued Operations, Net

As described in Note 10, *Discontinued Operations*, in the notes to our consolidated financial statements, the results of operations from Qdoba have been reported as discontinued operations for all periods presented. Refer to Note 10 for additional information regarding discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

General

As is common in the restaurant industry, we generally 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. We generally reinvest available cash flows from operations to enhance existing restaurants, to reduce debt, to repurchase shares of our common stock, and to pay cash dividends. Our cash requirements consist principally of working capital, capital expenditures, income tax payments, debt service requirements, franchise tenant improvement allowance distributions, dividend payments, and obligations related to our benefit plans.

Our primary sources of short-term and long-term liquidity are expected to be cash flows from operations and available financing in place. On July 8, 2019, we completed a refinancing of our existing senior credit facility with a new securitized financing facility, comprised of $1.3 billion of senior fixed-rate term notes and $150.0 million of variable funding notes. During the second quarter of fiscal 2020, to enhance our liquidity position and provide financial flexibility given the uncertain market conditions, we fully drew down on our Variable Funding Notes, which provided us $107.9 million of unrestricted cash. As of September 27, 2020, the Company had $236.9 million of cash and restricted cash on its balance sheet.

In the context of an unprecedented global pandemic, we believe it is prudent to maintain maximum financial flexibility by preserving our capital and maintaining the Company’s healthy liquidity position. As a result, beginning in the second quarter, we temporarily suspended all repurchase activity and significantly reduced capital expenditures to essential spend only. The Company also temporarily suspended its dividend payments for the second quarter, which were reinstated the following quarter. The reinstatement of the dividend reflects the strong financial health of the Company and our continued commitment to shareholders.

We believe that our cash on hand, cash flow from operations, and the actions taken to mitigate the effects of the COVID-19 pandemic discussed above will provide us with adequate liquidity for the next twelve months and the foreseeable future.

Cash Flows

The table below summarizes our cash flows from continuing operations activities for each of the last two fiscal years (*in thousands*):

	2020	2019
Total cash provided by (used in):		
Operating activities	$ 143,525	$ 168,405
Investing activities	29,123	(13,819)
Financing activities	(87,289)	(5,730)
Net increase in cash from continuing operations	$ 85,359	$ 148,856

Operating Activities. Operating cash flows decreased $24.9 million in 2020 compared to prior year primarily due to lower collections of $19.0 million from rent and marketing deferrals we provided to our franchisees and an increase in cash paid for interest and income taxes of $22.4 million and $14.5 million, respectively. These unfavorable changes were partially offset by lower rent payments of $7.2 million from payment deferrals we received from our landlords, lower marketing payments due to timing and an increase in our marketing fund surplus of $8.0 million, and lower severance payments of $7.0 million.

Pension and Postretirement Contributions — Our policy is to fund our pension plans at or above the minimum required by law. As of January 1, 2020, the date of our last actuarial funding valuation for our qualified pension plan, there was no minimum contribution funding requirement. In both 2020 and 2019, we contributed $6.2 million to our pension and postretirement plans. We do not anticipate making any contributions to our qualified defined benefit pension plan in fiscal 2021. For additional information, refer to Note 12, *Retirement Plans*, of the notes to the consolidated financial statements.

Investing Activities. Cash flows provided by investing activities increased $42.9 million in 2020 compared to 2019, primarily due to a decrease of $28.1 million in capital expenditures, an increase of $28.4 million in proceeds received on the sale or sale and leaseback of property and equipment; partially offset by a decrease of $16.8 million in repayments of notes receivable issued in connection with 2018 refranchising transactions.

Capital Expenditures — The composition of capital expenditures in each fiscal year is summarized in the table below (*in thousands*):

	2020	2019
Restaurants:		
Restaurant facility expenditures	$ 9,056	$ 9,202
Purchases of assets intended for sale or sale and leaseback	440	21,660
New restaurants	—	1,381
Other, including information technology	4,857	3,597
	14,353	35,840
Corporate Services:		
Information technology	3,505	9,405
Other, including facility improvements	1,670	2,404
	5,175	11,809
Total capital expenditures	$ 19,528	$ 47,649

Our capital expenditure program includes, among other things, restaurant remodeling, information technology enhancements, and investments in new locations and equipment. In 2020, capital expenditures decreased compared to a year ago primarily due to the Company reducing capital expenditures to essential spend only to provide additional liquidity and financial flexibility given this year’s uncertainty surrounding the pandemic. In addition, purchases of assets intended for sale and leaseback decreased by $21.2 million, primarily due to the Company’s purchase of a $17.3 million multi-tenant commercial property during the fourth quarter of 2019. The Company completed the sale and leaseback of the company-operated restaurant parcel during the first quarter of 2020 and received net proceeds of $17.4 million.

Financing Activities. Cash flows used in financing activities increased by $81.6 million in 2020 compared to 2019, mainly due to lower net borrowings of $101.2 million as a result of net proceeds received in the prior year from our refinancing transaction, partially offset by borrowings on our variable funding notes in the current year, and an increase in stock repurchases of $17.9 million. These unfavorable changes were partially offset by a lower cash used for dividends payments of $13.6 million as a result of temporarily suspending our quarterly dividend for the second quarter of fiscal 2020 which we reinstated the following quarter, and interest rate swap termination payments of $23.6 million made in the prior year a result of the retirement of our senior credit facility.

Long-Term Debt

As of September 27, 2020, our long-term debt consists of $1,290.3 million of total principal outstanding on the Class A-2 Notes (as defined below). During the second quarter of 2020, the Company borrowed $107.9 million under our $150.0 million Variable Funding Notes (as defined below) as a precautionary measure given the uncertainty surrounding the pandemic. As of September 27, 2020, borrowing availability under our Variable Funding Notes was $2.7 million and $39.5 million of letters of credit were outstanding.

On July 8, 2019, Jack in the Box Funding, LLC (the "Master Issuer"), a limited-purpose, bankruptcy-remote, wholly owned indirect subsidiary of the Company, completed its securitization transaction and issued $575.0 million of its Series 2019-1 3.982% Fixed Rate Senior Secured Notes, Class A-2-I (the "Class A-2-I Notes"), $275.0 million of its Series 2019-1 4.476% Fixed Rate Senior Secured Notes, Class A-2-II (the "Class A-2-II Notes") and $450.0 million of its Series 2019-1 4.970% Fixed Rate Senior Secured Notes, Class A-2-III (the "Class A-2-III Notes") and together with the Class A-2-I Notes and the Class A-2-II Notes, (the "Class A-2 Notes"), in an offering exempt from registration under the Securities Act of 1933, as amended. In connection with the issuance of the Class A-2 Notes, the Master Issuer also entered into a revolving financing facility of Series 2019-1 Variable Funding Senior Secured Notes, Class A-1 (the "Variable Funding Notes"), which allows for the drawing of up to $150.0 million under the Variable Funding Notes and the issuance of letters of credit. The Class A-2 Notes and the Variable Funding Notes are referred to collectively as the "Notes."

Interest and principal payments on the Class A-2 Notes are payable on a quarterly basis. The quarterly principal payment of $3.25 million on the Class A-2 Notes may be suspended when the specified leverage ratio, which is a measure of outstanding debt to earnings before interest, taxes, depreciation, and amortization, adjusted for certain items (as defined in the Indenture), is less than or equal to 5.0x. Exceeding the leverage ratio of 5.0x does not violate any covenant related to the Class A-2 Notes. We made three principal payments of $3.25 million each during 2020. As of September 27, 2020, the Company's actual leverage ratio was under 5.0x, and as a result, quarterly principal payments are not required.

The legal final maturity date of the Class A-2 Notes is in August 2049, but it is expected that, unless earlier prepaid to the extent permitted under the Indenture, the anticipated repayment dates of the Class A-2-I Notes, the Class A-2-II Notes and the Class A-2-III Notes will be August 2023, August 2026 and August 2029, respectively (the "Anticipated Repayment Dates"). If the Master Issuer has not repaid or refinanced the Class A-2 Notes prior to the respective anticipated repayment date, additional interest will accrue pursuant to the Indenture.

In accordance with the terms of the Indenture, certain cash accounts have been established with the Indenture trustee for the benefit of the note holders and are restricted in their use. As of September 27, 2020, the Master Issuer had restricted cash of $37.3 million, which primarily represented cash collections and cash reserves held by the trustee to be used for payments of interest and commitment fees required for the Class A-1 and A-2 Notes. During fiscal 2020, with uncertainty surrounding COVID-19 events, and as a cautionary measure, we voluntarily elected to fund quarterly interest payments due in February 2021.

The Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Master Issuer maintains specified reserve accounts to be used to make required payments in respect of the Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Class A-2 Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the assets pledged as collateral for the Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to failure to maintain stated debt service coverage ratios, the sum of gross sales for specified restaurants being below certain levels on certain measurement dates, certain manager termination events, an event of default, and the failure to repay or refinance the Class A-2 Notes on the applicable scheduled maturity date. The Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal, or other amounts due on or with respect to the Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective, and certain judgments. As of September 27, 2020, we were in compliance with all of our debt covenant requirements and were not subject to any rapid amortization events.

Capital Allocation

Repurchases of Common Stock — During fiscal 2020, we repurchased 1.9 million shares at an aggregate cost of $153.5 million. Repurchases of common stock included in our consolidated statement of cash flows for fiscal 2020 include $2.0 million related to repurchase transactions traded in fiscal 2019 but settled in fiscal 2020. As of September 27, 2020, there was approximately $122.2 million remaining under Board-authorized stock buyback programs, consisting of $22.2 million which expires in November 2020 and $100.0 million that expires in November 2021.

On November 13, 2020, the Board of Directors authorized an additional $100.0 million share repurchase program to more than offset the $22.2 million authorization that was set to expire at the end of November 2020. This brings the total remaining under share repurchase programs to $200.0 million, consisting of $100.0 million which expires in November 2021 and $100.0 million which expires in November 2022.

Dividends — In fiscal 2020, the Board of Directors declared three cash dividends of $0.40 per share totaling $27.7 million. In fiscal 2019, the Board of Directors declared four cash dividends of $0.40 per share totaling $41.4 million. Future dividends are subject to approval by our Board of Directors.

Off-Balance Sheet Arrangements

We have entered into certain off-balance sheet contractual obligations and commitments in the ordinary course of business, which are recognized in our consolidated financial statements in accordance with U.S. generally accepted accounting principles. We are not a party to any other 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 27, 2020 (*in thousands*):

	Payments Due by Fiscal Year				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Contractual Obligations:					
Long-term debt obligations (1)	$ 1,398,127	$ —	$ 570,688	$ —	$ 827,439
Interest payments on debt obligations	355,624	59,566	119,132	73,682	103,244
Finance lease obligations	3,171	917	1,810	424	20
Operating lease obligations	1,149,301	215,039	308,502	207,910	417,850
Purchase commitments (2)	73,378	16,452	32,100	24,826	—
Benefit obligations (3)	72,496	16,942	12,857	12,678	30,019
Total contractual obligations	$ 3,052,097	$ 308,916	$ 1,045,089	$ 319,520	$ 1,378,572
Other Commercial Commitments:					
Stand-by letters of credit (4)	$ 39,500	$ 39,500	$ —	$ —	$ —

(1) Includes mandatory principal payments on our Class A-1 and Class A-2 Notes. Amounts are reflected through the anticipated repayment dates as described further above in "Liquidity and capital resources."
(2) Includes non-cancelable purchase commitments related to information technology agreements and volume commitments for beverage products.
(3) Includes expected payments associated with our non-qualified defined benefit plan, postretirement healthcare plans and our non-qualified deferred compensation plan through fiscal 2029.
(4) Consists primarily of letters of credit for interest reserves required under the Indenture and 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 2020 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 in 2020. For additional information related to our pension plans, refer to Note 12, *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 — We evaluate long-lived assets, such as property and equipment and operating lease right-of-use assets, for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Factors that we consider important individually or in combination trigger an impairment review include, but are not limited to, bankruptcy proceedings or other significant financial distress of a lessee, significant underperformance relative to historical or projected operating results, significant changes in our business and/or negative industry or economic trends, or our expectation to dispose of long-lived assets before the end of their estimated useful lives. Long-lived assets are grouped for recognition and measurement of impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. For company-operated restaurants, the impairment test is performed at the individual-restaurant level. The impairment test for long-lived assets requires us to assess the recoverability of long-lived assets by comparing their net carrying value to the sum of undiscounted estimated future cash flows directly associated with and arising from our use and eventual disposition of the assets. If the carrying amount of a long-lived asset group exceeds the sum of related undiscounted future cash flows, we recognize an impairment loss by the amount that 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, changes in our business plans, operating performance, and economic conditions.

Self-Insurance — We are self-insured for a portion of our losses related to workers' compensation, general liability and other legal claims, 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 number of claims occur compared to what was estimated, or should medical costs increase beyond what was expected, accruals might not be sufficient, and additional expense may be recorded.

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.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 1, *Nature of Operations and Summary of Significant Accounting Policies*, of the notes to the consolidated financial statements for a discussion of the impact of new accounting pronouncements on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are only exposed to interest rate risk on borrowings under our $150.0 million variable funding notes. During the second quarter of 2020, we borrowed $107.9 million under the variable funding notes, which remains outstanding as of September 27, 2020. Based on outstanding borrowings as of September 27, 2020, an increase or decrease of 100 basis points in interest rates would impact our interest expense by approximately $1.1 million on an annualized basis.

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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, related financial information, and the Report of Independent Registered Public Accounting Firm 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

a. Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Based on an evaluation of the Company's disclosure controls and procedures (as defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934, as amended), as of the end of the Company's fiscal year ended September 27, 2020, the Company's Chief Executive Officer and Controller (its principal executive officer and principal financial officer, respectively) have concluded that the Company's disclosure controls and procedures were effective.

b. Changes in Internal Control Over Financial Reporting

Except for the changes in connection with our implementation of the remediation plan described below, 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 27, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

c. Management's Report on Internal Control Over Financial Reporting

Management, including our principal executive officer and principal financial officer, 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 regarding the preparation and fair presentation of published financial statements in accordance with U.S. GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions;
- Provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made in accordance with appropriate authorizations; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our 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, under the oversight of our principal executive officer, principal financial officer, and Audit Committee, assessed the effectiveness of the Company's internal control over financial reporting as of September 27, 2020. In making this assessment, management used the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended September 29, 2019, during the fourth quarter of 2019, management concluded that the Company's internal control over financial reporting was not effective because of the effect of the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement will not be prevented or detected on a timely basis.

Management identified the following deficiencies in our internal control over financial reporting.

- We did not maintain effective risk assessment, oversight and monitoring controls over changes in the Company's information technology ("IT") environment in connection with the restructuring and outsourcing of certain IT support functions to third party contractors.
- We were overly dependent on the knowledge and actions of certain individuals with IT expertise without providing sufficient training and documentation to support other personnel with control responsibilities.
- As a consequence, the Company did not maintain effective controls over IT change management for systems that support the Company's financial reporting process to ensure that program and data changes were tested, approved and implemented appropriately. Automated process-level controls and manual controls dependent upon the accuracy and completeness of information derived from IT systems were also rendered ineffective.

During 2020, we implemented our previously disclosed remediation plan that included:

(i) developing enhanced risk assessment procedures and controls related to changes in IT systems;

(ii) enhancing governance by management of significant and/or unusual changes to the IT environment;

(iii) developing and conducting a mandatory annual program addressing IT general controls and policies, including educating control owners concerning the principles and requirements of each control, with a focus on those related to change-management over IT systems; and

(iv) implementing an annual requirement for IT personnel to review and acknowledge their understanding of change control policies and procedures.

During the fourth quarter of 2020, we completed our testing of the operating effectiveness of the implemented controls and found them to be effective. As a result, we have concluded that the material weakness has been remediated as of September 27, 2020.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Jack in the Box Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Jack in the Box Inc. and subsidiaries' (the Company) internal control over financial reporting as of September 27, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 27, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* 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) (PCAOB), the consolidated balance sheets of the Company as of September 27, 2020 and September 29, 2019, the related consolidated statements of earnings, comprehensive income, stockholders' deficit, and cash flows for each of the fifty-two week periods ended September 27, 2020, September 29, 2019, and September 30, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated November 18, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP
San Diego, California
November 18, 2020

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," "Director 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 27, 2020 and to be used in connection with our 2021 Annual Meeting of Stockholders is hereby incorporated by reference.

Information regarding our executive officers is set forth in Part I of this Report under the caption "Information about our 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 Recommendations and Board Nominations," 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 corporate website, www.jackintheboxinc.com (under the "Investors — Corporate Governance — Code of Conduct" caption) and is available 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 corporate website. No such waivers have been issued during fiscal 2020.

We have also adopted a set of Corporate Governance Principles and Practices for our Board of Directors 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 corporate website at www.jackintheboxinc.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., 9357 Spectrum Center Blvd., San Diego, California 92123, Attention: Corporate Secretary.

ITEM 11. EXECUTIVE COMPENSATION

That portion of our definitive Proxy Statement appearing under the caption "Executive Compensation," "Director 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 27, 2020 and to be used in connection with our 2021 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 27, 2020 and to be used in connection with our 2021 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 27, 2020 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" and "Directors' Independence," if any, to be filed with the Commission pursuant to Regulation 14A within 120 days after September 27, 2020 and to be used in connection with our 2021 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 27, 2020 and to be used in connection with our 2021 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	Certificate of Amendment of Restated Certificate of Incorporation dated September 21, 2007	8-K	9/24/2007
3.1.1	Restated Certificate of Incorporation, dated March 6, 1992	10-Q	5/14/2020
3.2	Amended and Restated Bylaws dated August 2, 2019	10-Q	8/8/2019
3.3	Amended and Restated Bylaws, dated May 8, 2020	10-Q	5/14/2020
4.1	Base Indenture, dated as of July 8, 2019, by and between Jack in the Box Funding, LLC, as Master Issuer, and Citibank, N.A., as Trustee and Securities Intermediary.	8-K	7/8/2019
4.2	Series 2019-1 Supplement to Base Indenture, dated as of July 8, 2019, by and between Jack in the Box Funding, LLC, as Master Issuer of the Series 2019-1 fixed rate senior secured notes, Class A-2, and Series 2019-1 variable funding senior notes, Class A-1, and Citibank, N.A., as Trustee and Series 2019-1 Securities Intermediary.	8-K	7/8/2019
10.1.20	Class A-1 Note Purchase Agreement, dated as of July 8, 2019, by and among Jack in the Box Funding, LLC, as Master Issuer, each of Different Rules, LLC, Jack in the Box Properties, LLC and Jack in the Box SPV Guarantor, LLC, as Guarantors, Jack in the Box Inc. as Manager, the conduit investors party thereto, the financial institutions party thereto, certain funding agents, and Coöperatieve Rabobank, U.A., New York Branch, as L/C Provider, Swingline Lender and Administrative Agent	8-K	7/8/2019
10.1.21	The Guarantee and Collateral Agreement, dated July 8, 2019, by and among Jack in the Box SPV Guarantor, LLC, Different Rules, LLC, and Jack in the Box Properties, LLC, each as a Guarantor and Citibank, N.A., as Trustee.	8-K	7/8/2019
10.1.22	Management Agreement, dated as of July 8, 2019, by and among Jack in the Box Funding, LLC, as Master Issuer, certain subsidiaries of Jack in the Box Funding, LLC party thereto, Jack in the Box Inc., as Manager, and Citibank, N.A., as Trustee.	8-K	7/8/2019
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
10.2.2*	Form of Revised Compensation and Benefits Assurance Agreement for certain officers, dated May 8, 2014	10-K	11/21/2014
10.2.3*	Form of Revised Compensation and Benefits Assurance Agreement for certain officers, dated June 15, 2020	10-K	Filed herewith
10.2.11*	Mark Blankenship Separation and Release Agreement, dated January 3, 2020	10-Q	2/20/2020
10.2.12*	Paul Melancon Separation and Release Agreement, dated January 3, 2020	10-Q	2/20/2020
10.2.13*	Vanessa Fox Separation and Release Agreement, dated January 17, 2020	10-Q	2/20/2020

Number	Description	Form	Filed with SEC
10.2.14*	Phillip Rudolph Separation and Release Agreement, dated March 2, 2020	10-Q	5/14/2020
10.2.15*	Jack in the Box Inc. Severance Plan for Executive Officers, dated March 9, 2020 (as amended)	10-K	Filed herewith
10.2.16*	Offer Letter by and between Darin Harris and Jack in the Box Inc., dated April 2, 2020	8-K	4/16/2020
10.2.17*	Retention, Transition and Separation Agreement, by and between Leonard A. Comma and Jack in the Box Inc., dated April 16, 2020	8-K	4/16/2020
10.2.18*	Lance Tucker Retention Agreement, dated May 5, 2020	10-Q	8/5/2020
10.2.19*	Jennifer Kennedy Separation and Release Agreement, dated November 13, 2020	10-K	Filed herewith
10.3*	Amended and Restated Supplemental Executive Retirement Plan	10-Q	2/18/2009
10.3.1 *	First Amendment to Jack in the Box Inc. Supplemental Executive Retirement Plan, As Amended and Restated Effective January 1, 2009	8-K	9/22/2015
10.4*	Amended and Restated Executive Deferred Compensation Plan	10-Q	2/18/2009
10.4.1 *	Jack in the Box Inc. Executive Deferred Compensation Plan, As Amended and Restated Effective January 1, 2016	8-K	9/22/2015
10.5*	Amended and Restated Deferred Compensation Plan for Non-Management Directors	10-K	11/22/2006
10.8*	Jack in the Box Inc. 2004 Stock Incentive Plan, Amended and Restated Effective February 17, 2012	DEF 14A	1/25/2017
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
10.8.3*	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*	Form of Restricted Stock Unit Award Agreement for Non-Employee Director under the 2004 Stock Incentive Plan	10-K	11/20/2009
10.8.6*	Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors under the 2004 Stock Incentive Plan	10-Q	5/14/2015
10.8.9*	Form of Stock Option and Performance Share Awards Agreement under the 2004 Stock Incentive Plan	10-K	11/22/2013
10.8.10*	Form of Time-Vested Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-K	11/22/2013
10.8.11*	Form of Time-Vesting Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/19/2015
10.8.12*	Form of Stock Option and Performance Share Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/19/2015
10.8.13*	Form of Time-Vesting Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/18/2016
10.8.14*	Form of Stock Option and Performance Share Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/18/2016
10.8.15*	Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors under the 2004 Stock Incentive Plan	10-Q	5/12/2016
10.8.16*	Form of Time-Vesting Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/21/2019
10.8.17*	Jack in the Box Inc. Special Time-Vesting Restricted Stock Unit Award Agreement Under the 2004 Stock Incentive Plan	10-Q	2/20/2020
10.10.2*	Jack in the Box Inc. Performance Incentive Plan, Effective February 13, 2016	DEF 14A	1/11/2016
10.11*	Form of Amended and Restated Indemnification Agreement between the registrant and individual directors, officers and key employees	10-Q	8/10/2012
21.1	Subsidiaries of the Registrant	_____	Filed herewith
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 Principal 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

Number	Description	Form	Filed with SEC
32.2	Certification of Principal 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	iXBRL Instance Document		
101.SCH	iXBRL Taxonomy Extension Schema Document		
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase Document		
101.DEF	iXBRL Taxonomy Extension Definition Linkbase Document		
101.LAB	iXBRL Taxonomy Extension Label Linkbase Document		
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase Document		
104	Cover Page Interactive Data File formatted in iXBRL		

* Management contract or compensatory plan.

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.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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/ DAWN HOOPER

Dawn Hooper
Vice President, Controller (principal financial officer)

November 18, 2020

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 Darin Harris and Dawn Hooper, 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 substitute or substitutes may do or cause to be done by virtue hereof.

Signature	**Title**	**Date**
/s/ DARIN HARRIS Darin Harris	Chief Executive Officer and Director (principal executive officer)	November 18, 2020
/s/ DAWN HOOPER Dawn Hooper	Vice President, Controller (principal financial officer)	November 18, 2020
/s/ DAVID L. GOEBEL David L. Goebel	Director and Chairman of the Board	November 18, 2020
/s/ JEAN M. BIRCH Jean M. Birch	Director	November 18, 2020
/s/ JOHN P. GAINOR John P. Gainor	Director	November 18, 2020
/s/ SHARON P. JOHN Sharon P. John	Director	November 18, 2020
/s/ MADELEINE A. KLEINER Madeleine A. Kleiner	Director	November 18, 2020
/s/ MICHAEL W. MURPHY Michael W. Murphy	Director	November 18, 2020
/s/ JAMES M. MYERS James M. Myers	Director	November 18, 2020
/s/ DAVID M. TEHLE David M. Tehle	Director	November 18, 2020
/s/ VIVIEN M. YEUNG Vivien M. Yeung	Director	November 18, 2020

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

To the Stockholders and Board of Directors
Jack in the Box Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Jack in the Box Inc. and subsidiaries (the Company) as of September 27, 2020 and September 29, 2019, the related consolidated statements of earnings, comprehensive income, stockholders' deficit, and cash flows for each of the fifty-two week periods ended September 27, 2020, September 29, 2019, and September 30, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 27, 2020 and September 29, 2019, and the results of its operations and its cash flows for each of the fifty-two week periods ended September 27, 2020, September 29, 2019, and September 30, 2018, 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) (PCAOB), the Company's internal control over financial reporting as of September 27, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated November 18, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases as of September 30, 2019 due to the adoption of Accounting Standards Codification Topic 842, *Leases,* and changed its method of accounting for revenue as of October 1, 2018 due to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of self-insurance liabilities related to workers' compensation and general liability

As discussed in Note 1 to the consolidated financial statements, the Company establishes its undiscounted insurance liability and reserves using independent actuarial estimates of expected losses based on a statistical analysis of historical claims data. As of September 27, 2020, the Company has recorded an estimated self-insurance liability of $25.0 million.

We identified the assessment of self-insurance liabilities related to workers' compensation and general liability as a critical audit matter. Evaluating the Company's judgments regarding the use of actuarial estimates and assumptions related to the loss development factors and the expected loss rates involved a high degree of complex and subjective auditor judgment. Changes in the loss development factors and expected loss rates could have a significant impact on the liability recognized.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process to develop the estimate of self-insurance liabilities, with the involvement of actuarial professionals when appropriate. This included a control related to the review of the loss development factors and expected loss rates applied in the actuarial report and controls related to the completeness and accuracy of claims data. We tested the claims paid and claims reported (not paid) data used in the actuarial models for consistency with the actual claims paid and claims reported (not paid) records of the Company, which is used in the development of the loss development factors and expected loss rates. We involved actuarial professionals with specialized skills and knowledge, who assisted in evaluating the Company's actuarial estimates and assumptions related to the loss development factors and expected loss rates, by comparing them to generally accepted actuarial methodologies and the Company's historical data.

/s/ KPMG LLP

We have served as the Company's auditor since 1986.

San Diego, California
November 18, 2020

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 27, 2020	September 29, 2019
ASSETS		
Current assets:		
Cash	$ 199,662	$ 125,536
Restricted cash	37,258	26,025
Accounts and other receivables, net	78,417	45,235
Inventories	1,808	1,776
Prepaid expenses	10,114	9,015
Current assets held for sale	4,598	16,823
Other current assets	3,724	2,718
Total current assets	335,581	227,128
Property and equipment, at cost:		
Land	100,460	116,070
Buildings	914,311	927,337
Restaurant and other equipment	112,675	125,176
Construction in progress	4,984	7,658
	1,132,430	1,176,241
Less accumulated depreciation and amortization	(796,448)	(784,307)
Property and equipment, net	335,982	391,934
Other assets:		
Operating lease right-of-use assets	904,548	—
Intangible assets, net	277	425
Goodwill	47,161	46,747
Deferred tax assets	72,322	85,564
Other assets, net	210,623	206,685
Total other assets	1,234,931	339,421
	$ 1,906,494	$ 958,483
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 818	$ 774
Current operating lease liabilities	179,000	—
Accounts payable	31,105	37,066
Accrued liabilities	129,431	120,083
Total current liabilities	340,354	157,923
Long-term liabilities:		
Long-term debt, net of current maturities	1,376,913	1,274,374
Long-term operating lease liabilities, net of current portion	776,094	—
Other long-term liabilities	206,494	263,770
Total long-term liabilities	2,359,501	1,538,144
Stockholders' deficit:		
Preferred stock $0.01 par value, 15,000,000 shares authorized, none issued	—	—
Common stock $0.01 par value, 175,000,000 shares authorized, 82,369,714 and 82,159,002 issued, respectively	824	822
Capital in excess of par value	489,515	480,322
Retained earnings	1,636,211	1,577,034
Accumulated other comprehensive loss	(110,605)	(140,006)
Treasury stock, at cost, 59,646,773 and 57,760,573 shares, respectively	(2,809,306)	(2,655,756)
Total stockholders' deficit	(793,361)	(737,584)
	$ 1,906,494	$ 958,483

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 2020	2019	2018
Revenues:			
Company restaurant sales	$ 348,987	$ 336,807	$ 448,058
Franchise rental revenues	320,647	272,815	259,047
Franchise royalties and other	178,319	169,811	162,585
Franchise contributions for advertising and other services	173,553	170,674	—
	1,021,506	950,107	869,690
Operating costs and expenses, net:			
Food and packaging	102,449	97,699	128,947
Payroll and employee benefits	106,540	100,158	129,089
Occupancy and other	54,157	50,613	71,803
Franchise occupancy expenses	210,038	166,584	158,319
Franchise support and other costs	13,059	12,110	11,593
Franchise advertising and other services expenses	180,794	178,093	—
Selling, general, and administrative expenses	80,841	76,357	104,816
Depreciation and amortization	52,798	55,181	59,422
Impairment and other charges, net	(6,493)	12,455	18,418
Gains on the sale of company-operated restaurants	(3,261)	(1,366)	(46,164)
	790,922	747,884	636,243
Earnings from operations	230,584	202,223	233,447
Other pension and post-retirement expenses, net	41,720	1,484	1,833
Interest expense, net	66,743	84,967	45,547
Earnings from continuing operations and before income taxes	122,121	115,772	186,067
Income taxes	32,727	24,025	81,728
Earnings from continuing operations	89,394	91,747	104,339
Earnings from discontinued operations, net of income taxes	370	2,690	17,032
Net earnings	$ 89,764	$ 94,437	$ 121,371
Net earnings per share — basic:			
Earnings from continuing operations	$ 3.87	$ 3.55	$ 3.66
Earnings from discontinued operations	0.02	0.10	0.60
Net earnings per share (1)	$ 3.88	$ 3.66	$ 4.26
Net earnings per share — diluted:			
Earnings from continuing operations	$ 3.84	$ 3.52	$ 3.62
Earnings from discontinued operations	0.02	0.10	0.59
Net earnings per share (1)	$ 3.86	$ 3.62	$ 4.21
Cash dividends declared per common share	$ 1.20	$ 1.60	$ 1.60

(1) Earnings per share may not add due to rounding.

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Fiscal Year		
	2020	**2019**	**2018**
Net earnings	$ 89,764	$ 94,437	$ 121,371
Cash flow hedges:			
Net change in fair value of derivatives	—	(23,625)	18,769
Net loss reclassified to earnings	—	24,328	3,455
	—	703	22,224
Tax effect	—	(3,165)	(5,725)
	—	(2,462)	16,499
Unrecognized periodic benefit costs:			
Actuarial gains (losses) arising during the period	(4,875)	(62,377)	31,478
Actuarial losses and prior service cost reclassified to earnings	44,616	3,917	4,988
	39,741	(58,460)	36,466
Tax effect	(10,340)	15,176	(9,544)
	29,401	(43,284)	26,922
Other:			
Foreign currency translation adjustments	—	—	6
Tax effect	—	—	(2)
Derecognition of foreign currency translation adjustments due to sale	—	—	76
	—	—	80
Other comprehensive income (loss), net of taxes	29,401	(45,746)	43,501
Comprehensive income	$ 119,165	$ 48,691	$ 164,872

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year		
	2020	2019	2018
Cash flows from operating activities:			
Net earnings	$ 89,764	$ 94,437	$ 121,371
Earnings from discontinued operations	370	2,690	17,032
Earnings from continuing operations	89,394	91,747	104,339
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	52,798	55,181	59,422
Franchise tenant improvement allowance amortization and other	3,028	1,983	862
Amortization of debt issuance costs	5,628	3,121	2,803
Loss on extinguishment of debt	—	2,757	—
Loss on interest rate swap termination	—	23,551	—
Excess tax benefits from share-based compensation arrangements	(449)	(113)	(2,031)
Deferred income taxes	5,162	4,100	25,352
Share-based compensation expense	4,394	8,074	9,146
Pension and postretirement expense	41,720	1,484	2,324
Gains on cash surrender value of company-owned life insurance	(4,262)	(4,475)	(2,280)
Gains on the sale of company-operated restaurants	(3,261)	(1,366)	(46,164)
(Gains) losses on the disposition of property and equipment	(9,768)	(6,244)	1,627
Non-cash operating lease costs	490	—	—
Impairment charges and other	322	5,414	2,505
Changes in assets and liabilities, excluding acquisitions and dispositions:			
Accounts and other receivables	(28,724)	3,504	24,220
Inventories	41	82	1,587
Prepaid expenses and other current assets	(2,780)	8,728	(9,432)
Accounts payable	154	4,524	4,890
Accrued liabilities	4,222	(7,505)	(38,329)
Pension and postretirement contributions	(6,243)	(6,194)	(5,467)
Franchise tenant improvement allowance disbursements	(7,516)	(10,593)	(14,893)
Other	(825)	(9,355)	(16,426)
Cash flows provided by operating activities	143,525	168,405	104,055
Cash flows from investing activities:			
Purchases of property and equipment	(19,528)	(47,649)	(37,842)
Proceeds from the sale and leaseback of assets	19,828	4,447	9,336
Proceeds from the sale of company-operated restaurants	3,395	1,280	26,486
Collections on notes receivable	—	16,759	54,453
Proceeds from the sale of property and equipment	22,774	9,714	10,259
Other	2,654	1,630	2,969
Cash flows provided by (used in) investing activities	29,123	(13,819)	65,661
Cash flows from financing activities:			
Borrowings on revolving credit facilities	114,376	229,798	757,100
Repayments of borrowings on revolving credit facilities	(6,500)	(960,220)	(523,700)
Proceeds from issuance of debt	—	1,300,000	—
Principal repayments on debt	(10,536)	(337,150)	(304,607)
Debt issuance costs	(216)	(34,122)	(1,366)
Payments related to termination of interest rate swaps	—	(23,551)	—
Dividends paid on common stock	(27,538)	(41,179)	(45,412)
Proceeds from issuance of common stock	4,647	1,231	7,959
Repurchases of common stock	(155,576)	(137,654)	(325,634)
Payroll tax payments for equity award issuances	(5,946)	(2,883)	(7,719)
Change in book overdraft	—	—	(2,150)
Cash flows used in financing activities	(87,289)	(5,730)	(445,529)
Cash flows provided by (used in) continuing operations	85,359	148,856	(275,813)
Net cash provided by operating activities of discontinued operations	—	—	4,823
Net cash provided by investing activities of discontinued operations	—	—	266,125
Net cash used in financing activities of discontinued operations	—	—	(78)
Net cash provided by discontinued operations	—	—	270,870
Effect of exchange rate changes on cash	—	—	6
Cash and restricted cash at beginning of year	151,561	2,705	7,642
Cash and restricted cash at end of year	$ 236,920	$ 151,561	$ 2,705

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(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 1, 2017	81,843,483	$ 818	$ 453,432	$ 1,485,820	$ (137,761)	$ (2,190,439)	$ (388,130)
Shares issued under stock plans, including tax benefit	218,178	3	8,204	—	—	—	8,207
Share-based compensation	—	—	9,017	—	—	—	9,017
Dividends declared	—	—	173	(45,687)	—	—	(45,514)
Purchases of treasury stock	—	—	—	—	—	(340,000)	(340,000)
Net earnings	—	—	—	121,371	—	—	121,371
Foreign currency translation adjustment	—	—	—	—	80	—	80
Effect of interest rate swaps, net	—	—	—	—	16,499	—	16,499
Effect of actuarial gains and prior service cost, net	—	—	—	—	26,922	—	26,922
Other	—	—	—	(151)	—	—	(151)
Balance at September 30, 2018	82,061,661	821	470,826	1,561,353	(94,260)	(2,530,439)	(591,699)
Shares issued under stock plans, including tax benefit	97,341	1	1,231	—	—	—	1,232
Share-based compensation	—	—	8,074	—	—	—	8,074
Dividends declared	—	—	191	(41,426)	—	—	(41,235)
Purchases of treasury stock	—	—	—	—	—	(125,317)	(125,317)
Net earnings	—	—	—	94,437	—	—	94,437
Effect of interest rate swaps, net	—	—	—	—	(2,462)	—	(2,462)
Effect of actuarial losses and prior service cost, net	—	—	—	—	(43,284)	—	(43,284)
Cumulative-effect from a change in accounting principle	—	—	—	(37,330)	—	—	(37,330)
Balance at September 29, 2019	82,159,002	822	480,322	1,577,034	(140,006)	(2,655,756)	(737,584)
Shares issued under stock plans, including tax benefit	210,712	2	4,645	—	—	—	4,647
Share-based compensation	—	—	4,394	—	—	—	4,394
Dividends declared	—	—	154	(27,717)	—	—	(27,563)
Purchases of treasury stock	—	—	—	—	—	(153,550)	(153,550)
Net earnings	—	—	—	89,764	—	—	89,764
Effect of actuarial gains and prior service cost, net	—	—	—	—	29,401	—	29,401
Cumulative-effect from a change in accounting principle	—	—	—	(2,870)	—	—	(2,870)
Balance at September 27, 2020	82,369,714	$ 824	$ 489,515	$ 1,636,211	$ (110,605)	$ (2,809,306)	$ (793,361)

See accompanying 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. The Company operates as a single segment for reporting purposes. The following table summarizes the number of restaurants as of the end of each fiscal year:

	2020	2019	2018
Company-operated	144	137	137
Franchise	2,097	2,106	2,100
Total system	2,241	2,243	2,237

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 ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

On December 19, 2017, we entered into a definitive agreement to sell Qdoba Restaurant Corporation ("Qdoba"), a wholly owned subsidiary of the Company, to certain funds managed by affiliates of Apollo Global Management, LLC (the "Buyer"). The sale was completed on March 21, 2018, and operating results for Qdoba are included under the caption "Earnings from discontinued operations, net of income taxes" for all periods presented. Refer to Note 10, *Discontinued Operations*, for additional information.

Fiscal year — Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Comparisons throughout these notes to the consolidated financial statements refer to the 52-week periods ended September 27, 2020, September 29, 2019 and September 30, 2018 for fiscal years 2020, 2019, and 2018, respectively.

Principles of consolidation — The accompanying consolidated financial statements include the accounts of Jack in the Box Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

Use of estimates — In preparing the consolidated financial statements in conformity with U.S. GAAP, 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.

Risks and uncertainties — In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak to be a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has disrupted and is expected to continue to disrupt our business. While sales have accelerated in the second half of fiscal 2020, we continue to see a significant reduction in guest traffic at our restaurants due to changes in consumer behavior as social distancing practices, dining room closures, and other restrictions have been mandated or encouraged by federal, state, and local governments. Substantially all of our restaurants have remained open, with dining rooms closed and locations operating in an off-premise capacity, which has historically represented close to 90% of the Company's business, including drive-thru, third-party delivery, and carry-out.

The Company is closely monitoring the impact of the pandemic on all aspects of its business and is unable to predict the continued financial impact of the COVID-19 pandemic on our business due to numerous uncertainties. We cannot predict how or when the social impacts resulting from the pandemic may change, or how any such change will impact our business. Ongoing material adverse effects on our company-owned restaurants or the financial health of our franchisees could negatively affect our operating results, including reductions in revenue and cash flow and could impact the recoverability of our accounts receivable, long-lived assets, and/or goodwill.

Restricted cash — In accordance with the terms of our securitized financing facility, certain cash balances are required to be held in trust and are restricted in their use. Such restricted cash primarily represents cash collections and cash reserves held by the trustee to be used for payments of interest and commitment fees for the Class A-1 and Class A-2 Notes due on a quarterly basis. With uncertainty surrounding COVID-19 events and as a cautionary measure, we have voluntarily elected to fund cash held in trust for quarterly interest and commitment fees due in February 2021.

Accounts and other receivables, net, — Our accounts and other receivable, net is primarily comprised of receivables from franchisees, tenants, insurance receivables and credit card processors. Franchisee receivables primarily include rents, property taxes, royalties, marketing, sourcing and technology support fees associated with lease and franchise agreements, and notes from certain of our franchisees. Tenant receivables relate to subleased properties where we are on the master lease agreement. We 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.

Inventories — Our 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.

Assets held for sale — Our assets held for sale typically includes property we plan to sell within the next year. 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. Long-lived assets that meet the held for sale criteria are reported at the lower of their carrying value or fair value, less estimated costs to sell.

Property and equipment, net — Expenditures for new facilities and equipment, and those that substantially increase the useful lives of the property, are capitalized. Facilities leased under finance 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 property and equipment 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 included in “Impairment and other charges, net” in the accompanying consolidated statements of earnings.

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 1 to 35 years. Depreciation expense related to property and equipment was $52.8 million, $55.2 million, and $59.4 million in fiscal year 2020, 2019, and 2018, respectively.

Impairment of long-lived assets — We evaluate long-lived assets, such as property and equipment and operating lease right-of-use assets, for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Factors that we consider important individually or in combination trigger an impairment review include, but are not limited to, bankruptcy proceedings or other significant financial distress of a lessee, significant underperformance relative to historical or projected operating results, significant changes in our business and/or negative industry or economic trends, or our expectation to dispose of long-lived assets before the end of their estimated useful lives. Long-lived assets are grouped for recognition and measurement of impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. The impairment test for long-lived assets requires us to assess the recoverability of long-lived assets by comparing their net carrying value to the sum of undiscounted estimated future cash flows directly associated with and arising from our use and eventual disposition of the assets. If the carrying amount of a long-lived asset group exceeds the sum of related undiscounted future cash flows, we recognize an impairment loss by the amount that the carrying value of the assets exceeds fair value. Refer to Note 9, *Impairment and Other Charges, Net*, for additional information.

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 business disposed of as a percentage of the fair value of the reporting unit retained. If the business disposed of was never fully integrated into the reporting unit after its acquisition, and thus the benefits of the acquired goodwill were never realized, the current carrying amount of the acquired goodwill is written off. Goodwill is evaluated for impairment annually during the fourth quarter, or more frequently if indicators of impairment are present. We first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit or indefinite-lived asset is less than its carrying amount. If the qualitative factors indicate that it is more likely than not that the fair value is less than the carrying amount, we perform a single-step impairment test. To perform our impairment analysis, we estimate the fair value of the reporting unit and compare it to the carrying value. If the carrying value exceeds the fair value, an impairment loss is recognized equal to the excess. Refer to Note 4, *Goodwill*, for additional information.

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. As of September 27, 2020 and September 29, 2019, the carrying value of our intangible assets was $0.3 million and $0.4 million, respectively, and are included in "Intangible assets, net" in the accompanying consolidated balance sheets.

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 $113.8 million and $112.8 million as of September 27, 2020 and September 29, 2019, 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.

Leases — We evaluate the contracts entered into by the Company to determine whether such contracts contain leases. A contract contains a lease if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. At commencement, contracts containing a lease are further evaluated for classification as an operating or finance lease where the Company is a lessee, or as an operating, sales-type or direct financing lease where the Company is a lessor, based on their terms.

The lease term and incremental borrowing rate for each lease requires judgement by management and can impact the classification of our leases as well as the value of our lease assets and liabilities. When determining the lease term, we consider option periods available, and include option periods in the measurement of the lease right-of-use ("ROU") asset and lease liability where the exercise is reasonably certain to occur. As our leases do not provide an implicit discount rate, we have determined it is appropriate to use our estimated collateralized incremental borrowing rate, based on the yield curve for the respective lease terms, in calculating our lease liabilities.

Revenue recognition — "Company restaurant sales" include revenue recognized upon delivery of food and beverages to the customer at company-operated restaurants, which is when our obligation to perform is satisfied. Company restaurant sales exclude taxes collected from the Company's customers. Gift cards, upon customer purchase, are recorded as deferred income and are recognized in revenue as they are redeemed.

"Franchise rental revenues" received from franchised restaurants based on fixed rental payments are recognized as revenue over the term of the lease. Rental revenue from properties owned and leased by the Company and leased or subleased to franchisees is recognized on a straight-line basis over the respective term of the lease. Certain franchise rents, which are contingent upon sales levels, are recognized in the period in which the contingency is met.

"Franchise royalties and other" primarily includes royalties and franchise fees received from our franchisees. Royalties are based upon a percentage of sales of the franchised restaurant and are recognized as earned. Franchise royalties are billed on a monthly basis. Franchise fees when a new restaurant opens or at the start of a new franchise term are recorded as deferred revenue when received and recognized as revenue over the term of the franchise agreement.

"Franchise contributions for advertising and other services" includes franchisee contributions to our marketing fund billed on a monthly basis and sourcing and technology fees, as required under the franchise agreements. Contributions to our marketing fund are based on a percentage of sales and recognized as earned. Sourcing and technology services are recognized when the goods or services are transferred to the franchisee.

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 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 income in our statement of earnings. Amounts recognized on unredeemed gift card balances were $0.5 million, $0.5 million, and $0.6 million in fiscal 2020, 2019, and 2018, respectively.

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 27, 2020 and September 29, 2019, our estimated liability for general liability and workers' compensation claims exceeded our self-insurance retention limits by $1.9 million and $3.6 million, respectively, 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 a marketing fund that includes contractual contributions. In fiscal 2020, 2019 and 2018, the marketing fund contributions from franchise and company-operated restaurants were approximately 5.0% of gross revenues with the exception of our March and April 2020 marketing fees. In response to the economic burden associated with the COVID-19 pandemic, the Company reduced March marketing fees to 4.0% and postponed the collection of these fees over the course of 24 months starting in October 2020. April marketing fees ranged from 2% to 4% based on annualized sales volumes, and these fees will be collected over three months beginning October 2020. As of September 27, 2020, postponed marketing fees which remain uncollected were $16.1 million, of which $12.6 million is included within "Accounts and other receivable, net" and $3.5 million is included within "Other assets, net" in our consolidated balance sheet.

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. When contributions to the marketing fund exceed the related advertising expenses, advertising costs are accrued up to the amount of revenues on an annual basis since we are contractually obligated to spend these funds. As of September 27, 2020 and September 29, 2019, additional amounts accrued were $8.3 million and $0.3 million, respectively, for this requirement. There have been no incremental contributions to the marketing fund made in 2020. In fiscal 2019 and 2018, incremental contributions to the marketing fund were $2.0 million and $6.2 million, respectively. Total contributions made by the Company, including incremental contributions, are included in "Selling, general, and administrative expenses" in the accompanying consolidated statements of earnings. In fiscal 2020, 2019, and 2018 advertising costs were $17.1 million, $19.0 million, and $28.8 million, respectively.

Share-based compensation — We account for our share-based compensation under 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. Refer to Note 13, *Share-based Employee Compensation*, for additional information.

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 11, *Income Taxes*, for additional information.

Derivative instruments — We have historically used interest rate swaps to hedge interest rate volatility under our senior credit facility. On July 2, 2019, we terminated all interest rate swap agreements in anticipation of the securitization transaction. Prior to terminating the agreements, all derivatives were recognized on the consolidated balance sheets at fair value based upon quoted market prices. Changes in the fair values of derivatives were recorded in earnings or other comprehensive income ("OCI"), based on whether or not the instrument is designated as a hedge transaction. Gains or losses on derivative instruments that qualify for hedge designation were reported in OCI and reclassified to earnings in the period the hedged item affected earnings. When the underlying hedge transaction ceased to exist, the associated amount reported in OCI was reclassified to earnings at that time. Refer to Note 6, *Derivative Instruments,* for additional information.

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. Refer to Note 16, *Commitments and Contingencies*, for additional information.

Effect of new accounting pronouncements adopted in fiscal 2020 — We adopted ASU 2016-02, *Leases* (Topic 842) ("ASC 842") in the first quarter of 2020. The new guidance requires the recognition of lease liabilities, representing future minimum lease payments on a discounted basis, and corresponding right-of-use ("ROU") assets on the balance sheet for most leases. The Company adopted the new guidance in the first quarter of 2020 using the alternative transition method; therefore, the comparative period has not been restated and continues to be reported under the previous lease guidance.

We elected the transition package of three practical expedients, which, among other items, permitted us not to reassess under the new standard our prior conclusions about lease identification, lease classification, and initial direct costs. We also elected the short-term lease recognition exemption for all leases that qualify, permitting us to not apply the recognition requirements of this standard to leases with a term of 12 months or less, and an accounting policy to not separate lease and non-lease components for underlying assets subject to real estate leases. As lessor, we elected for all classes of underlying leased assets to account for lease and non-lease components, primarily property taxes and maintenance, as a single lease component. We did not elect the use-of-hindsight practical expedient, and therefore continued to utilize lease terms determined under the existing lease guidance.

The adoption had a material impact on our consolidated balance sheet. As a result of the adoption, we recognized operating lease assets and liabilities of $880.6 million and $931.0 million, respectively, at the date of adoption. The ROU assets were adjusted for certain lease-related assets and liabilities at adoption, primarily comprised of straight-line rent accruals of $29.0 million, incentives and unfavorable lease liabilities of $2.1 million, sublease loss and exit-related lease liabilities of $19.4 million, which were previously reported in “Accrued liabilities” and “Other long-term liabilities”, as well as favorable lease assets of $0.4 million, which were previously reported in “Intangible assets, net” in our consolidated balance sheet. We also recorded a cumulative adjustment to opening retained earnings of $2.9 million, net of tax, as a result of the impairment of certain newly recognized ROU assets and derecognition of deferred gains and losses on sale-leaseback transactions upon transition to the new guidance.

The effects of the changes made to the Company's consolidated balance sheet as of September 29, 2019 for the adoption of the new lease guidance were as follows *(in thousands)*:

	Balance at September 29, 2019	Adjustments due to ASC 842 adoption	Balance at September 30, 2019
Assets			
Other assets:			
Operating lease ROU assets	$ —	$ 880,564	$ 880,564
Intangible assets, net	$ 425	$ (386)	$ 39
Deferred tax assets	$ 85,564	$ 1,006	$ 86,570
Liabilities and Stockholders’ Deficit			
Current liabilities:			
Current operating lease liabilities	$ —	$ 159,821	$ 159,821
Accrued liabilities	$ 120,083	$ (4,702)	$ 115,381
Long-term liabilities:			
Long-term operating lease liabilities, net of current portion	$ —	$ 770,818	$ 770,818
Other long-term liabilities	$ 263,770	$ (41,883)	$ 221,887
Stockholders’ deficit:			
Retained earnings	$ 1,577,034	$ (2,870)	$ 1,574,164

The accounting guidance for lessors remains largely unchanged from previous guidance, except for the presentation of certain lease costs that the Company passes through to lessees, including but not limited to, property taxes and maintenance. These costs are generally paid by the Company and reimbursed by the lessee. Historically, these costs have been recorded on a net basis in our consolidated statements of earnings but are now presented gross upon adoption of the new guidance. As a result, annual revenues and expenses reported in “Franchise rental revenues” and “Franchise occupancy expenses” increased by approximately $37.4 million in fiscal 2020. Refer to Note 8, *Leases*, for further information on our leases and the impact on the Company’s accounting policies.

Effect of new accounting pronouncements to be adopted in future periods — In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, that requires measurement and recognition of expected versus incurred credit losses for financial assets held, including trade receivables. This standard is effective for the Company in our first quarter of fiscal 2021 and we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs in cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This standard is effective for the Company in our first quarter of fiscal 2021 and we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

We reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on our consolidated financial statements.

2. REVENUE

Nature of products and services — We derive revenue from retail sales at Jack in the Box company-operated restaurants and rental revenue, royalties, advertising, and franchise and other fees from franchise-operated restaurants.

Our franchise arrangements generally provide for an initial franchise fee of $50,000 per restaurant and generally require that franchisees pay royalty and marketing fees at 5% of gross sales. The agreement also requires franchisees to pay sourcing, technology support and other miscellaneous fees.

Disaggregation of revenue — The following table disaggregates revenue by primary source for the fiscal years ended September 27, 2020 and September 29, 2019 *(in thousands)*:

	2020	2019
Sources of revenue:		
Company restaurant sales	$ 348,987	$ 336,807
Franchise rental revenues	320,647	272,815
Franchise royalties	171,407	163,047
Marketing fees	158,258	157,969
Technology and sourcing fees	15,295	12,705
Franchise fees and other services	6,912	6,764
Total revenue	$ 1,021,506	$ 950,107

Contract liabilities — Our contract liabilities consist of deferred revenue resulting from initial fees received from franchisees for new restaurant openings or new franchise terms, which are generally recognized over the franchise term. We classify these contract liabilities within "Accrued liabilities" and "Other long-term liabilities" in our consolidated balance sheets.

A summary of significant changes in our contract liabilities is presented below *(in thousands)*:

	2020	2019
Deferred franchise fees at beginning of period	$ 46,273	$ 50,018
Revenue recognized during the period	(5,440)	(5,173)
Additions during the period	2,708	1,428
Deferred franchise fees at end of period	$ 43,541	$ 46,273

The following table reflects the estimated franchise fees to be recognized in the future related to performance obligations that are unsatisfied at the end of the period *(in thousands)*:

2021	$ 4,934
2022	4,828
2023	4,628
2024	4,436
2025	4,208
Thereafter	20,507
	$ 43,541

We have applied the optional exemption, as provided for under ASC Topic 606, *Revenue from Contracts with Customers*, which allows us to not disclose the transaction price allocated to unsatisfied performance obligations when the transaction price is a sales-based royalty.

3. SUMMARY OF REFRANCHISINGS AND FRANCHISE ACQUISITIONS

Refranchisings — The following table summarizes the number of restaurants sold to franchisees and gains recognized in each fiscal year (*dollars in thousands*):

	2020	2019	2018
Restaurants sold to franchisees	—	—	135
Proceeds from the sale of company-operated restaurants:			
Cash (1)	$ 3,395	$ 1,280	$ 26,486
Notes receivable	—	—	70,461
	$ 3,395	$ 1,280	$ 96,947
Net assets sold (primarily property and equipment)	$ —	$ —	$ (21,329)
Goodwill related to the sale of company-operated restaurants	—	(2)	(4,663)
Other (2)	(134)	88	(24,791)
Gains on the sale of company-operated restaurants	$ 3,261	$ 1,366	$ 46,164

(1) Amounts in 2020, 2019, and 2018 include additional proceeds of $3.4 million, $1.3 million, and $1.4 million, respectively, related to the extension of the underlying franchise and lease agreements from the sale of restaurants in prior years.

(2) Amounts in 2018 primarily represent $9.2 million of costs related to franchise remodel incentives, $8.7 million reduction of gains related to the modification of certain 2017 refranchising transactions, $2.3 million of maintenance and repair expenses and $3.7 million of other miscellaneous non-capital charges.

Franchise acquisitions — During the second quarter of 2020, we acquired eight franchise restaurants as a result of a legal action filed in October 2019 against a franchisee in which we obtained a judgment in January 2020 granting us the possession of the restaurants. In 2019 and 2018 we did not acquire any franchise restaurants.

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 market acquired and is expected to be deductible for income tax purposes.

Total consideration on the fiscal 2020 acquisition was $0.9 million, comprised of receivables that were eliminated in acquisition accounting. The table below presents the allocation of the total purchase price to the fair value of assets acquired and liabilities assumed for the restaurants acquired (*in thousands*):

Inventory	$ 73
Property and equipment	903
Intangible assets	263
Other assets	6
Goodwill	414
Liabilities assumed	(800)
Total consideration	$ 859

4. GOODWILL

The changes in the carrying amount of goodwill during fiscal 2020 and 2019 were as follows (*in thousands*):

Balance at September 30, 2018	$ 46,749
Sale of company-operated restaurants to franchisees	(2)
Balance at September 29, 2019	46,747
Acquisition of franchise-operated restaurants	414
Balance at September 27, 2020	$ 47,161

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 (2) (Level 1)	Significant Other Observable Inputs (2) (Level 2)	Significant Unobservable Inputs (2) (Level 3)
Fair value measurements as of September 27, 2020:				
Non-qualified deferred compensation plan (1)	$ 25,071	$ 25,071	$ —	$ —
Total liabilities at fair value	$ 25,071	$ 25,071	$ —	$ —
Fair value measurements as of September 29, 2019:				
Non-qualified deferred compensation plan (1)	$ 30,104	$ 30,104	$ —	$ —
Total liabilities at fair value	$ 30,104	$ 30,104	$ —	$ —

(1) We maintain an unfunded defined contribution plan for key executives and other members of management. The fair value of this obligation is based on the closing market prices of the participants' elected investments. The obligation is included in "Accrued liabilities" and "Other long-term liabilities" on our consolidated balance sheets.
(2) We did not have any transfers in or out of Level 1, 2, or 3.

The following table presents the carrying value and estimated fair value of our Class A-2 Notes as of September 27, 2020 and September 29, 2019 (*in thousands*):

	September 27, 2020		September 29, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Class A-2 Notes	$ 1,290,251	$ 1,354,241	$ 1,300,000	$ 1,344,300

The fair value of the Class A-2 Notes was estimated using Level 2 inputs based on quoted market prices in markets that are not considered active markets. The Company had $107.9 million of outstanding borrowings under its Variable Funding Notes as of September 27, 2020. The fair value of this loan approximates carrying value due to the variable rate nature of these borrowings.

Non-financial assets and liabilities — Our non-financial instruments, which primarily consist of property and equipment, operating lease right-of-use assets, 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 an annual basis, 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.

In connection with our impairment reviews performed during 2020, no material fair value adjustments were required.

6. DERIVATIVE INSTRUMENTS

Interest rate swaps — We have used interest rate swaps to mitigate interest rate volatility with regard to variable rate borrowings under our senior credit facility. In June 2015, we entered into forward-starting interest rate swap agreements that effectively converted $500.0 million of our variable rate borrowings to a fixed rate from October 2018 through October 2022. These agreements were designated as cash flow hedges under the terms of the FASB authoritative guidance for derivatives and hedging. Since they were effective in offsetting the variability of the hedged cash flows, changes in the fair values of the derivatives are not included in earnings but were included in OCI. These changes in fair value were subsequently reclassified into net earnings as a component of interest expense as the hedged interest payments were made on our variable rate debt.

Effective July 2, 2019, the Company terminated all interest rate swap agreements in anticipation of the securitization transaction and related retirement of our senior credit facility. The fair value of the interest rate swaps at the termination date was $23.6 million, which was required to be paid in full on July 8, 2019. As a result of the decision to extinguish the senior credit facility, forecasted cash flows associated with the variable-rate debt interest payments were no longer considered to be probable. Consequently, unrealized losses in other comprehensive income at the termination date were immediately reclassified to "Interest expense, net" in the accompanying consolidated statement of earnings.

Financial performance — The following table summarizes the OCI activity related to our interest rate swap derivative instruments and the amounts reclassified from accumulated OCI (*in thousands*):

	Location in Income	2019	2018
(Loss) gain recognized in OCI	N/A	$ (23,625)	$ 18,769
Loss reclassified from accumulated OCI into net earnings	Interest expense, net	$ 24,328	$ 3,455

Amounts reclassified from accumulated OCI into interest expense represent payments made to the counterparty for the effective portions of the interest rate swaps. During the fiscal years presented, 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*):

	2020	2019
Class A-2-I Notes	$ 570,688	$ 575,000
Class A-2-II Notes	272,938	275,000
Class A-2-III Notes	446,625	450,000
Class A-1 Variable Funding Notes	107,876	—
Finance lease obligations	2,934	3,594
Total debt	1,401,061	1,303,594
Less current maturities of long-term debt	(818)	(774)
Less unamortized debt issuance costs	(23,330)	(28,446)
Long-term debt	$ 1,376,913	$ 1,274,374

Securitized financing transaction — On July 8, 2019, Jack in the Box Funding, LLC (the “Master Issuer”), a limited-purpose, bankruptcy-remote, wholly owned indirect subsidiary of the Company, completed its securitization transaction and issued $575.0 million of its Series 2019-1 3.982% Fixed Rate Senior Secured Notes, Class A-2-I (the “Class A-2-I Notes”), $275.0 million of its Series 2019-1 4.476% Fixed Rate Senior Secured Notes, Class A-2-II (the “Class A-2-II Notes”) and $450.0 million of its Series 2019-1 4.970% Fixed Rate Senior Secured Notes, Class A-2-III (the “Class A-2-III Notes”) and together with the Class A-2-I Notes and the Class A-2-II Notes, (the “Class A-2 Notes”), in an offering exempt from registration under the Securities Act of 1933, as amended. In connection with the issuance of the Class A-2 Notes, the Master Issuer also entered into a revolving financing facility of Series 2019-1 Variable Funding Senior Secured Notes, Class A-1 (the “Variable Funding Notes”), which allows for the drawing of up to $150.0 million under the Variable Funding Notes and the issuance of letters of credit. The Class A-2 Notes and the Variable Funding Notes are referred to collectively as the “Notes.”

The Notes were issued in a privately placed securitization transaction pursuant to which certain of the Company’s revenue-generating assets, consisting principally of franchise-related agreements, real estate assets, and intellectual property and license agreements for the use of intellectual property, are held by the Master Issuer and certain other limited-purpose, bankruptcy remote, wholly owned indirect subsidiaries of the Company that act as Guarantors (as defined below) of the Notes and that have pledged substantially all of their assets, excluding certain real estate assets and subject to certain limitations, to secure the Notes.

The proceeds from the issuance of the Class A-2 Notes, were used to repay the remaining principal outstanding on the term loans and revolving credit facility. As a result, a loss on early extinguishment of debt of $2.8 million was recorded in fiscal 2019, primarily consisting of the write-off of unamortized deferred financing costs related to the Credit Agreement, and is reflected in “Interest expense, net” in the consolidated statement of earnings.

Class A-2 Notes — Interest and principal payments on the Class A-2 Notes are payable on a quarterly basis. The quarterly principal payment of $3.25 million on the Class A-2 Notes may be suspended when the specified leverage ratio, which is a measure of outstanding debt to earnings before interest, taxes, depreciation, and amortization, adjusted for certain items (as defined in the Indenture), is less than or equal to 5.0x. Exceeding the leverage ratio of 5.0x does not violate any covenant related to the Class A-2 Notes. As of September 27, 2020, the Company’s actual leverage ratio was under 5.0x, and as a result, quarterly principal payments are not required. Accordingly, the entire outstanding balance of the Class A-2 Notes has been classified as long-term debt.

The legal final maturity date of the Class A-2 Notes is in August 2049, but it is expected that, unless earlier prepaid to the extent permitted under the Indenture, the anticipated repayment dates of the Class A-2-I Notes, the Class A-2-II Notes and the Class A-2-III Notes will be August 2023, August 2026 and August 2029, respectively (the "Anticipated Repayment Dates"). If the Master Issuer has not repaid or refinanced the Class A-2 Notes prior to the respective anticipated repayment date, additional interest will accrue pursuant to the Indenture. The Class A-2 Notes are secured by the collateral described below under "Guarantees and Collateral."

Variable Funding Notes — The Variable Funding Notes were issued under the Indenture and allow for drawings on a revolving basis and the issuance of letters of credit. Depending on the type of borrowing under the Variable Funding Notes, interest on the Variable Funding Notes will be based on (i) the prime rate, (ii) overnight federal funds rates, (iii) the London interbank offered rate for U.S. Dollars or (iv) the lenders' commercial paper funding rate plus any applicable margin, as set forth in the Variable Funding Note Purchase Agreement. There is a scaled commitment fee on the unused portion of the Variable Funding Notes facility of between 50 and 100 basis points. It is anticipated that the principal and interest on the Variable Funding Notes will be repaid in full on or prior to August 2024, subject to two one-year extensions at the option of the Company. Following the anticipated repayment date (and any extensions thereof), additional interest will accrue equal to 5.00% per annum. As of September 27, 2020 and September 29, 2019, $39.5 million and $45.6 million of letters of credit, respectively, were outstanding against the Variable Funding Notes, which relate primarily to interest reserves required under the Indenture. During the second quarter of 2020, to secure our liquidity position and provide financial flexibility given the uncertain market conditions, we borrowed $107.9 million under the Variable Funding Notes. As of September 27, 2020, unused borrowing capacity under our Variable Funding Notes was $2.7 million.

Guarantees and collateral — Pursuant to the Guarantee and Collateral Agreement, dated July 8, 2019 (the "Guarantee and Collateral Agreement"), among the Guarantors, in favor of the trustee, the Guarantors guarantee the obligations of the Master Issuer under the Indenture and related documents and secure the guarantee by granting a security interest in substantially all of their assets. The Notes are secured by a security interest in substantially all of the assets of the Master Issuer and the Guarantors (collectively, the "Securitization Entities"). The assets of the Securitization Entities include most of the revenue-generating assets of the Company and its subsidiaries, which principally consist of franchise-related agreements, certain company-operated restaurants, intellectual property and license agreements for the use of intellectual property. Upon certain trigger events, mortgages will be required to be prepared and recorded on the real estate assets.

Covenants and restrictions — The Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Master Issuer maintains specified reserve accounts to be used to make required payments in respect of the Notes, (ii) provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make-whole payments in the case of the Class A-2 Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the assets pledged as collateral for the Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to failure to maintain stated debt service coverage ratios, the sum of gross sales for specified restaurants being below certain levels on certain measurement dates, certain manager termination events, an event of default, and the failure to repay or refinance the Class A-2 Notes in full by the applicable anticipated repayment date. The Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal, or other amounts due on or with respect to the Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, failure of security interests to be effective, and certain judgments.

Deferred financing costs — In 2019, the Company incurred costs of approximately $33.0 million in connection with the securitization transaction. The costs related to our Class A-2 Notes are presented as a reduction in "Long-term debt, net of current maturities" and are being amortized over the Anticipated Repayment Dates, utilizing the effective interest rate method. The costs related to our Variable Funding Notes are presented within "Other assets, net" and are being amortized over the Anticipated Repayment Date of August 2026 using the straight-line method. As of September 27, 2020, the effective interest rates, including the amortization of debt issuance costs, were 4.544%, 4.800%, and 5.197% for the Class A-2-I Notes, Class A-2-II, Notes and Class A-2-III Notes, respectively.

Maturities of long-term debt — Assuming repayment by the Anticipated Repayment Dates and based on the leverage ratio as of September 27, 2020, principal payments on our long-term debt outstanding at September 27, 2020 for each of the next five fiscal years and thereafter are as follows (*in thousands*):

2021	$ 818
2022	844
2023	571,558
2024	351
2025	28
Thereafter	827,462
	$ 1,401,061

8. LEASES

Nature of leases — We own restaurant sites and we also lease restaurant sites from third parties. Some of these owned or leased sites are leased and/or subleased to franchisees. Initial terms of our real estate leases are generally 20 years, exclusive of options to renew, which are generally exercisable at our sole discretion for 1 to 20 years. In some instances, our leases have provisions for contingent rentals based upon a percentage of defined revenues. Many of our restaurants also have rent escalation clauses and require the payment of property taxes, insurance, and maintenance costs. Variable lease costs include contingent rent, cost-of-living index adjustments, and payments for additional rent such as real estate taxes, insurance and common area maintenance, which are excluded from the measurement of the lease liability. We also lease certain restaurant and office equipment with initial terms generally ranging from 3 to 8 years. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As lessor, our leases and subleases primarily consist of restaurants that have been leased to franchisees subsequent to refranchising transactions. The lease descriptions, terms, variable lease payments and renewal options are generally the same as the lessee leases described above. Revenues from leasing arrangements with our franchisees are presented in "Franchise rental revenues" in the accompanying consolidated statements of earnings, and the related expenses are presented in "Franchise occupancy expenses."

Rent concessions as lessee — In response to the pandemic, certain landlords have agreed to temporary rent concessions. These concessions generally relate to the deferral of certain rent payments for April, May, June, and July 2020 until future periods and total approximately $15.5 million. We considered the FASB's recent guidance regarding rent concessions related to the effects of the COVID-19 pandemic and have elected to apply the temporary practical expedient to account for rent concessions as though enforceable rights and obligations for those concessions existed in the lease agreements. Therefore, we did not remeasure our lease ROU assets and liabilities, and we have not bifurcated our operating lease liabilities into the portion that remains subject to accretion of $947.8 million, and the portion that is related to the rent deferrals of $7.2 million as of September 27, 2020.

Rent concessions as lessor — We postponed collection of approximately 40% of April 2020 rents due from our franchisees totaling approximately $9.1 million, to be collected over three months beginning July 2020. Furthermore, we passed on to our franchisees approximately $5.6 million of the rent concessions secured from our landlords for April, May, June, and July 2020. As of September 27, 2020, all of the postponed April rent has been repaid and the franchisees have chosen to pay according to the original lease terms on approximately half of the rent concessions that we offered. As of September 27, 2020, rent concessions which remain uncollected were $2.6 million and are included within "Accounts and other receivable, net" in our consolidated balance sheets.

Company as lessee — Leased assets and liabilities consisted of the following as of September 27, 2020 *(in thousands)*:

	September 27, 2020
Assets:	
Operating lease ROU assets	$ 904,548
Finance lease ROU assets (1)	2,333
Total ROU assets	$ 906,881
Liabilities:	
Current operating lease liabilities	$ 179,000
Current finance lease liabilities (2)	818
Long term operating lease liabilities	776,094
Long-term finance lease liabilities (2)	2,116
Total lease liabilities	$ 958,028

(1) Included in "Property and equipment, net" on our consolidated balance sheet.
(2) Included in "Current maturities of long-term debt" and "Long-term debt, net of current maturities" on our consolidated balance sheet.

The following table presents the components of our lease costs in fiscal 2020 (*in thousands*):

	2020
Lease costs:	
Finance lease cost:	
Amortization of ROU assets (1)	$ 767
Interest on lease liabilities (2)	110
Operating lease cost (3)	190,461
Short-term lease cost (3)	175
Variable lease cost (3)(4)	40,798
	$ 232,311

(1) Included in "Depreciation and amortization" in our consolidated statement of earnings.
(2) Included in "Interest expense, net" in our consolidated statement of earnings.
(3) Operating lease, short-term and variable lease costs associated with franchisees and company-operated restaurants are included in "Franchise occupancy expenses" and "Occupancy and other," respectively, in our consolidated statement of earnings. For our closed restaurants, these costs are included in "Impairment and other, net" and all other costs are included in "Selling, general and administrative expenses."
(4) Includes $37.4 million of property taxes and common area maintenance costs which are reimbursed by sub-lessees.

The following table summarizes the components of rent expense in fiscal 2019 and 2018, as accounted for under previous guidance (*in thousands*):

	2019	2018
Minimum rentals	184,587	184,106
Contingent rentals	2,255	2,221
Total rent expense	186,842	186,327

The following table presents supplemental information related to leases:

	September 27, 2020
Weighted-average remaining lease term (in years):	
Finance leases	3.3
Operating leases	8.3
Weighted-average discount rate:	
Finance leases	3.5 %
Operating leases	4.2 %

The following table presents as of September 27, 2020, the annual maturities of our lease liabilities (*in thousands*):

	Finance Leases	Operating Leases
Fiscal year:		
2021 (1)	$ 917	$ 215,039
2022	906	167,926
2023	904	140,576
2024	400	108,576
2025	24	99,334
Thereafter	20	417,850
Total future lease payments (2)	$ 3,171	$ 1,149,301
Less: imputed interest	(237)	(194,207)
Present value of lease liabilities	$ 2,934	$ 955,094
Less current portion	(818)	(179,000)
Long-term lease obligations	$ 2,116	$ 776,094

(1) The impact of rent concessions increased 2021 operating leases maturities by $7.2 million.
(2) Total future lease payments include non-cancellable commitments of $3.2 million for finance leases and $1,076.9 million for operating leases.

The following table presents as of September 29, 2019, future minimum lease payments for non-cancellable leases (*in thousands*):

	Capital Leases	Operating Leases
Fiscal year:		
2020	$ 879	$ 193,313
2021	879	186,226
2022	879	145,794
2023	864	117,753
2024	396	87,420
Thereafter	40	363,505
Total minimum lease payments	$ 3,937	$ 1,094,011
Less: imputed interest	(343)	
Present value of lease liability	$ 3,594	
Less current portion	(774)	
Long-term lease obligations	$ 2,820	

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

	2020	2019
Buildings	1,342	1,342
Equipment	5,631	5,538
Less accumulated amortization	(4,640)	(3,904)
	2,333	2,976

The following table includes supplemental cash flow and non-cash information related to our lessee leases (*in thousands*):

		2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	190,303
Operating cash flows from financing leases	$	110
Financing cash flows from financing leases	$	785
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$	181,532
Financing leases	$	132

Sale leaseback transactions **—** In fiscal 2020, we completed two sale-leaseback transactions of our restaurant properties with one occurring during the first quarter of 2020 and the other occurring during the third quarter of 2020. In the first quarter of 2020, we completed a sale leaseback transaction of a multi-tenant commercial property in Los Angeles, California and leased back the parcel on which a company-operated restaurant is located. The Company received net proceeds of $17.4 million and recognized a $0.2 million loss on the sale. The initial term on the lease is 20 years and the lease has been accounted for as an operating lease. Under the other arrangement, we received net proceeds of $2.4 million on a restaurant property sold and recognized a loss of less than $0.1 million on the sale. The initial term of the lease is 17 years and the lease has been accounted for as an operating lease.

In fiscal 2020, we also completed the sale of one of our corporate office buildings as we move forward with our previously announced consolidation of our headquarters. We entered into a lease with the buyer to leaseback the property for up to 18 months with an option to terminate earlier without penalty, upon providing a 90-day notice. The net proceeds received on the sale were $20.6 million and the lease has been accounted for as an operating lease. A gain on the sale of $10.8 million was recognized, and is presented within “Impairment and other charges, net” in our consolidated statement of earnings.

Company as lessor **—** The following table presents rental income (*in thousands*):

	2020					
	Owned Properties		Leased Properties		Total	
Operating lease income - franchise	$	19,785	$	216,015	$	235,800
Variable lease income - franchise		9,960		74,887		84,847
Franchise rental revenues	$	29,745	$	290,902	$	320,647
Operating lease income - closed restaurants and other (1)	$	—	$	6,370	$	6,370

(1) Primarily relates to closed restaurant properties included in “Impairment and other, net” in our consolidated statement of earnings.

The following table summarizes rents received in fiscal 2019 and 2018, as accounted for under previous guidance (*in thousands*):

	2019		2018	
Total rental income (1)	$	277,623	$	264,432
Contingent rentals	$	38,506	$	35,148

(1) Includes contingent rentals.

The following table presents as of September 27, 2020, future minimum rental receipts for non-cancellable leases and subleases (*in thousands*):

	September 27, 2020
Fiscal year:	
2021 (1)	$ 261,388
2022	234,545
2023	227,976
2024	202,636
2025	211,320
Thereafter	1,067,624
Total minimum rental receipts	$ 2,205,489

(1) The impact of rent concessions passed on to franchisees increased 2021 by $2.6 million.

The following table presents as of September 29, 2019, future minimum rental receipts for non-cancellable leases and subleases (*in thousands*):

	September 29, 2019
Fiscal year:	
2020	$ 239,219
2021	255,315
2022	231,394
2023	224,605
2024	199,442
Thereafter	1,215,811
Total minimum rental receipts	$ 2,365,786

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

	September 27, 2020	September 29, 2019
Land	$ 88,187	$ 91,130
Buildings	801,730	817,400
Equipment	589	537
	890,506	909,067
Less accumulated depreciation	(650,812)	(632,197)
	$ 239,694	$ 276,870

9. IMPAIRMENT AND OTHER CHARGES, NET

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

	2020	2019	2018
Restructuring costs	$ 1,168	$ 8,455	$ 10,647
Costs of closed restaurants and other	1,872	8,628	4,803
(Gains) losses on disposition of property and equipment, net (1)	(9,768)	(6,244)	1,627
Accelerated depreciation	235	1,616	1,130
Operating restaurant impairment charges	—	—	211
	$ (6,493)	$ 12,455	$ 18,418

(1) In 2020, includes a $10.8 million gain related to the sale of one of our corporate office buildings. In 2019, includes a $5.7 million gain related to the sale of property.

Restructuring costs — Restructuring costs in fiscal 2020, 2019, and 2018 include charges resulting from a plan that management initiated to reduce our general and administrative costs, which was completed in the third quarter of 2020. In fiscal 2019, charges also include costs resulting from the exploration of strategic alternatives (the "Strategic Alternatives Evaluation"), which was concluded in the third quarter of 2019. In fiscal 2018, charges also include costs related to the evaluation of potential alternatives with respect to the Qdoba brand (the "Qdoba Evaluation"), which resulted in the sale of Qdoba.

The following is a summary of the costs incurred in connection with these activities during each fiscal year (*in thousands*):

	2020	2019	2018
Employee severance and related costs	$ 1,168	$ 7,169	$ 7,845
Strategic Alternatives Evaluation (1)	—	1,286	—
Qdoba Evaluation (2)	—	—	2,211
Other	—	—	591
	$ 1,168	$ 8,455	$ 10,647

(1) Strategic Alternatives Evaluation costs are primarily related to third party advisory services.
(2) Qdoba Evaluation costs are primarily related to third party advisory services and retention compensation.

Total accrued severance costs related to our restructuring activities are included in "Accrued liabilities" and changed as follows during fiscal 2020 *(in thousands)*:

Balance as of September 29, 2019	$ 2,100
Costs incurred	1,168
Cash payments	(3,268)
Balance as of September 27, 2020	$ —

Costs of closed restaurants and other — Costs of closed restaurants include impairment charges as a result of our decision to close restaurants, ongoing costs associated with closed restaurants, and canceled project costs. During 2019, the Company recorded a charge of $3.5 million related to the write-off of software development costs as a result of management's decision to discontinue a technology project.

10. DISCONTINUED OPERATIONS

Qdoba — In December 2017, we entered into a stock purchase agreement (the "Qdoba Purchase Agreement") with the Buyer to sell all issued and outstanding shares of Qdoba. The Buyer completed the acquisition of Qdoba on March 21, 2018 (the "Qdoba Sale") for an aggregate purchase price of approximately $298.5 million.

We also entered into a Transition Services Agreement with the Buyer pursuant to which the Buyer received certain services (the "Services") to enable it to operate the Qdoba business after the closing of the Qdoba Sale. The Services included information technology, finance and accounting, human resources, supply chain and other corporate support services. Under the Agreement, the Services were provided at cost for a period of up to 12 months, with two 3-month extensions available for certain services. As of September 21, 2019, we are no longer providing transition services to Qdoba. In fiscal 2019 and 2018 we recorded $7.0 million and $7.9 million, respectively, related to the Services as a reduction of "Selling, general, and administrative expenses" in the consolidated statements of earnings.

Further, in 2018, we entered into an Employee Agreement with the Buyer pursuant to which we continued to employ all Qdoba employees who work for the Buyer (the "Qdoba Employees") from the date of closing of the Qdoba Sale through December 31, 2018. During the term of the Employee Agreement, we paid all wages and benefits of the Qdoba Employees and received reimbursement of these costs from the Buyer. From October 1, 2018 to December 31, 2018, we paid $35.4 million of Qdoba wages and benefits pursuant to the Employee Agreement.

As the Qdoba Sale represented a strategic shift that had a major effect on our operations and financial results, in accordance with the provisions of FASB authoritative guidance on the presentation of financial statements, Qdoba results are classified as discontinued operations in our consolidated statements of earnings and our consolidated statements of cash flows for all periods presented.

The following table summarizes results of operations in periods that have included discontinued operations (*in thousands, except per share data*):

	2020	2019	2018
Company restaurant sales	$ —	$ —	$ 192,620
Franchise revenues	—	—	9,337
Company restaurant costs (excluding depreciation and amortization)	—	—	(166,122)
Franchise costs (excluding depreciation and amortization)	—	—	(2,338)
Selling, general and administrative expenses (1)	244	174	(19,286)
Depreciation and amortization	—	—	(5,012)
Impairment and other charges, net (1)	270	(262)	(2,305)
Interest expense, net (2)	—	—	(4,787)
Operating earnings (loss) from discontinued operations before income taxes	514	(88)	2,107
(Loss) gain on Qdoba Sale	—	(85)	30,717
Earnings (loss) from discontinued operations before income taxes	514	(173)	32,824
Income tax (expense) benefit (3)	(144)	2,863	(15,726)
Earnings from discontinued operations, net of income taxes	$ 370	$ 2,690	$ 17,098
Net earnings per share from discontinued operations:			
Basic	$ 0.02	$ 0.10	$ 0.60
Diluted	$ 0.02	$ 0.10	$ 0.59

(1) In fiscal 2018, selling, general and administrative expenses include corporate costs directly in support of Qdoba operations. All other corporate costs were classified in continuing operations. Amounts in 2020 and 2019 include resolutions of certain contingencies that existed at the date of sale which were insignificant in nature.

(2) Our credit facility required us to make a mandatory prepayment (“Qdoba Prepayment”) on our term loan upon the closing of the Qdoba Sale, which was $260.0 million. Interest expense associated with our credit facility was allocated to discontinued operations based on our estimate of the mandatory prepayment that was made upon closing of the Qdoba Sale.

(3) In fiscal 2019, the Company entered into a bilateral California election with Quidditch Acquisition, Inc. to retroactively treat the divestment of Qdoba Restaurant Corporation on March 21, 2018 as a sale of assets instead of a stock sale for income tax purposes. This election reduced the Company’s fiscal year 2018 California tax liability on the divestment by $2.8 million.

Lease guarantees — While all operating leases held in the name of Qdoba were part of the Qdoba Sale, some of the leases remain guaranteed by the Company pursuant to one or more written guarantees (the “Guarantees”). In the event Qdoba fails to meet its payment and performance obligations under such guaranteed leases, we may be required to make rent and other payments to the landlord under the requirements of the Guarantees. Should we, as guarantor of the lease obligations, be required to make any lease payments due for the remaining term of the subject leases, the maximum amount we may be required to pay is approximately $29.8 million as of September 27, 2020. The lease terms extend for a maximum of approximately 15 more years as of September 27, 2020, and we would remain a guarantor of the leases in the event the leases are extended for any established renewal periods. In the event that we are obligated to make payments under the Guarantees, we believe the exposure is limited due to contractual protections and recourse available in the lease agreements, as well as the Qdoba Purchase Agreement, including a requirement of the landlord to mitigate damages by re-letting the properties in default, and indemnity from the Buyer. As of September 27, 2020, no amounts have been accrued relating to these guarantees as we do not believe any losses are probable.

11. INCOME TAXES

Income taxes consist of the following in each fiscal year (*in thousands*):

	2020	2019	2018
Current:			
Federal	$ 19,721	$ 14,683	$ 51,454
State	7,844	5,242	4,922
	27,565	19,925	56,376
Deferred:			
Federal	4,625	3,750	23,462
State	537	350	1,890
	5,162	4,100	25,352
Income tax expense from continuing operations	$ 32,727	$ 24,025	$ 81,728
Income tax expense (benefit) from discontinued operations	$ 144	$ (2,863)	$ 15,700

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

	2020	2019	2018
Income tax expense at federal statutory rate	21.0 %	21.0 %	24.5 %
State income taxes, net of federal tax benefit	5.3 %	5.3 %	4.7 %
One-time, non-cash impact of the Tax Cuts and Jobs Act	— %	— %	17.5 %
Stock compensation excess tax benefit	(0.4)%	(0.1)%	(1.1)%
Benefit of jobs tax credits, net of valuation allowance	(0.5)%	(0.3)%	(0.4)%
Release of federal tax liability	— %	(0.6)%	— %
Adjustment to state tax provision	— %	(0.9)%	— %
Benefit related to COLIs	(0.9)%	(1.0)%	(0.4)%
Termination of interest rate swaps	— %	(2.6)%	— %
Officers’ compensation limitation	2.2 %	1.1 %	0.4 %
Other, net	0.1 %	(1.1)%	(1.3)%
	26.8 %	20.8 %	43.9 %

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

	2020	2019
Deferred tax assets:		
Operating and finance lease liabilities	$ 234,926	$ —
Accrued defined benefit pension and postretirement benefits	44,436	46,918
Deferred income	12,921	13,803
Impairment	8,895	9,981
Accrued insurance	6,500	7,133
Tax loss and tax credit carryforwards	4,273	5,327
Share-based compensation	4,143	5,415
Accrued incentive compensation	2,585	2,617
Other reserves and allowances	2,440	2,965
Accrued compensation expense	672	1,092
Lease commitments related to closed or refranchised locations	—	3,786
Deferred interest deduction	—	3,188
Other, net	2,364	868
Total gross deferred tax assets	324,155	103,093
Valuation allowance	(2,104)	(2,485)
Total net deferred tax assets	322,051	100,608
Deferred tax liabilities:		
Operating and finance lease ROU assets	(235,373)	(3,822)
Intangible assets	(11,437)	(10,520)
Property and equipment, principally due to differences in depreciation	(1,781)	(128)
Other	(1,138)	(574)
Total gross deferred tax liabilities	(249,729)	(15,044)
Net deferred tax assets	$ 72,322	$ 85,564

Deferred tax assets as of September 27, 2020 include state net operating loss carry-forwards of approximately $20.1 million expiring at various times between 2021 and 2038. At September 27, 2020, we recorded a valuation allowance of $2.1 million related to losses and state tax credits, which decreased from the $2.5 million at September 29, 2019 primarily due to the release of the valuation allowance on California Enterprise Zone Credits. We believe it is more likely than not that these net operating loss and credit carry-forwards will not be realized and that all other deferred tax assets will be realized through future taxable income or alternative tax strategies.

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 2017 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 2016 and forward.

12. RETIREMENT PLANS

We sponsor programs that provide retirement benefits to 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 ("IRC"). The plan allows all employees who have satisfied the service requirements and reached age 21 to defer a percentage of their pay on a pre-tax basis. Beginning January 1, 2016, we match 100% of the first 4% of compensation deferred by the participant. A participant's right to Company contributions vest immediately. Our contributions under this plan were $1.6 million in fiscal 2020, and $1.7 million and $2.2 million in fiscal 2019 and 2018, respectively.

We also maintain an unfunded, non-qualified deferred compensation plan for key executives and other members of management whose compensation deferrals or company matching contributions to the qualified savings plan are limited due to IRC rules. Effective January 1, 2016, this non-qualified plan was amended to replace the company matching contribution with an annual restoration match that is intended to “restore” up to the full match for participants whose elective deferrals (and related company matching contributions) to the qualified savings plan were limited due to IRC rules. A participant’s right to the Company restoration match vests immediately. This plan allows participants to defer up to 50% of their salary and 85% of their bonus, on a pre-tax basis. In addition, to compensate executives who were hired or promoted into an eligible position prior to May 7, 2015 and who may no longer 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 10 years in such eligible position. Our contributions under the non-qualified deferred compensation plan were $0.3 million in fiscal 2020, $0.2 million and $0.2 million in fiscal 2019 and 2018, respectively.

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 will no longer accrue benefits effective December 31, 2015. Benefits under both plans are based on the employees’ years of service and compensation over defined periods of employment.

In the fiscal fourth quarter of 2019, the Company amended its Qualified Plan to add a limited lump sum payment window whereby certain terminated participants with a vested pension benefit could elect to receive either an immediate lump sum or a monthly annuity payment of their accrued benefit. The offering period began September 16, 2019 and ended October 31, 2019. The participants that elected a lump sum benefit under the program were paid in December 2019, which triggered settlement accounting. As a result of the offering, the Company’s Qualified Plan paid $122.3 million from its plan assets to those who accepted the offer, thereby reducing the plan’s pension benefit obligation (“PBO”). The transaction had no cash impact to the Company but did result in a non-cash settlement charge of $38.6 million in the first quarter of fiscal 2020. Routine lump sum payments made in the second, third and fourth quarters of fiscal 2020 resulted in additional non-cash settlement charges totaling $0.6 million.

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.

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 for each fiscal year (*in thousands*):

	Qualified Plan		SERP		Postretirement Health Plans	
	2020	2019	2020	2019	2020	2019
Change in benefit obligation:						
Obligation at beginning of year	$ 521,931	$ 457,109	$ 79,893	$ 73,067	$ 25,632	$ 23,461
Service cost	—	—	—	—	—	—
Interest cost	13,377	19,825	2,499	3,080	807	997
Participant contributions	—	—	—	—	106	112
Actuarial loss (gain)	14,498	61,029	1,739	8,771	(4,391)	2,343
Benefits paid	(12,980)	(12,224)	(5,160)	(5,025)	(1,246)	(1,354)
Settlements	(124,253)	(3,808)	—	—	—	—
Other	—	—	—	—	57	73
Obligation at end of year	$ 412,573	$ 521,931	$ 78,971	$ 79,893	$ 20,965	$ 25,632
Change in plan assets:						
Fair value at beginning of year	$ 476,194	$ 456,127	$ —	$ —	$ —	$ —
Actual return on plan assets	26,549	36,099	—	—	—	—
Participant contributions	—	—	—	—	106	112
Employer contributions	—	—	5,160	5,025	1,083	1,169
Benefits paid	(12,980)	(12,224)	(5,160)	(5,025)	(1,246)	(1,354)
Settlements	(124,253)	(3,808)	—	—	—	—
Other	—	—	—	—	57	73
Fair value at end of year	$ 365,510	$ 476,194	$ —	$ —	$ —	$ —
Unfunded status at end of year	$ (47,063)	$ (45,737)	$ (78,971)	$ (79,893)	$ (20,965)	$ (25,632)
Amounts recognized on the balance sheet:						
Current liabilities	$ —	$ —	$ (5,223)	$ (5,371)	$ (1,243)	$ (1,379)
Noncurrent liabilities	(47,063)	(45,737)	(73,748)	(74,522)	(19,722)	(24,253)
Total liability recognized	$ (47,063)	$ (45,737)	$ (78,971)	$ (79,893)	$ (20,965)	$ (25,632)
Amounts in AOCI not yet reflected in net periodic benefit cost:						
Unamortized actuarial loss (gain), net	$ 152,370	$ 187,705	$ 34,890	$ 34,803	$ (4,174)	$ 235
Unamortized prior service cost	—	—	72	157	—	—
Total	$ 152,370	$ 187,705	$ 34,962	$ 34,960	$ (4,174)	$ 235
Other changes in plan assets and benefit obligations recognized in OCI:						
Net actuarial loss (gain)	$ 7,527	$ 51,263	$ 1,739	$ 8,771	$ (4,391)	$ 2,343
Pension settlement costs	(39,218)	—	—	—	—	—
Amortization of actuarial (loss) gain	(3,644)	(2,754)	(1,652)	(1,207)	(18)	159
Amortization of prior service cost	—	—	(85)	(115)	—	—
Total recognized in OCI	(35,335)	48,509	2	7,449	(4,409)	2,502
Net periodic benefit cost (credit) and other losses	36,661	(3,755)	4,236	4,402	825	838
Total recognized in comprehensive income	$ 1,326	$ 44,754	$ 4,238	$ 11,851	$ (3,584)	$ 3,340
Amounts in AOCI expected to be amortized in fiscal 2021 net periodic benefit cost:						
Net actuarial loss (gain)	$ 3,511		$ 1,743		$ (341)	
Prior service cost	—		19		—	
Total	$ 3,511		$ 1,762		$ (341)	

Additional year-end pension plan information — The 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.

As of September 27, 2020 and September 29, 2019, 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 27, 2020 and September 29, 2019. The following sets forth the PBO, ABO, and fair value of plan assets of our pension plans as of the measurement date in each fiscal year (*in thousands*):

	2020	2019
Qualified Plan:		
Projected benefit obligation	$ 412,573	$ 521,931
Accumulated benefit obligation	$ 412,573	$ 521,931
Fair value of plan assets	$ 365,510	$ 476,194
SERP:		
Projected benefit obligation	$ 78,971	$ 79,893
Accumulated benefit obligation	$ 78,971	$ 79,893
Fair value of plan assets	$ —	$ —

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

	2020	2019	2018
Qualified Plan:			
Interest cost	$ 13,377	$ 19,825	$ 19,463
Expected return on plan assets	(19,578)	(26,334)	(26,467)
Pension settlements	39,218	—	—
Actuarial loss	3,644	2,754	3,331
Net periodic benefit cost (credit)	$ 36,661	$ (3,755)	$ (3,673)
SERP:			
Service cost	$ —	$ —	$ 490
Interest cost	2,499	3,080	2,894
Actuarial loss	1,652	1,207	1,538
Amortization of unrecognized prior service cost	85	115	146
Net periodic benefit cost	$ 4,236	$ 4,402	$ 5,068
Postretirement health plans:			
Interest cost	$ 807	$ 997	$ 955
Actuarial loss (gain)	18	(159)	(27)
Net periodic benefit cost	$ 825	$ 838	$ 928

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 which 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. For our Qualified Plan, actuarial losses are amortized over the average future expected lifetime of all participants expected to receive benefits. For our SERP, actuarial losses are amortized over the expected remaining future lifetime for inactive participants, and for our postretirement health plans, actuarial losses are amortized over the expected remaining future lifetime of inactive participants expected to receive benefits.

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 27, 2020, September 29, 2019, and September 30, 2018, we used the following weighted-average assumptions:

	2020	2019	2018
Assumptions used to determine benefit obligations (1):			
Qualified Plan:			
Discount rate	3.10%	3.36%	4.40%
SERP:			
Discount rate	2.84%	3.24%	4.37%
Rate of future pay increases (2)	N/A	3.50%	3.50%
Postretirement health plans:			
Discount rate	2.77%	3.24%	4.38%
Assumptions used to determine net periodic benefit cost (3):			
Qualified Plan:			
Discount rate (4)	3.36%	4.40%	3.99%
Long-term rate of return on assets (5)	5.80%	5.85%	5.80%
SERP:			
Discount rate	3.24%	4.37%	3.80%
Rate of future pay increases	3.50%	3.50%	3.50%
Postretirement health plans:			
Discount rate	3.24%	4.38%	3.82%

(1) Determined as of end of year.
(2) Rate is not applicable as there are no active employees as of fiscal year end 2020.
(3) Determined as of beginning of year.
(4) Remeasurements were performed in the first, second, and third quarters of fiscal 2020 using 3.61%, 3.38%, and 3.13% respectively.
(5) Remeasurements were performed in the first, second, and third quarters of fiscal 2020 using 5.9%, 5.2%, and 5.4% respectively.

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. As 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. If the discount rate and long-term rate of return used were decreased by a quarter percentage point, fiscal 2020 earnings before income taxes would have increased by less than $0.1 million and decreased by $1.0 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. For our Qualified Plan, no future pay increases were included in our benefit obligation assumptions as, effective December 31, 2015, our plan participants no longer accrue benefits.

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

	2020	2019	2018
Healthcare cost trend rate for next year:			
Participants under age 65	6.75%	7.00%	7.25%
Participants age 65 or older	6.25%	6.50%	6.75%
Rate to which the cost trend rate is assumed to decline:			
Participants under age 65	4.50%	4.50%	4.50%
Participants age 65 or older	4.50%	4.50%	4.50%
Year the rate reaches the ultimate trend rate:			
Participants under age 65	2030	2030	2030
Participants age 65 or older	2028	2028	2028

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 on the fiscal 2020 net periodic benefit cost and end of year PBO (*in thousands*):

	1% Point Increase	1% Point Decrease
Total interest and service cost	$ 89	$ (76)
Postretirement benefit obligation	$ 2,143	$ (1,861)

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 quarterly. We continually review our target asset allocation for our Qualified Plan and when changes are made, we 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 2020 and target allocations were as follows:

	2020	Target	Minimum	Maximum
Cash & cash equivalents	1%	—%	—%	—%
Domestic equities	23%	23%	12%	32%
International equities	22%	23%	12%	32%
Core fixed funds	33%	32%	27%	37%
High yield	3%	4%	—%	8%
Alternative investments	8%	8%	—%	16%
Real estate	9%	7%	2%	12%
Real return bonds	1%	3%	—%	8%
	100%	100%		

The Company measures its defined benefit plan assets and obligations as of the month-end date closest to its fiscal year end, which is a practical expedient under FASB authoritative guidance. The fair values of the Qualified Plan's assets 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 30, 2020:					
Asset Category:					
Cash and cash equivalents	(1)	$ 3,665	$ —	$ 3,665	$ —
Equity:					
U.S	(2)	83,676	83,676	—	—
International	(3),(4)	81,228	40,319	—	—
Fixed income:					
Investment grade	(5)	126,630	3,006	123,624	—
High yield	(6)	9,270	9,270	—	—
Alternatives	(4),(7)	29,375	—	—	—
Real estate	(4),(8)	31,666	—	—	—
		$ 365,510	$ 136,271	$ 127,289	$ —
Items Measured at Fair Value at September 30, 2019:					
Asset Category:					
Cash and cash equivalents	(1)	$ 10,110	$ —	$ 10,110	$ —
Equity:					
U.S	(2)	99,124	99,124	—	—
International	(3),(4)	94,953	47,262	—	—
Fixed income:					
Investment grade	(5)	177,500	—	177,500	—
High yield	(6)	9,256	9,256	—	—
Alternatives	(4),(7)	42,052	—	—	—
Real estate	(4),(8)	43,199	—	—	—
		$ 476,194	$ 155,642	$ 187,610	$ —

(1) Cash and cash equivalents are comprised of commercial paper, short-term bills and notes, and short-term investment funds, which are valued at quoted prices in active markets for similar securities.

(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) International equity securities are comprised of investments in common stock of companies located outside of the U.S for total return purposes. These investments are valued by the trustee at closing prices from national exchanges on the valuation date, or the values are adjusted as a result of market movements following the close of local trading using inputs to models that are observable either directly or indirectly. The portion of these investments that are measured at fair value using the net asset value per share practical expedient (see note 4 below) can be redeemed on a monthly basis.

(4) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(5) Investment grade fixed income consists of debt obligations either issued by the US government or have a rating of BBB- / Baa or higher assigned by a major credit rating agency. These investments are valued based on unadjusted quoted market prices (Level 1), or based on quoted prices in inactive markets, or whose values are based on models, but the inputs to those models are observable either directly or indirectly (Level 2).

(6) High yield fixed income consists primarily of debt obligations that have a rating of below BBB- / Baa or lower assigned by a major credit rating agency. These investments are valued based on unadjusted quoted market prices.

(7) Alternative investments consist primarily of an investment in asset classes other than stocks, bonds, and cash. Alternative investments can include commodities, hedge funds, private equity, managed futures, and derivatives. These investments are valued based on unadjusted quoted market prices and can be redeemed on a bi-monthly basis.

(8) Real estate is investments in a real estate collective trust for purposes of total return. These investments are valued based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These investments can be redeemed on a quarterly basis.

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. We do not anticipate making any contributions to our Qualified Plan in fiscal 2021. Contributions expected to be paid in the next fiscal year, 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*):

	Defined Benefit Plans	Postretirement Health Plans
Estimated net contributions during fiscal 2021	$ 5,223	$ 1,260
Estimated future year benefit payments during fiscal years:		
2021	$ 19,948	$ 1,260
2022	$ 19,883	$ 1,276
2023	$ 19,947	$ 1,296
2024	$ 20,205	$ 1,319
2025	$ 20,678	$ 1,336
2026-2030	$ 111,465	$ 6,634

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 obligations at September 27, 2020 and include estimated future employee service, if applicable.

13. 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 our employees and directors. There were 1,764,132 shares of common stock available for future issuance under this plan as of September 27, 2020.

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 and dividend 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. There were 142,918 shares of common stock available for future issuance under this plan as of September 27, 2020.

Compensation expense — The components of share-based compensation expense, included within "Selling, general, and administrative expenses" in our consolidated statement of earnings, in each fiscal year are as follows (*in thousands*):

	2020	2019	2018
Nonvested stock units	$ 3,526	$ 5,458	$ 5,737
Stock options	351	936	1,790
Performance share awards	254	1,417	1,236
Nonvested restricted stock awards	—	—	33
Non-management directors' deferred compensation	263	263	350
Total share-based compensation expense	$ 4,394	$ 8,074	$ 9,146

Nonvested restricted stock units — Nonvested restricted stock units ("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. There were 34,700 of such RSUs outstanding as of September 27, 2020.

Beginning fiscal 2011, we eliminated ownership share grants to executive officers and implemented a stock holding requirement on grants of time-vesting RSUs that vest ratably over four years, and require executives to hold until termination of service 50% of after-tax net shares resulting from the vesting of RSUs. There were 46,351 of such RSUs outstanding as of September 27, 2020. RSUs issued to non-management directors vest 12 months from the date of grant, or upon termination of board service if the director elects to defer receipt and totaled 64,836 units outstanding as of September 27, 2020. RSUs issued to certain other employees either cliff vest or vest ratably over three years and totaled 29,254 units outstanding as of September 27, 2020. 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 discounted by the present value of the expected dividend stream over the vesting period.

The following is a summary of RSU activity for fiscal 2020:

	Shares	Weighted-Average Grant Date Fair Value
RSUs outstanding at September 29, 2019	311,845	$ 66.18
Granted	76,429	$ 73.94
Released	(126,694)	$ 68.39
Forfeited	(86,439)	$ 83.05
RSUs outstanding at September 27, 2020	175,141	$ 59.65

As of September 27, 2020, there was approximately $2.6 million of total unrecognized compensation cost related to RSUs, which is expected to be recognized over a weighted-average period of 1.4 years. The weighted-average grant date fair value of awards granted was $73.94, $86.08, and $94.93 in fiscal years 2020, 2019, and 2018, respectively. In fiscal years 2020, 2019, and 2018, the total fair value of RSUs that vested and were released was $8.7 million, $4.7 million, and $4.4 million, respectively.

Modification of RSU awards — On April 16, 2020, we entered into a Retention, Transition and Separation Agreement with our former Chairman and Chief Executive Officer, which sets forth the terms of his transition and certain benefits he is eligible to receive, pro-rated through the duration of the transition period, which included vesting of his final tranche of unvested restricted stock units remaining under his November 2015 restricted stock unit award scheduled to vest in November 2020. Consequently, 23,128 shares vested on his last day of employment on July 31, 2020. This was accounted for as an equity award modification under ASC Topic 718, and as the fair value of the modified award was less than previously recognized compensation, no incremental compensation costs were recorded by the Company.

Stock options — Option grants have contractual terms of seven years and employee options vest over a three-year period. Options may vest sooner upon retirement from the Company for employees meeting certain age and years of service thresholds. 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 2020:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at September 29, 2019	266,558	$ 89.54		
Granted	129,173	$ 75.23		
Exercised	(62,305)	$ 74.57		
Forfeited	(122,594)	$ 77.95		
Expired	(3,369)	$ 97.31		
Options outstanding at September 27, 2020	207,463	$ 91.85	2.48	$ 252
Options exercisable at September 27, 2020	174,104	$ 94.67	1.81	$ 107

The aggregate intrinsic value in the table above is the amount by which the current market price of our stock on September 27, 2020 exceeds the weighted-average exercise price.

We use a valuation model to determine the fair value of options granted that 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 fiscal year, along with the related weighted-average grant date fair value:

	2020	2019	2018
Risk-free interest rate	1.7%	N/A	2.4%
Expected dividends yield	2.1%	N/A	1.8%
Expected stock price volatility	28.1%	N/A	28.8%
Expected life of options (in years)	3.47	N/A	3.40
Weighted-average grant date fair value	$13.97	N/A	$18.49

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 at the grant date. The expected stock price volatility in all years represents 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.

As of September 27, 2020, there was approximately $0.3 million of total unrecognized compensation cost related to stock options grants that is expected to be recognized over a weighted-average period of 2 years. The total intrinsic value of stock options exercised was $0.7 million, $0.5 million, and $2.3 million in fiscal years 2020, 2019, and 2018, 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 three-year period and vested amounts may range from 0% to a maximum of 150% of targeted amounts depending on the achievement of performance measures at the end of a three-year period. If the awardee ceases to be employed by the Company prior to the last day of the performance period due to retirement, disability, or death, the performance share awards become vested pro-rata based on the number of full accounting periods the awardee was continuously employed by the Company. 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 2020:

	Shares	Weighted-Average Grant Date Fair Value
Performance share awards outstanding at September 29, 2019	75,490	$ 83.40
Granted	23,600	$ 81.02
Issued	(21,509)	$ 97.51
Forfeited	(50,336)	$ 83.31
Performance adjustments	(2,203)	$ 86.84
Performance share awards outstanding at September 27, 2020	25,042	$ 63.59

As of September 27, 2020, there was approximately $0.5 million of total unrecognized compensation cost related to performance share awards, which is expected to be recognized over a weighted-average period of 1.6 years. The weighted-average grant date fair value of awards granted was $81.02, $84.60, and $97.02 in fiscal years 2020, 2019, and 2018, respectively. The total fair value of awards that became fully vested during fiscal years 2020, 2019, and 2018 was $0.5 million, $2.1 million, and $1.6 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 replaced them with grants of RSUs. 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.

During fiscal 2020, 33,243 RSAs were released with a weighted-average grant date fair value of $26.47 per share. Compensation cost related to RSAs was fully recognized by the end of 2018. As of September 27, 2020, there were no RSAs outstanding.

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 based on a per share price equal to the average of the closing price of our common stock for the 10 trading days immediately preceding the date the deferred compensation is credited to the director's account. During fiscal 2020, 204 shares of common stock were issued in connection with director retirements with a fair value of less than $0.1 million. During fiscal years 2019 and 2018 no common stock was issued in connection with director retirements.

The following is a summary of the stock equivalent activity for fiscal 2020:

	Stock Equivalents	Weighted-Average Grant Date Fair Value
Stock equivalents outstanding at September 29, 2019	100,005	$ 38.87
Deferred directors' compensation	3,851	$ 81.56
Dividend equivalents	2,224	$ 68.80
Stock distribution	(204)	$ 86.74
Stock equivalents outstanding at September 27, 2020	105,876	$ 40.96

14. STOCKHOLDERS' DEFICIT

Repurchases of common stock — The Company purchased 1.9 million shares of its common stock in the first quarter of fiscal 2020 at an average price of $81.41 per shares for an aggregate cost of $153.5 million. There were no other repurchases of common stock in fiscal 2020. As of September 27, 2020, there was approximately $122.2 million remaining under share repurchase programs authorized by the Board of Directors, consisting of $22.2 million that expires in November 2020 and $100.0 million that expires in November 2021.

Repurchases of common stock included in our consolidated statement of cash flows for fiscal 2020 include $2.0 million related to repurchase transactions traded in fiscal 2019 but settled in fiscal 2020.

Dividends — In fiscal 2020, the Board of Directors declared three cash dividends of $0.40 per share totaling $27.7 million. Future dividends are subject to approval by our Board of Directors.

15. 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 nonvested stock awards and units, stock options, and non-management director stock equivalents. Performance share 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 each fiscal year (*in thousands*):

	2020	2019	2018
Weighted-average shares outstanding — basic	23,125	25,823	28,499
Effect of potentially dilutive securities:			
Nonvested stock awards and units	137	211	240
Stock options	—	10	40
Performance share awards	7	24	28
Weighted-average shares outstanding — diluted	23,269	26,068	28,807
Excluded from diluted weighted-average shares outstanding:			
Antidilutive	318	186	150
Performance conditions not satisfied at the end of the period	14	65	44

16. COMMITMENTS AND CONTINGENCIES

Purchase commitments — We have entered into long-term beverage agreements with The Coca-Cola Company and Dr. Pepper / Seven Up, Inc., which provide fountain products and certain marketing support funding to the Company and its franchisees. These agreements require minimum purchases of fountain beverage syrup, by the Company and its franchisees at agreed upon prices until the total volume commitments have been reached. The volume commitments are not subject to any time limit and as of September 27, 2020, we estimate that it will take approximately 5 years for both of these commitments to be completed. The Company estimates future annual purchases under these agreements to be approximately $62.1 million as of September 27, 2020 based on the expected ratio of usage at company-operated to franchise restaurants.

We also have entered into various arrangements with vendors providing information technology services with no early termination fees. The Company's unconditional purchase obligations on these contracts total approximately $11.3 million over the next three years.

Legal matters — We assess contingencies, including litigation 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 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 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 or financial exposure. We regularly review contingencies to determine the adequacy of the accruals and related disclosures. The ultimate amount of loss may differ from these estimates. As of September 27, 2020 and September 29, 2019, the Company had recorded aggregate liabilities of $3.8 million and $10.0 million, respectively, within "Accrued liabilities" on our consolidated balance sheets for all matters including those described below, that were probable and reasonably estimable. While we believe that additional losses beyond these accruals are reasonably possible, we cannot estimate a possible loss contingency or range of reasonably possible loss contingencies beyond these accruals.

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 and Oregon wage and hour laws. The plaintiffs alleged that the Company failed to pay non-exempt employees for certain meal breaks and improperly made payroll deductions for shoe purchases and for workers' compensation expenses, and later added additional claims relating to timing of final pay and related wage and hour claims involving employees of a franchisee. In 2016, the court dismissed the federal claims and those relating to franchise employees. In June 2017, the court granted class certification with respect to state law claims of improper deductions and late payment of final wages. In November 2019, the court issued a ruling on various dispositive motions, disallowing a portion of plaintiffs' claimed damages. The parties participated in a voluntary mediation on March 16, 2020, but the matter did not settle. The plaintiffs recently filed a motion for reconsideration of the court's prior denial of class certification regarding meal and rest break claims which was denied by the court. The plaintiffs have now filed a motion requesting permission to appeal this ruling. The Company has opposed the motion and the parties are currently awaiting a decision from the 9th Circuit as to whether or not it will allow the appeal. The Company continues to dispute liability and the plaintiffs' damage calculations and will continue to vigorously defend against the lawsuit.

Other legal matters — In addition to the matter described above, we are subject to normal and routine litigation brought by former or current 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 in part, by insurance or other third party indemnity obligation. We record receivables from third party insurers when recovery has been determined to be probable. We believe that the ultimate determination of liability in connection with legal claims pending against us, if any, in excess of amounts already provided for such matters in the consolidated financial statements, will not have a material adverse effect on our business, our annual results of operations, liquidity or financial position; however, it is possible that our business, results of operations, liquidity, or financial condition could be materially affected in a particular future reporting period by the unfavorable resolution of one or more matters or contingencies during such period.

17. SUPPLEMENTAL CONSOLIDATED CASH FLOW INFORMATION (*in thousands*)

	2020	2019	2018
Cash paid during the year for:			
Income tax payments	$ 29,360	$ 14,906	$ 56,183
Interest, net of amounts capitalized	$ 68,612	$ 46,227	$ 43,692
Non-cash investing and financing transactions:			
Increase in notes receivable from the sale of company-operated restaurants	$ —	$ —	$ 70,461
Increase in dividends accrued or converted to common stock equivalents	$ 117	$ 247	$ 276
Decrease in equipment capital lease obligations from the sale of company-operated restaurants, closure of stores, and termination of equipment leases	$ —	$ —	$ 3,617
Decrease in finance lease obligations from the termination of building leases	$ 24	$ 41	$ 271
Equipment finance lease obligations incurred	$ 132	$ 20	$ 98
Consideration for franchise acquisitions	$ 859	$ —	$ —
(Decrease) increase in obligations for purchases of property and equipment	$ (2,696)	$ (2,117)	$ 822
(Decrease) increase in obligations for treasury stock repurchases	$ (2,025)	$ (12,337)	$ 14,362

18. SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENT INFORMATION (*in thousands*)

	September 27, 2020	September 29, 2019
Accounts and other receivables, net:		
Trade	$ 77,082	$ 36,907
Notes receivable	1,193	278
Income tax receivable	1,591	160
Other	4,092	10,855
Allowance for doubtful accounts	(5,541)	(2,965)
	$ 78,417	$ 45,235
Other assets, net:		
Company-owned life insurance policies	$ 113,767	$ 112,753
Deferred rent receivable	48,604	49,333
Franchise tenant improvement allowances	29,437	26,925
Other	18,815	17,674
	$ 210,623	$ 206,685
Accrued liabilities:		
Insurance	$ 25,310	$ 27,888
Payroll and related taxes	34,475	31,095
Sales and property taxes	22,038	4,268
Gift card liability	2,195	2,036
Deferred franchise fees	4,934	4,978
Other	40,479	49,818
	$ 129,431	$ 120,083
Other long-term liabilities:		
Defined benefit pension plans	$ 120,811	$ 120,260
Deferred franchise fees	38,607	41,295
Straight-line rent accrual	—	29,537
Other	47,076	72,678
	$ 206,494	$ 263,770

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

	16 Weeks Ended	12 Weeks Ended		
Fiscal Year 2020	**January 19, 2020**	**April 12, 2020**	**July 5, 2020**	**September 27, 2020**
Revenues	$ 307,673	$ 216,157	$ 242,275	$ 255,401
Earnings from operations	$ 69,950	$ 32,842	$ 61,790	$ 66,002
Net earnings	$ 7,897	$ 11,463	$ 32,555	$ 37,849
Net earnings per share:				
Basic	$ 0.33	$ 0.50	$ 1.42	$ 1.65
Diluted	$ 0.33	$ 0.50	$ 1.42	$ 1.64

	16 Weeks Ended	12 Weeks Ended		
Fiscal Year 2019	**January 20, 2019**	**April 14, 2019**	**July 7, 2019**	**September 29, 2019**
Revenues	$ 290,786	$ 215,727	$ 222,359	$ 221,235
Earnings from operations	$ 58,324	$ 47,123	$ 48,261	$ 48,515
Net earnings	$ 34,098	$ 25,089	$ 13,189	$ 22,061
Net earnings per share:				
Basic	$ 1.32	$ 0.97	$ 0.51	$ 0.86
Diluted	$ 1.31	$ 0.96	$ 0.50	$ 0.85

20. SUBSEQUENT EVENTS

On November 13, 2020, the Board of Directors declared a cash dividend of $0.40 per share, to be paid on December 18, 2020 to shareholders of record as of the close of business on December 2, 2020. Future dividends will be subject to approval by our Board of Directors.

On November 13, 2020, the Board of Directors authorized an additional $100.0 million stock buy-back program that expires on November 30, 2022.

Jack in the Box Inc.
Compensation and Benefits Assurance Agreement

This COMPENSATION AND BENEFITS ASSURANCE AGREEMENT (this “Agreement”) is made, entered into, and is effective as of **[Date]** (the “Effective Date”) by and between Jack in the Box Inc. (hereinafter referred to as the “Company”) and the eligible Executive **[Name]** (hereinafter referred to as the “Executive”).

WHEREAS, the Executive is presently employed by the Company in a key management capacity in one of the following positions: Chief Executive Officer, Executive Vice President, or Senior Vice President, and;

WHEREAS, the Executive possesses considerable experience and knowledge of the business and affairs of the Company concerning its policies, methods, personnel, and operations, and

WHEREAS, the Company desires assuring the continued employment of the Executive in a key management capacity and the Executive is desirous of having such assurances.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreement of the parties set forth in this Agreement, and of other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

<u>Section 1. Term of Agreement</u>

This Agreement will commence on the Effective Date and shall continue in effect for two full calendar years (through **[date two years from Effective Date**) (the “Initial Term”), superseding all earlier Compensation and Benefits Assurance Agreements entered into by and between the Company and the Executive.

The Initial Term of this Agreement automatically shall be extended for two additional calendar years at the end of the Initial Term, and then again after each successive two-year period thereafter (each such two-year period following the Initial Term a “Successive Period”). However, either party may terminate this Agreement at the end of the Initial Term, or at the end of any Successive Period thereafter, by giving the other party written notice of intent not to renew, delivered at least six (6) months prior to the end of such Initial Term or Successive Period. If such notice is properly delivered by either party, this Agreement, along with all corresponding rights, duties, and covenants shall automatically expire at the end of the Initial Term or Successive Period then in progress.

In the event that a “Change in Control” of the Company occurs (as defined in Section 2.4 herein) during the Initial Term or any Successive Period, upon the effective date of such Change in Control, the term of this Agreement shall automatically and irrevocably be renewed for a period of twenty-four (24) full calendar months from the effective date of such Change in Control. This Agreement shall thereafter automatically terminate following the twenty-four (24) month Change in Control renewal period. Further, this Agreement shall be assigned to, and shall be assumed by, the purchaser in such Change in Control, as further provided in Section 4 herein.

<u>Section 2. Severance Benefits</u>

2.1. Right to Severance Benefits. The Executive shall be entitled to receive from the Company Severance Benefits as described in Section 2.3 herein, if during the term of this Agreement there has been a Change in Control of the Company and if, within twenty-four (24) calendar months immediately thereafter, the Executive’s employment with the Company shall end due to a Qualifying Termination (as defined in Section 2.2 herein). The Severance Benefits described in Sections 2.3(a), 2.3(b), and 2.3(c) herein shall be paid in cash to the Executive.

The Severance Benefits described in Sections 2.3(a), 2.3(b), 2.3(c), 2.3(d) and 2.3(e) shall be paid out of the general assets of the Company.

2.2. Qualifying Termination. In the event the Executive incurs a separation from service (as defined under Treasury Regulation section 1.409A-1(h) and without regard to any alternate definition thereunder) as a result of the occurrence of either of the following events during the 24-month period following a Change in Control of the Company ("Qualifying Termination"), the Company shall provide Executive Severance Benefits, as such benefits are described under Section 2.3 herein:

(a) The Company's involuntary termination of the Executive's employment without Cause (as such term is defined below; and

(b) The Executive's voluntary termination of employment for Good Reason (as such term is defined below.

Notwithstanding the foregoing, a Qualifying Termination shall not include (i) a termination of the Executive's employment within twenty-four (24) calendar months after a Change in Control by reason of death or disability (defined as a physical or mental condition that results in a total and permanent disability to such extent that the person is eligible for disability benefits under the federal Social Security Act) , (ii) the Executive's voluntary termination without Good Reason, or (iii) the Company's involuntary termination of the Executive's employment for Cause.

In the event the Executive's employment is terminated during the 24-month period following a Change in Control due to death or disability (defined as a physical or mental condition that results in a total and permanent disability to such extent that the person is eligible for disability benefits under the federal Social Security Act), any benefits or payments provided to the Executive will be provided in accordance with the terms of the Company's standard severance policy then in effect.

(c) Definitions of terms used in this section:

(i) "Cause" shall be determined by a committee designated by the Board of Directors of the Company ("Compensation Committee"), in the exercise of good faith and reasonable judgment, and shall mean the occurrence of any of the following:

(1) a demonstrably willful and deliberate act or failure to act by the Executive (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of the Company, which causes actual material financial injury to the Company and which act or inaction is not remedied within fifteen (15) business days of written notice from the Company; or

(2) the Executive's conviction by a court of competent jurisdiction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude or causing material harm, financial or otherwise, to the Company.

(ii) "Good Reason" shall be determined by the Executive, in the exercise of good faith and reasonable judgment, and shall mean, without the Executive's express written consent, the Executive's resignation of Service upon the occurrence of any one or more of the following conditions, provided that the Executive first provides the Company with written notice of the existence of the applicable condition described in clauses (1) through (5) below no later than 90 days after the initial existence of such condition is known by the Executive and the Company fails to remedy such condition within 30 days of the date of such written notice.

(1) the material diminution in the Executive's authorities, duties or responsibilities, which shall include a material reduction or alteration in the nature or status of the Executive's authorities, duties, or responsibilities, from those in effect as of ninety (90) calendar days prior to the Change in Control, other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(2) the Company requiring the Executive to be based at a location in excess of fifty (50) miles from the location of the Executive's principal job location or office immediately prior to the Change in Control; except for required travel on the Company's business to an extent consistent with the Executive's then present business travel obligations;

(3) a material reduction by the Company of the Executive's Base Salary in effect on the Effective Date, or as the same shall be increased from time to time, excluding amounts (i) designated by the Company as payment toward reimbursement of expenses; or (ii) received under incentive or other bonus plans, regardless of whether or not the amounts are deferred;

(4) a material reduction in the Company's compensation, health and welfare benefits, retirement benefits, or perquisite programs under which the Executive receives value, as such program exists immediately prior to the Change in Control (however, the replacement of an existing program with a new program will be permissible (and not grounds for a Good Reason termination) if there is not a material reduction in the value to be delivered to the Executive under the new program); or

(5) any material breach by the Company of its obligations under Section 4 of this Agreement (or under any other written agreement under which the Executive provides services to the Company or the Acquiring Corporation).

The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason herein.

2.3. Description of Severance Benefits. Subject to, and to the extent applicable, the payment distribution rules applicable to "specified employees" (as defined in Treasury Regulation section 1.409A) set forth in Section 6.13 herein, in the event that the Executive incurs a Qualifying Termination, the Company shall pay to the Executive and provide the Executive the following:

(a) A lump-sum cash amount equal to the Executive's unpaid Base Salary (as such term is defined in Section 2.5 herein), accrued vacation pay, un-reimbursed business expenses, and all other items earned by and owed to the Executive through and including the date of the Qualifying Termination; provided that any business expense reimbursements shall (i) be paid no later than the last day of the Executive's tax year following the tax year in which the expense was incurred, (ii) not be affected by any other expense eligible for reimbursement in a tax year, and (iii) not be subject to liquidation or exchange for another benefit. Such payment shall be payable within 90 days of the effective date of the Executive's Qualifying Termination and constitute full satisfaction for these amounts owed to the Executive.

(b) A lump-sum cash amount equal to the result obtained by multiplying (i) the Executive's annual rate of Base Salary in effect upon the date of the Qualifying Termination or, if greater, the Executive's annual rate of Base Salary in effect immediately prior to the occurrence of the Change in Control by (ii) the following multiple, as applicable to the Executive (such applicable multiple referred to herein as the "Multiple"):

- 2.5x for Chief Executive Officer
- 2.5x for Executive Vice President
- 1.5x for Senior Vice President

Such payment shall be payable within 90 days of the effective date of the Executive's Qualifying Termination and constitute full satisfaction for these amounts owed to the Executive.

(c) A lump-sum cash amount equal to the result obtained by multiplying (i) the Multiple and (ii) the greater of: (I) the result of the Executive's annualized Base Salary determined in (b) above multiplied by the Executive's average annual incentive percentage for the last three (3) years prior to the effective date of the Change in Control or (II) the Executive's average dollar amount of annual incentive paid for the last three (3) years prior to the Change in Control. If the Executive does not have three (3) full years of annual incentive payments prior to a Change in Control, the Company will substitute the target annual incentive percentage for each missing year. Such payment shall be payable within 90 days of the effective date of the Executive's Qualifying Termination and constitute full satisfaction for these amounts owed to the Executive.

(d) At the exact same cost to the Executive, and at the same coverage level as in effect as of the Executive's date of the Qualifying Termination (subject to changes in coverage levels applicable to all employees generally), a continuation of the Executive's (and the Executive's eligible dependents) health insurance coverage for the following time periods from the date of the Qualifying Termination, as applicable (such applicable period referred to herein as the "Continuation Coverage Period"):

- 30 months for Chief Executive Officer
- 30 months for Executive Vice President
- 18 months for Senior Vice President

The Continuation Coverage Period will run concurrently with any coverage provided as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). The difference between the fair market value of the cost of such continuation coverage and the amount the Executive pays for the coverage will be included in the Executive's taxable income. Any payments or benefits that the Executive receives during the Continuation Coverage Period shall (i) be paid no later than the last day of the Executive's tax year following the tax year in which the expense was incurred, (ii) not be affected by any other expense eligible for reimbursement or benefit provided in a tax year, and (iii) not be subject to liquidation or exchange for another benefit.

The Continuation Coverage Period shall cease prior to the end of the eighteenth (18^{th}) month of such period in the event the Executive becomes covered under health insurance coverage of a subsequent employer which does not contain any exclusion or limitation with respect to any preexisting condition of the Executive or the Executive's eligible dependents. For purposes of enforcing this offset provision, the Executive acknowledges and agrees to inform the Company as to the terms and conditions of any subsequent employment and the corresponding benefits earned from such employment. The Executive shall provide, or cause a subsequent employer to provide, to the Company in writing correct, complete, and timely information concerning the benefits provided under such health insurance coverage.

(e) The Executive shall be entitled, at the expense of the Company, to receive standard outplacement services from a nationally recognized outplacement firm of the Executive's selection, for period of up to one (1) year from the effective date of the Executive's Qualifying Termination.

(f) All unvested stock options, restricted stock and unit awards, and all performance-based share and unit awards granted under the Company's stock incentive plans will become vested as of the effective date of the Executive's Qualifying Termination under the terms of the award agreement unless such award vested earlier in accordance with the terms of the award agreement and/or the terms of the stock incentive plan.

2.4. Definition of "Change in Control." "Change in Control" of the Company means, and shall be deemed to have occurred upon, the first to occur of any of the following events:

(a) Any Person (other than those Persons in control of the Company as of the Effective Date, or other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of (i) the then outstanding shares of the securities of the Company, or (ii) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of directors ("Company Voting Stock"); or

(b) The majority of members of the Company's Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors before the date of the appointment; or

(c) The stockholders of the Company approve: (i) a plan of complete liquidation of the Company; or (ii) an agreement for the sale or disposition of all or substantially all of the Company's assets; or (iii) a merger, consolidation, or reorganization of the Company with or involving any other corporation, if immediately after such transaction persons who hold a majority of the outstanding voting securities entitled to vote generally in the election of directors of the surviving entity (or the entity owning 100% of such surviving entity) are not persons who, immediately prior to such transaction, held the Company Voting Stock.

However, in no event shall a "Change in Control" be deemed to have occurred, with respect to the Executive, if the Executive is part of a purchasing group which consummates the Change in Control transaction. The Executive shall be deemed "part of a purchasing group" for purposes of the preceding sentence if the Executive is an equity participant in the purchasing company or group (except for: (i) passive ownership of less than two percent (2%) of the stock of the purchasing company; or (ii) ownership of equity participation in the purchasing company or group which is otherwise not significant, as determined prior to the Change in Control by a majority of the non-employee continuing Directors).

2.5. Other Defined Terms. The following terms shall have the meanings set forth below:

(a) "Base Salary" means, at any time, the then-regular annualized rate of pay which the Executive is receiving as a salary, excluding amounts (i) designated by the Company as payment toward reimbursement of expenses; or (ii) received under incentive or other bonus plans, regardless of whether or not the amounts are deferred.

(b) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act (as such term is defined below).

(c) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

(d) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Section 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

Section 3. Excise Tax.

3.1 Internal Revenue Code Section 280G Excise Tax Provision. Notwithstanding anything in this Agreement or any other agreement with the Company or any affiliate to the contrary, in the event it shall be determined that (A) any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its affiliated entities) or any entity which effectuates a Change in Control (or any of its affiliated entities) to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise) (each a "Payment" and together the "Payments") would constitute a "parachute payment" within the meaning of Section 280G of the Code and would be subject to the excise tax imposed by Section 4999 of the Code or any successor provision (the "Excise Tax"), and (B) the reduction of the Payments to the maximum amount that could be paid to Executive without giving rise to the Excise Tax (the "Safe Harbor Cap") would provide Executive with a greater after-tax amount (taking into account the Excise Tax as well as federal, state and local income and employment taxes) than if such Payments were not reduced, then the Payments shall be reduced to the Safe Harbor Cap. If the reduction of the Payments would not result in a greater after-tax result to Executive (taking into account the Excise Tax as well as federal, state and local income and employment taxes), then no Payments shall be reduced pursuant to this provision. The Executive shall be solely responsible for payment of the Excise Tax and such other applicable federal, state, and local income and employment taxes.

3.2 Reduction of Payments. The reduction of the Payments, if applicable, shall be made by applying any reduction in the following order: (A) first, any cash amounts payable to Executive as a severance benefit as provided in Section 2.3(b) or (c) of this Agreement or otherwise; (B) second, any amounts payable on behalf of Executive for continued health insurance coverage under Section 2.3(d) of this Agreement or otherwise; (C) third, any other cash amounts payable to or on behalf of Executive under the terms of this Agreement, such as for outplacement benefits, or otherwise; (D) fourth, any payments or benefits under any nonqualified deferred compensation plan; (E) fifth, outstanding performance-based equity grants; and (F) finally, any time-vesting equity grants. In each case, Payments will be reduced beginning with Payments that would be made last in time.[20]

3.3 Determinations by Accounting Firm. All determinations required to be made under this Section 3 shall be made by the public accounting firm that is retained by the Company (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from the Company or Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. The determination by the Accounting Firm shall be binding upon the Company and Executive.

Section 4. Successors and Assignments

4.1. Successors. The Company will require any successor (whether via a Change in Control, direct or indirect, by purchase, merger, consolidation, or otherwise) of the Company to expressly assume and agree to perform the obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

4.2. Assignment by Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amount is still payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement, to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

An Executive's rights hereunder shall not otherwise be assignable.

Section 5. Miscellaneous

5.1. Administration. This Agreement shall be administered by the Board of Directors of the Company (the "Board"), or by the Administrative Committee. The Administrative Committee (with the approval of the Board, if the Board is not the Administrative Committee) is authorized to interpret this Agreement, to prescribe and rescind rules and regulations, and to make all other determinations necessary or advisable for the administration of this Agreement.

In fulfilling its administrative duties hereunder, the Administrative Committee may rely on outside counsel, independent accountants, or other consultants to render advice or assistance.

5.2. Notices. Any notice required to be delivered to the Company or the Administrative Committee by the Executive hereunder shall be properly delivered to the Company when personally delivered to (including by a reputable overnight courier), or actually received through the U.S. mail, postage prepaid, by:

Jack in the Box Inc.
9330 Balboa Avenue
San Diego, CA 92123
Attn: General Counsel

Any notice required to be delivered to the Executive by the Company or the Administrative Committee hereunder shall be properly delivered to the Executive when personally delivered to (including by a reputable overnight courier), or actually received through the U.S. mail, postage prepaid, by, the Executive at his or her last known address as reflected on the books and records of the Company.

Section 6. Contractual Rights and Legal Remedies

6.1 Contractual Rights to Benefits. This Agreement establishes in the Executive a right to the benefits to which the Executive is entitled hereunder. However, except as expressly stated herein, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets in trust or otherwise to provide for any payment to be made or required hereunder.

6.2 Legal Fees, Compensation and Expenses. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are incurred in good faith by the Executive. Additionally, the Company should be required to continue to pay and provide the Executive's compensation and benefits pending resolution of conflict. The aforementioned payments are a result of the Company's refusal to provide the Severance Benefits to which the Executive becomes entitled under this Agreement, or as a result of the Company's (or any third party's) contesting the validity, enforceability, or interpretation of the Agreement, or as a result of any conflict between the parties pertaining to this Agreement.

6.3 Arbitration. The Executive shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Agreement settled by arbitration conducted before a panel of three (3) arbitrators sitting in a location selected by the Executive within fifty (50) miles from the location of his or her job with the Company, in accordance with the rules of the American Arbitration Associations then in effect. The Executive's election to arbitrate, as herein provided, and the decision of the arbitrators in that proceeding, shall be binding on the Company and the Executive.

Judgment may be entered on the award of the arbitrator in any court having jurisdiction. All expenses of such arbitration, including the fees and expenses of the counsel for the Executive, shall be borne by the Company.

6.4 Unfunded Agreement. This Agreement is intended to be an unfunded general asset promise for a select, highly compensated member of the Company's management and, therefore, is intended to be exempt from the substantive provisions of the Employee Retirement Income Security Act of 1974, as amended.

6.5 Exclusivity of Benefits. Unless specifically provided herein, neither the provision of this Agreement nor the benefits provided hereunder shall reduce any amounts otherwise payable, or in any way diminish the Executive's rights as an employee of the Company, whether existing now or hereafter, under any compensation and/or benefit plans, programs, policies, or practices provided by the Company, for which the Executive may qualify.

Vested benefits or other amounts which the Executive is otherwise entitled to receive under any plan, policy, practice, or program of the Company (i.e., including, but not limited to, vested benefits under the Company's 401(k) plan), at or subsequent to the Executive's date of Qualifying Termination shall be payable in accordance with such plan, policy, practice, or program except as expressly modified by this Agreement.

6.6 Includable Compensation. Severance Benefits provided hereunder shall not be considered "includable compensation" for purposes of determining the Executive's benefits under any other plan or program of the Company.

6.7 Employment Status. Nothing herein contained shall be deemed to create an employment agreement between the Company and the Executive, providing for the employment of the Executive by the Company for any fixed period of time. The Executive's employment with the Company is terminable at-will by the Company or the Executive and each shall have the right to terminate the Executive's employment with the Company at any time, with or without Cause, subject to the Company's obligation to provide Severance Benefits as required hereunder.

In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned by the Executive as a result of employment by another employer, other than as provided in Section 2.3(e) herein.

6.8 Entire Agreement. This Agreement represents the entire agreement between the parties with respect to the subject matter hereof, and supersedes all prior discussions, negotiations, and agreements concerning the subject matter hereof, including, but not limited to, any prior severance agreement made between the Executive and the Company.

6.9 Tax Withholding. The Company shall withhold from any amounts payable under this Agreement any federal, state, city, or other taxes as legally required to be withheld.

6.10 Waiver of Rights. Except as otherwise provided herein, the Executive’s acceptance of Severance Benefits, and any other payments required hereunder shall be deemed to be a waiver of all rights and claims of the Executive against the Company pertaining to any matters arising under this Agreement.

6.11 Severability. In the event any provision of the Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

6.12 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of Delaware shall be the controlling law in all matters relating to the Agreement.

6.13 Application of Section 409A. Notwithstanding any inconsistent provision of this Agreement, to the extent the Company determines in good faith that (i) payments or benefits received or to be received by the Executive pursuant to this Agreement in connection with the Executive’s termination of employment would constitute deferred compensation subject to the rules of Treasury Regulation Section 409A, and (ii) the Executive is a “specified employee” under Section 409A, then only to the extent required to avoid the Executive’s incurrence of any additional tax or interest under Section 409A, such payment or benefit will be delayed until the earliest date following the Executive’s “separation from service” within the meaning of Section 409A which will permit the Executive to avoid such additional tax or interest. The Company and the Executive agree to negotiate in good faith to reform any provisions of this Agreement to maintain to the maximum extent practicable the original intent of the applicable provisions without violating the provisions of Section 409A, if the Company deems such reformation necessary or advisable pursuant to guidance under Section 409A to avoid the incurrence of any such interest and penalties. Such reformation shall not result in a reduction of the aggregate amount of payments or benefits under this Agreement.

IN WITNESS WHEREOF, the Company has executed this Agreement, to be effective as of the day and year first written above.

ATTEST:

Jack in the Box Inc.

By:________________________ By: Jack in the Box Inc.

Corporate Secretary Board of Directors

Participating Executive

By:________________________________

[Name]/ [Title]

Jack in the Box Inc.

Severance Plan for Executive Officers

1. General Information

(a) The Jack in the Box Inc. Severance Plan for Executive Officers (the "Plan") provides eligible employees of Jack in the Box Inc. (the "Company") with severance benefits in the event of termination of employment with the Company for the reasons described herein.

(b) The Plan is adopted and effective as of **March 9, 2020** (the "Effective Date").

2. Eligibility

(a) "Eligible Employee" for purposes of this Plan includes:

(1) The Chief Executive Officer of the Company (the "CEO"); and

(2) Each regular, full-time employee of the Company who is designated by the Company's Board of Directors (the "Board") as an Executive Officer (as that term is defined in Section 5) of the Company.

(b) "Participant" for purposes of this Plan is an Eligible Employee who incurs a Qualifying Termination (as that term is defined in Section 5).

(c) Notwithstanding anything in the Plan to the contrary, no Participant will be eligible to receive any severance benefit or payment under the Plan unless, and no severance benefits and payments hereunder shall be payable until, the Participant executes and delivers to the Company a general release of all rights and claims against the Company and its Affiliates in substantially the form set forth in Exhibit A hereto (with any such reasonable modifications as are required by the Company to comply with applicable law or circumstance) (the "Release"), within the applicable time period set forth therein, and such Release has become effective in accordance with its terms, which must occur in no event more than 60 days following the date of the Qualifying Termination (such latest permitted effective date of the Release, the "Release Deadline"). If a Participant's Release does not become effective prior to the Release Deadline, such Participant shall not be entitled to any severance benefits or payments hereunder.

(d) A Participant will not be entitled to any severance benefit or payment under the Plan unless and until the Participant returns all Company Property and satisfies any outstanding indebtedness such Participant has to the Company in full. For this purpose, "Company Property" means all Company paper and electronic documents (and all copies thereof) and other Company property which the Participant had in his or her possession or control at any time, including, but not limited to, Company files, notes, drawings, records, plans, forecasts, reports, studies, analyses, proposals, agreements, financial information, research and development information, sales and marketing information, operational and personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computers, facsimile machines, mobile telephones and servers), credit cards, entry cards, identification badges and keys; and any materials of any kind which contain or embody any proprietary or confidential information of the Company (and all reproductions thereof in whole or in part).

(e) A Participant's right to receive severance benefits or payments under this Plan shall terminate immediately if, at any time prior to or during the period for which the Participant is receiving severance benefits under the Plan, the Participant, without the prior written approval of the Plan Administrator willfully breaches any material statutory, common law or contractual obligation to the Company or an Affiliate (including, without limitation, the contractual obligations set forth in any confidentiality, non-disclosure and developments agreement, non-competition, non-solicitation, or similar type agreement between the Participant and the Company, as applicable).

3. <u>Severance Benefits</u>. If an Eligible Employee incurs a Qualifying Termination, upon the effectiveness of the Release, as provided in Section 2(c) above, and subject to, and to the extent applicable, any potential delay as set forth in Section 4 herein, the Company shall provide severance benefits described in this Section 3, as applicable.

(a) <u>Lump Sum Severance Payment</u>. The Company shall provide to the Participant a lump sum cash payment equivalent to the multiple of Base Salary listed below, within 90 days of the Participant's Qualifying Termination, but in no event later than the 409A Deadline. The "409A Deadline" means the 15th day of the third month of the later of (i) the Participant's first taxable year following the taxable year in which the Qualifying Termination occurred and (ii) the Company's first taxable year following the taxable year in which the Qualifying Termination occurred.

- CEO 2.0x Base Salary
- Executive Officers 1.0x Base Salary

(b) <u>Annual Incentive Payment</u>. For Participants who are not eligible to receive an annual incentive payment under the terms of the Company's Performance Incentive Program applicable for the fiscal year in which the Qualifying Termination occurs (because they are not retirement eligible as of the date of their Qualifying Termination), the Company shall provide to the Participant a lump sum cash payment in the amount of the annual incentive payment Participant would have received under the Performance Incentive Program applicable for the fiscal year in which the Qualifying Termination occurs, if any, had Participant remained employed with the Company through the end of the fiscal year in which the Qualifying Termination occurred, prorated for each full four-week accounting period (a "Period") during such fiscal year in which the Participant was employed with the Company. For clarity, such amount shall be determined in accordance with the Performance Incentive Program based on Participant's target award opportunity for the applicable year and fiscal year performance achievement measured against the performance goals under the Performance Incentive Program for such fiscal year, as determined by the Compensation Committee. The payment under this section, if any, will be made after the end of the fiscal year in which the effective date of the Participant's Qualifying Termination occurs, but in no event later than the 409A Deadline.

(c) COBRA Payment. A Participant may elect COBRA continuation coverage of medical, dental and vision insurance coverage if the Participant is enrolled in such Company plans at the time of the Qualifying Termination (for Participant and eligible dependents); provided, however, that to the extent the Participant elects to receive such coverage, the Participant shall be responsible for payment of the full monthly COBRA premium applicable to such medical, dental and vision coverage. To the extent the Participant elects such COBRA coverage, the Company shall pay, in the form of a fully taxable lump sum cash payment to Participant, the portion of such monthly COBRA premium in excess of the premium the Participant would pay if the Participant were an active employee, and at a coverage level no greater than the coverage level in effect as of the Participant's date of Qualifying termination (subject to changes in coverage levels applicable to all employees generally), multiplied by the applicable number of months listed below (the "COBRA Payment"). The COBRA Payment will be made within 90 days of the Participant's Qualifying Termination, but in no event later than the 409A Deadline.

- CEO 24 months
- Executive Officers 12 months

4. Section 409A. All payments under the Plan will be subject to applicable withholding for federal, state, foreign, provincial and local taxes. All benefits provided under the Plan are intended to satisfy the requirements for an exemption from application of Section 409A to the maximum extent that an exemption is available and any ambiguities herein shall be interpreted accordingly; *provided, however*, that to the extent such an exemption is not available, the benefits provided under the Plan are intended to comply with the requirements of Section 409A to the extent necessary to avoid adverse personal tax consequences and any ambiguities herein shall be interpreted accordingly.

It is intended that (i) each installment of any benefits payable under the Plan to an Eligible Employee be regarded as a separate "payment" for purposes of Treasury Regulations Section 1.409A-2(b)(2)(i) and (ii) all payments of any such benefits under the Plan satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulations Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9), as applicable. However, if the Company determines that any severance benefits payable under the Plan constitute "deferred compensation" under Section 409A and an Eligible Employee is a "specified employee" of the Company, as such term is defined in Section 409A(a)(2)(B)(i), then, solely to the extent necessary to avoid the imposition of the adverse personal tax consequences under Section 409A, (A) the timing of such severance benefit payments shall be delayed until the earlier of (1) the date that is six months and one day after the Eligible Employee's Separation from Service (as that terms is defined in Section 5) and (2) the date of the Eligible Employee's death (such applicable date, the "Delayed Initial Payment Date"), and (B) the Company shall (1) pay the Eligible Employee a lump sum amount equal to the sum of the severance benefit payments that the Eligible Employee would otherwise have received through the Delayed Initial Payment Date if the commencement of the payment of the severance benefits had not been delayed pursuant to this paragraph and (2) commence paying the balance, if any, of the severance benefits in accordance with the applicable payment schedule.

In no event shall payment of any severance benefits under the Plan be made prior to an Eligible Employee's Qualifying Termination or prior to the effective date of the Release. If the Company determines that any severance payments or benefits provided under the Plan constitute "deferred compensation" under Section 409A, and the Eligible Employee's Separation from Service occurs at a time when the Release could become effective in the Eligible Employee's taxable year following the Eligible Employee's taxable year in which the Eligible Employee's Separation from Service occurs, then regardless of when the Release is returned to the Company and becomes effective, no severance benefits will be paid any earlier than the first business day of the Eligible Employee's taxable year following the taxable year in which the Separation from Service occurs (the "Next Year Date"). If the Company determines that any severance payments or benefits provided under the Plan constitute "deferred compensation" under Section 409A, then except to the extent that severance payments may be delayed until the Delayed Initial Payment Date pursuant to the preceding paragraph or the Next Year Date pursuant to the preceding sentence, on the first regular payroll date following the effective date of an Eligible Employee's Release, the Company shall
(1) pay the Eligible Employee a lump sum amount equal to the sum of the severance benefit payments that the Eligible Employee would otherwise have received through such payroll date but for the delay in payment related to the Delayed Initial Payment Date or Next Year Date, as applicable, and (2) commence paying the balance, if any, of the severance benefits in accordance with the applicable payment schedule.

5. **<u>Definitions</u>**. For purposes of this Plan, the following definitions shall apply:

(a) "Affiliate" shall mean each entity, other than the Company, with whom the Company would be considered a single employer as provided in Treasury Regulations Section 1.409A- 1(h)(3).

(b) "Base Salary" with respect to any Eligible Employee, shall mean such Eligible Employee's annual base salary in effect immediately prior to such Eligible Employee's Qualifying Termination.

(c) "Cause" shall be determined as follows: 1) in the case of all Eligible Employees except the Chief Executive Officer, Cause shall be determined by the Chief Executive Officer, and 2) in the case of the Chief Executive Officer only, Cause shall be determined by the Compensation Committee or other ~~a~~ committee designated by the Board of Directors of the Company (the "Compensation Committee"), in either case, in the exercise of good faith and reasonable judgment, and shall mean the occurrence of any of the following:

(i) a demonstrably willful and deliberate act or failure to act by the Eligible Employee (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of the Company, which causes actual material financial injury to the Company and which act or inaction is not remedied within fifteen (15) business days of written notice from the Company; or

(ii) the Eligible Employee's conviction by a court of competent jurisdiction of, or plea of "guilty" or "no contest" to, an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude or causing material harm, financial or otherwise, to the Company; or

(iii) the Eligible Employee's material breach of a written agreement with the Company or the Eligible Employee's material failure to comply with any Company policy, rule or guideline pertaining to workplace conduct, discrimination or harassment.

(d) "Code" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(e) "Disability" means a physical or mental condition that results in a total and permanent disability to such extent that an employee satisfies the requirements for Social Security disability benefits, as determined by the Social Security Administration.

(f) "Executive Officer" means an employee who is designated by the Company's Board of Directors as an "officer" (as defined in Rule 16a-1(f) of the U.S. Securities Exchange Act of 1934, as amended) of the Company for purposes of Section 16 of the U.S. Securities Exchange Act of 1934.

(g) "Involuntary Retirement" means an Eligible Employee's Separation from Service (1) due to termination by Company without Cause and (2) that occurs at or after the time an Eligible Employee has reached age 55 and 10 years of service with the Company.

(h) "Qualifying Termination" means an Eligible Employee's Separation from Service due to termination by the Company without Cause (including an Involuntary Retirement) and other than (1) due to the Eligible Employee's death or Disability and other than (2) within the 24 months following a Change in Control. For the avoidance of doubt, an Eligible Employee's resignation from employment for any reason (including a Voluntary Retirement) shall not constitute a Qualifying Termination.

(i) "Section 409A" means Section 409A of the Code and any state law of similar effect.

(j) "Separation from Service" has the meaning set forth under Treasury Regulations Section 1.409A-1(h) and without regard to any alternate definition thereunder).

(k) "Voluntary Retirement" means an Eligible Employee's Separation from Service (1) due to resignation by the Eligible Employee and (2) that occurs at or after the time an Eligible Employee has reached age 55 and 10 years of service with the Company.

6. Administrative Information.

(a) Plan Name. The full name of the Plan is the Jack in the Box Inc. Severance Plan for Executive Officers.

(b) Plan Sponsor. The Plan is sponsored by Jack in the Box Inc., 9330 Balboa Avenue, San Diego, CA 92123.

(c) Type of Plan and Funding. The Plan is a severance plan for the benefit of Executive Officers. The benefits provided under the Plan are paid from the Company's general assets. No fund has been established for the payment of Plan benefits and no contributions are required under the Plan.

(d) Administration. The Plan shall be administered by the Board of Directors of the Company (the "Board") or by the Compensation Committee of the Board (as applicable, the "Plan Administrator"). The Plan Administrator is authorized to interpret this Plan, to prescribe and rescind rules and regulations, and to make all other determinations necessary or advisable for the administration of the Plan. The rules, interpretations, computations and other actions of the Plan Administrator shall be binding and conclusive on all persons.

7. Contractual Rights and Legal Remedies.

(a) Contractual Rights to Benefits. Participation in the Plan does not give any Eligible Employee the right to be retained in the employ of the Company, nor does it guarantee any right to claim any benefit except as outlined in the Plan. The Eligible Employee's employment with the Company is terminable at-will by the Company or the Eligible Employee and each shall have the right to terminate the Eligible Employee's employment with the Company at any time, with or without Cause, subject to the Company's obligation to provide severance benefits as required hereunder.

(b) Arbitration. The Eligible Employee shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Plan settled by arbitration conducted before a panel of three (3) arbitrators sitting in a location selected by the Eligible Employee within fifty (50) miles from the location of his or her job with the Company, in accordance with the rules of the American Arbitration Associations then in effect. The Eligible Employee's election to arbitrate, as herein provided, and the decision of the arbitrators in that proceeding, shall be binding on the Company and the Eligible Employee.

(c) Unfunded Plan. The Plan is intended to be an unfunded general asset promise for Executive Officers and, therefore, is intended to be exempt from the substantive provisions of the Employee Retirement Income Security Act of 1974, as amended.

(d) Exclusivity of Benefits. Unless specifically provided herein, neither the provision of this Plan nor the benefits provided hereunder shall reduce any amounts otherwise payable, or in any way diminish the Eligible Employee's rights as an employee of the Company, whether existing now or hereafter, under any compensation and/or benefit plans, programs, policies, or practices provided by the Company, for which the Eligible Employee may qualify, except that the Plan shall supersede any and all prior Company programs, policies or practices, written or oral, which may have previously applied governing the payment of the severance benefits provided for under Section 4 of this Plan.

Vested benefits or other amounts which the Eligible Employee is otherwise entitled to receive under any plan, policy, practice, or program of the Company (i.e., including, but not limited to, vested benefits under the Company's 401(k) plan and benefits under the Company's equity incentive plans and award agreements thereunder), at or subsequent to the Eligible Employee's date of Qualifying Termination shall be payable in accordance with such plan, policy, practice, or program except as expressly modified by this Plan.

(e) Includable Compensation. Severance benefits provided hereunder shall not be considered "includable compensation" for purposes of determining the Eligible Employee's benefits under any other plan or program of the Company.

(f) Tax Withholding. The Company shall withhold from any amounts payable under this Plan any federal, state, city, foreign or other taxes as legally required to be withheld.

(g) Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of Delaware shall be the controlling law in all matters relating to this Plan.

8. Plan Amendment or Termination. The Company reserves the right, in its sole and absolute discretion to amend or terminate, in whole or in part, any or all of the provisions of the Plan, including an amendment that reduces or eliminates the benefits hereunder, by action of the Plan Administrator at any time, provided that any amendment or termination of the Plan will not be effective as to a particular Participant without the written consent of such individual unless the Plan Administrator provides written notice of such amendment or termination to such Participant at least one year prior to its effectiveness.

Exhibit A – To Severance Plan

SEPARATION AND RELEASE AGREEMENT For EXECUTIVE OFFICERS

I, [NAME], whose address is [ADDRESS], understand that my employment with Jack in the Box Inc. and/or any past or present subsidiary, affiliate, predecessor, or successor, (Collectively referred to herein as “Company”) will terminate [DATE] (“Termination Date”). This Separation and Release Agreement (“Agreement”) is entered into in connection with my termination.

Company Offer. Although the Company has no obligation to do so, if I: (i) fulfill the Requirements to Accept Offer; and (ii) comply with all of my legal and contractual obligations to the Company, then the Company will provide me with the following severance benefit (the “Severance Benefit”):

(a) **Severance Payment.** The Company will pay me, as severance, the amount of [$AMOUNT] (less required payroll deductions and any other offsets for money I owe the Company) which represents the lump sum severance payment and COBRA Payment pursuant to Section 3(a) and 3(c) of the Company’s Severance Plan for Executive Officers (“Separation Payment”). This Separation Payment is in addition to wages or other amounts earned as of the Termination date, and I am entitled to those amounts regardless of whether or not I sign this Agreement.

The Separation Payment will be paid to me as consideration for my settlement, release, and discharge of any and all known or unknown claims as described below. In order to receive this Separation Payment, the Requirements to Accept Offer described below must be fulfilled and I must otherwise comply with all of my legal and contractual obligations to the Company.

Annual Incentive Payment. If I am not eligible to receive an annual incentive payment under the terms of the Company’s Performance Incentive Program (because I am not retirement eligible under that program), I will remain eligible to receive a prorated lump sum cash payment under the Company’s Performance Incentive Program as described in Section 3(b) of the Company’s Severance Plan for Executive Officers (the “Prorated Annual Incentive Payment”). I understand that no Prorated Annual Incentive Payment is guaranteed, and will be calculated and determined by the Company based on fiscal year performance achievement against the applicable performance goals and methodology set forth in the Performance Incentive Payment. The Prorated Annual Incentive Payment, if any, will be made after the end of the fiscal year in which my termination occurs.

If the Requirements to Accept Offer are not fulfilled, the Company Offer automatically terminates.

Requirements to Accept Offer. In order to accept the Company Offer I must:

(a) sign this Agreement and return it to the Company by either:

(i) hand-delivering the Agreement to the Company's Chief Human Resources Officer, 9330 Balboa Avenue, San Diego, CA 92123 no later than close of business on [Date]; or

(ii) mailing or sending the Agreement by overnight service such as Federal Express to: Chief Human Resources Officer, 9330 Balboa Ave., San Diego, CA 92123. If mailed, the envelope must be postmarked no later than [Date] and must be received within a reasonable time thereafter. If overnighted, it must be received no later than [Date].

(iii) faxing the Agreement to the Chief Human Resources Officer at 858-694-1570 no later than [Date]; or

(iv) sending the Agreement via Electronic Mail (email) to the Chief Human Resources Officer at [Name]@jackinthebox.com no later than [Date].

(b) not revoke this Agreement during the seven (7) day Revocation Period.

Time When Payment Will Be Made. If I fulfill the Requirements to Accept Offer described above,
(i) the Separation Payment will be issued to me in a one-time, lump-sum payment (via direct deposit or a mailed check, according to my previously designated preferences) within ten (10) days after the Revocation Period has expired or Termination Date, whichever is later and (ii) any Prorated Annual Incentive Payment to which I become entitled will be paid to me in a one-time, lump-sum payment (via direct deposit or a mailed check, according to my previously designated preferences) following the end of the fiscal year in which my Termination Date occurs and in no event prior to the date the Revocation Period has expired.

Release of Claims. By signing and returning this Agreement to the Company, I hereby generally and completely settle, release and discharge any and all claims of every type, known or unknown, which I have or may have against the Company, and its shareholders, directors, officers, employees and representatives, whether known or unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date I sign this Agreement. This is a general release of all claims and includes, without limitation, all claims related to my employment with the Company or the termination of that employment, and all claims arising under any Federal, State, or local laws or regulations pertaining to employment, including discrimination on the basis of sex, pregnancy, race, color, marital status, religion, creed, national origin, age, disability, medical condition, or mental condition status or any status protected by any other anti-discrimination laws, including, without limitation, Title VII of the Civil Rights Act of 1964, the Family Medical Leave Act, the Age Discrimination in Employment Act, the Americans with Disabilities Act and the California Fair Employment and Housing Act, and the California Family Rights Act, whether such claim be based on an action filed by me or by a governmental agency.

Waiver of Notice Requirements under State and Federal WARN Act. By signing and returning this Agreement to the Company and in further consideration of receipt of my Separation Package, I agree and understand that I am waiving my right to bring any and all claims which I have or may have relating to the minimum advanced notice requirements as set forth under the Federal or State WARN Act. I also understand and agree that I am waiving my right to receive pay in lieu of notice under the WARN Act.

Unknown Claims. This section shall be governed by California law. I understand that I may have claims of which I may be unaware or unsuspecting which I am giving up by signing this Agreement. I also expressly waive all rights I might have under Section 1542 of the Civil Code of California which reads as follows:

> 1542. Certain claims not affected by general release. A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Waiver of Age Discrimination Claims. I received this Agreement on [Date] and have been given a [#] day waiting period to consider whether to sign it. I understand that even if I sign and return this Agreement, I can still revoke this Agreement within seven (7) days after it is returned to the Company (the “Revocation Period”) and this Agreement will not become effective or enforceable until the Revocation Period has expired (such date, the “Effective Date”).

I understand and agree that I:

1. Have carefully read and fully understands all of the provisions of this Agreement;
2. Am, through this Agreement, releasing the Company from any and all claims I may have

against it to date under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, et seq.);

3. Knowingly and voluntarily agree to all of the terms set forth in this Agreement;
4. Knowingly and voluntarily intend to be legally bound by the same;
5. Was advised and hereby am advised in writing to consider the terms of this Agreement and consult with an attorney of my choice prior to executing this Agreement; and,
6. Understand that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621, *et seq.*) that may arise after the date this Agreement is executed are not waived.
7. [Have been provided with the ADEA disclosure information (under 29 U.S.C. § 626(f)(1)(H)), attached hereto as Exhibit 1.]

Claims Not Affected. This is a general release of all claims, and excludes only (i) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party or under applicable law; (ii) any claims which I may have by reason of any Social Security, Worker's Compensation, or Unemployment laws, or any benefits earned during my employment which may be payable to me now or in the future under any of the Benefit and/or Welfare Programs of the Company; (iii) any other rights which are not waivable as a matter of law; and (iii) any claims for breach of this Agreement.

Advice to Consult With Attorney. I have been (i) advised in writing to consult with an attorney, and (ii) given [#] days to thoroughly review and discuss all aspects of this Agreement with my attorney before signing this Agreement and I have thoroughly discussed, or in the alternative have freely elected to waive any further opportunity to discuss, this Agreement with my attorney.

Agreement Knowingly and Voluntarily Executed. I freely and voluntarily entered into this Agreement on my own behalf, in the exercise of my own free act, deed and will, and without any duress or coercion. I understand that in executing this Agreement, it becomes final and conclusive.

Confidentiality. I agree that the terms and conditions of this Release shall remain confidential as between the Company and me and shall not be disclosed to any other person except as provided by law or to my attorney, spouse or significant other, accountant and/or financial advisor. I also agree that during my employment I may have had access to confidential information and trade secrets concerning products, business plans, marketing strategies and other Company information and that I shall keep these matters completely confidential. I understand that nothing in this Agreement prohibits me from disclosing facts or information that I have the right to disclose under state or federal law, including any facts relating to a claim for sexual harassment or discrimination based on sex.

Continuing Obligations; Non-Disparagement and Non-Solicitation. I acknowledge and agree that I remain bound by any previous confidentiality, assignment of intellectual property, and restrictive covenant agreements between me and the Company, and will abide by those continuing obligations. I also agree: (a) not to disparage the Company, its officers, directors, employees, shareholders, and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; provided that I may respond accurately and fully to any question, inquiry or request for information when required by legal process, but agree to provide the Company with notice of any such inquiry or request for information within two weeks of such request; and (b) for a period of one year following my last day of employment with the Company, not to solicit (directly or indirectly) any employee of the Company to terminate his or her employment relationship with the Company in order to become an employee or consultant to or for any other person or entity..

Notice of Rights Pursuant to Section 7 of the Defend Trade Secrets Act (DTSA). Notwithstanding any provisions in this agreement or the Company policy applicable to the unauthorized use or disclosure of trade secrets, I am hereby notified that, pursuant to Section 7 of the DTSA, I cannot be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law. I also may not be held so liable for such disclosures made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, individuals who file a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

Reporting to Governmental Agencies. Nothing in this Agreement prevents me from filing a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (“Government Agencies”). I understand this Agreement does not limit my ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

No Admission of Wrongdoing by the Company. The Company expressly denies any violation of any federal, state or local law. Accordingly, while this Agreement resolves all issues referred to in this Agreement, it is not, and shall not be construed as, an admission by the Company of any violation of any federal, state or local law, or of any liability whatsoever. I am unaware of any claims against (or wrongdoing by) the Company.

General Provisions. This Agreement, including its Exhibits, constitutes the complete, final and exclusive embodiment of the entire agreement between me and the Company with regard to its subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both me and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both me and the Company, and inure to the benefit of both me and the Company, their heirs, successors and assigns. The Company may freely assign this Agreement, without my prior written consent. I may not assign any of my duties hereunder, and I may only assign any of my rights hereunder with the written consent of the Company. If any provision of this Agreement is held to be contrary to applicable law, it shall be modified or disregarded as necessary and the remainder of the Agreement will remain in full force and effect. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California without regard to conflict of laws principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement shall be in writing and shall not be deemed to be a waiver of any successive breach. A facsimile, copy or electronic mail (scanned PDF) of this Agreement shall be deemed an original.

I have read and understand all of the provisions of this Agreement and I voluntarily enter into this Agreement by signing it on___, [Year].

Witness Signature [NAME]

SEPARATION AND RELEASE AGREEMENT

I, Jennifer Kennedy, whose address is [ ], understand that my employment with Jack in the Box Inc. and/or any past or present subsidiary, affiliate, predecessor, or successor, (Collectively referred to herein as "Company") will terminate November 13, 2020 ("Termination Date"). This Separation and Release Agreement ("Agreement") is entered into in connection with my termination.

Company Offer. Although the Company has no obligation to do so, if I: (i) fulfill the Requirements to Accept Offer; and (ii) comply with all of my legal and contractual obligations to the Company, then the Company will provide me with the following severance benefits (the "Severance Benefits"):

(a) Severance Payment. The Company will pay me, as severance, the amount of $156,600 (less required payroll deductions and any other offsets for money I owe the Company) ("Separation Payment").

(b) COBRA Insurance. If I timely elect continued medical, dental and/or vision coverage under COBRA, the Company will pay me, in the form of a fully taxable lump sum cash payment (less required tax withholding), the portion of the total monthly COBRA premium in excess of the amount of the premium I would have paid as an active employee, and at a coverage level no greater than my coverage level in effect as of my last day of employment, multiplied by 6 months. If I elect COBRA coverage, I will receive payment within 30 days from the date that the Company receives notification from its COBRA administrator that my COBRA election is complete.

In order to receive any of the Severance Benefits, the Requirements to Accept Offer described below must be fulfilled. If the Requirements to Accept Offer are not fulfilled, the Company Offer automatically terminates. The Severance Benefits are in addition to wages due to me for work performed and will be paid to me as consideration for my settlement, release and discharge of any and all known or unknown claims as described below.

Requirements to Accept Offer. In order to accept the Company Offer I must:

(a) sign this Agreement and return it to the Company by either:

(i) hand-delivering the Agreement to Melissa Corrigan, 9357 Spectrum Center Blvd, San Diego, CA 92123 no later than close of business on November 20, 2020; or

(ii) mailing or sending the Agreement by overnight service such as Federal Express to:

Melissa Corrigan
SVP, Chief Human Resources Officer
9357 Spectrum Center Blvd

San Diego, CA 92123

If mailed, the envelope must be postmarked no later than November 20, 2020, and must be received within a reasonable time thereafter. If overnighted, it must be received no later than November 20, 2020.

(iii) Faxing the Agreement to Melissa Corrigan at 858-694-1570 no later than November 20, 2020; or

(iv) Sending the Agreement via Electronic Mail (email) to Melissa Corrigan at [ ] no later than November 20, 2020.

Time When Payment Will Be Made. If I fulfill the Requirements to Accept Offer described above, the Separation Payment will be issued to me in a one-time, lump-sum payment (via direct deposit or a mailed check, according to my previously designated preferences) within ten (10) days after the Revocation Period has expired or Termination Date, whichever is later.

Release of Claims. By signing and returning this Agreement to the Company, I hereby generally and completely settle, release and discharge any and all claims of every type, known or unknown, which I have or may have against the Company, and its board members, shareholders, directors, officers, employees and representatives (collectively the “Releasees”), whether known or unknown, that arise out of or are in any way related to events, acts, conduct, or omissions of the Releasees occurring prior to or on the date I sign this Agreement. This is a general release of all claims and includes, without limitation, all claims related to my employment with the Company or the termination of that employment, and all claims arising under any Federal, State, or local laws or regulations pertaining to employment, including, but not limited to claims under the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Fair Labor Standards Act, Title VIII of the Civil Rights Act of 1964, Sections 503 and 504 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967, as amended, the California Government Code, the California Fair Employment and Housing Act, California Pregnancy Disability Law, the California Family Rights Act, the California Labor Code, including but not limited to California Labor Code section 132a, any amendments to any of these statutes, and any other federal, state, or local statute, ordinance, regulation, or common law, regardless of whether such claim be based on an action filed by me or by a governmental agency.

I understand and acknowledge that Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1991, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, Sections 503 and 504 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967, as amended, the California Fair Employment and Housing Act, the California Family Rights Act, the California Labor Code, as well as any amendments to any of these statues, and common law, provide the right to an individual to bring charges, claims, or complaints against their employer or their former employer if the individual believes they have been discriminated against or harassed, including but not limited to, discrimination or harassment on the basis of pregnancy, race, ancestry, color, religion, sex, marital status, national origin, age, physical or mental disability, or medical condition. With full understanding of the rights afforded me under these laws, and to the fullest extent permitted by law, agree not to file against Releasees any charges, complaints against Releasees for any alleged violation(s) of any of these acts, statutes, regulations, or the common law regarding events that have occurred in connection with my employment with the Company.

Waiver of Notice Requirements under State and Federal WARN Act. By signing and returning this Agreement to the Company and in further consideration of receipt of my Separation Package, I agree and understand that I am waiving my right to bring any and all claims which I have or may have relating to the minimum advanced notice requirements as set forth under the Federal or State WARN Act. I also understand and agree that I am waiving my right to receive pay in lieu of notice under the WARN Act.

Unknown Claims. This section shall be governed by California law. I I understand that I may have claims of which I may be unaware or unsuspecting which I am giving up by signing this Agreement. I also expressly waive all rights I might have under Section 1542 of the Civil Code of California which reads as follows:

> A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Waiver of Age Discrimination Claims. I received this Agreement on November 13, 2020 and acknowledge I have been given a reasonable period to consider whether to sign it.

I understand and agree that I:

1. Have carefully read and fully understands all of the provisions of this Agreement;
2. Am, through this Agreement, releasing the Company from any and all claims I may have against it to date under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, et seq.);
3. Knowingly and voluntarily agree to all of the terms set forth in this Agreement;
4. Knowingly and voluntarily intend to be legally bound by the same;
5. Was advised and hereby am advised in writing to consider the terms of this Agreement and consult with an attorney of my choice prior to executing this Agreement; and,
6. Understand that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621, *et seq.*) that may arise after the date this Agreement is executed are not waived.
7. Have been provided with the ADEA disclosure information (under 29 U.S.C. § 626(f)(1)(H)), attached hereto as Exhibit 1.]

Claims Not Affected. This is a general release of all claims, and excludes only (i) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party or under applicable law; (ii) any claims which I may have by reason of any Social Security, Worker's Compensation, or Unemployment laws, or any benefits earned during my employment which may be payable to me now or in the future under any of the Benefit and/or Welfare Programs of the Company; (iii) any other rights which are not waivable as a matter of law; and (iii) any claims for breach of this Agreement.

Advice to Consult With Attorney. I have been (i) advised in writing to consult with an attorney, and (ii) given adequate time to thoroughly review and discuss all aspects of this Agreement with my attorney before signing this Agreement and I have thoroughly discussed, or in the alternative have freely elected to waive any further opportunity to discuss, this Agreement with my attorney.

Agreement Knowingly and Voluntarily Executed. I freely and voluntarily entered into this Agreement on my own behalf, in the exercise of my own free act, deed and will, and without any duress or coercion. I understand that in executing this Agreement, it becomes final and conclusive.

Confidentiality. I agree that the terms and conditions of this Release shall remain confidential as between the Company and me and shall not be disclosed to any other person except as provided by law or to my attorney, spouse or significant other, accountant and/or financial advisor. I also agree that during my employment I may have had access to confidential information and trade secrets concerning products, business plans, marketing strategies and other Company information and that I shall keep these matters completely confidential. I understand that nothing in this Agreement prohibits me from disclosing facts or information that I have the right to disclose under state or federal law, including any facts relating to a claim for sexual harassment or discrimination based on sex.

Continuing Obligations; Non-Disparagement and Non-Solicitation. I acknowledge and agree that I remain bound by any previous confidentiality, assignment of intellectual property, and restrictive covenant agreements between me and the Company, and will abide by those continuing obligations. I also agree: (a) not to disparage the Company, its officers, directors, employees, shareholders, and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; provided that I may respond accurately and fully to any question, inquiry or request for information when required by legal process, but agree to provide the Company with notice of any such inquiry or request for information within two weeks of such request; and (b) for a period of one year following my last day of employment with the Company, not to solicit (directly or indirectly) any employee of the Company to terminate his or her employment relationship with the Company in order to become an employee or consultant to or for any other person or entity.

Notice of Rights Pursuant to Section 7 of the Defend Trade Secrets Act (DTSA). Notwithstanding any provisions in this agreement or the Company policy applicable to the unauthorized use or disclosure of trade secrets, I am hereby notified that, pursuant to Section 7 of the DTSA, I cannot be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law. I also may not be held so liable for such disclosures made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, individuals who file a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

Reporting to Governmental Agencies. Nothing in this Agreement prevents me from filing a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). I understand this Agreement does not limit my ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. However, this Agreement and the releases contained herein does mean that I may not collect any monetary damages or receive any other remedies from charges filed with or actions by any Government Agencies.

No Admission of Wrongdoing by the Company. The Company expressly denies any violation of any federal, state or local law. Accordingly, while this Agreement resolves all issues referred to in this Agreement, it is not, and shall not be construed as, an admission by the Company of any violation of any federal, state or local law, or of any liability whatsoever. I am unaware of any claims against (or wrongdoing by) the Company.

No Unreported Claims. I warrant and represent that I am not aware of any claims or proceedings, or threat of claims against the Company or acts or omissions that might lead to a claim against the Company that I have not already reported to the Company.

General Provisions. This Agreement, including its Exhibits, constitutes the complete, final and exclusive embodiment of the entire agreement between me and the Company with regard to its subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both me and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both me and the Company, and inure to the benefit of both me and the Company, their heirs, successors and assigns. The Company may freely assign this Agreement, without my prior written consent. I may not assign any of my duties hereunder, and I may only assign any of my rights hereunder with the written consent of the Company. If any provision of this Agreement is held to be contrary to applicable law, it shall be modified or disregarded as necessary and the remainder of the Agreement will remain in full force and effect. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California without regard to conflict of laws principles. Any ambiguity in this Agreement shall not be construed against either party as the drafter. Any waiver of a breach of this Agreement shall be in writing and shall not be deemed to be a waiver of any successive breach. A facsimile, copy or electronic mail (scanned PDF) of this Agreement shall be deemed an original.

I have read and understand all of the provisions of this Agreement and I voluntarily enter into this Agreement by signing it on November 14, 2020.

	/S/ Jennifer Kennedy
Witness Signature	Jennifer Kennedy

Exhibit 21.1

Subsidiaries of the Registrant	**Jurisdiction**
Jack in the Box Franchisee Finance, LLC	Delaware, United States
JIB Stored Value Cards, LLC	Virginia, United States
Jack in the Box Franchisee Relief Financing, LLC	Delaware, United States
Jack in the Box SPV Guarantor, LLC	Delaware, United States
Jack in the Box Funding, LLC	Delaware, United States
Different Rules, LLC	Delaware, United States
Jack in the Box Properties, LLC	Delaware, United States

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Jack in the Box Inc.:

We consent to the incorporation by reference in the registration statement (Nos. 333-127765, 333-115619, 333-143032, 333-150913, 333-168554, and 333-181506) on Form S-8 of Jack in the Box Inc. of our report dated November 18, 2020, with respect to the consolidated balance sheets of Jack in the Box Inc. and subsidiaries as of September 27, 2020 and September 29, 2019, the related consolidated statements of earnings, comprehensive income, stockholders' deficit, and cash flows for each of the fifty-two week periods ended September 27, 2020, September 29, 2019, and September 30, 2018, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of September 27, 2020, which reports appear in the September 27, 2020 annual report on Form 10-K of Jack in the Box Inc.

Our report refers to a change in the method of accounting for leases as of September 30, 2019 due to the adoption of Accounting Standards Codification Topic 842, *Leases*, and a change in the method of accounting for revenue as of October 1, 2018 due to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers.*

/s/ KPMG LLP

San Diego, California
November 18, 2020

Exhibit 31.1

CERTIFICATION

I, Darin Harris, certify that:

1. I have reviewed this annual report on Form 10-K of Jack in the Box Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 18, 2020

/S/ DARIN HARRIS
Darin Harris
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Dawn Hooper, certify that:

1. I have reviewed this annual report on Form 10-K of Jack in the Box Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 18, 2020

/S/ DAWN HOOPER

Dawn Hooper

Vice President, Controller

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Darin Harris, Chief Executive Officer of Jack in the Box Inc. (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the annual report on Form 10-K of the Registrant, to which this certification is attached as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: November 18, 2020

/S/ DARIN HARRIS

Darin Harris

Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Dawn Hooper, Vice President, Controller of Jack in the Box Inc. (the "Registrant"), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the annual report on Form 10-K of the Registrant, to which this certification is attached as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: November 18, 2020

/S/ DAWN HOOPER
Dawn Hooper
Vice President, Controller