JACK IN THE BOX INC /NEW/
Form 10-K
November 22, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED OCTOBER 2, 2016
COMMISSION FILE NUMBER 1-9390

Delaware	95-2698708
(State of Incorporation)	(I.R.S. Employer Identification No.)

9330 Balboa Avenue, San Diego, CA	92123
(Address of principal executive offices)	(Zip Code)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ¨ No þ
Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ

The aggregate market value of the common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the closing price reported on the NASDAQ Global Select Market — Composite Transactions as of April 8, 2016, was approximately $2.2 billion.
Number of shares of common stock, $0.01 par value, outstanding as of the close of business on November 18, 2016 — 32,334,732.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2017 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

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FORWARD-LOOKING STATEMENTS

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

In some cases, information regarding certain important factors that could cause our actual results to differ materially from any forward-looking statement appears together with such statement. In addition, the factors described under “Risk Factors” and “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
ITEM 1. BUSINESS
The Company
Overview. Jack in the Box Inc., based in San Diego, California, operates and franchises 2,954 Jack in the Box® quick-service restaurants ("QSRs") and Qdoba Mexican Eats® ("Qdoba") fast-casual restaurants. References to the Company throughout this Annual Report on Form 10-K are made using the first person notations of "we," "us" and "our."
Jack in the Box. Jack in the Box opened its first restaurant in 1951, and has 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 the second largest QSR hamburger chain in eight of those major markets. As of the end of our fiscal year on October 2, 2016, the Jack in the Box system included 2,255 restaurants in 21 states and Guam, of which 417 were company-operated and 1,838 were franchise-operated.
Qdoba. To supplement our core growth and balance the risk associated with growing solely in the highly competitive hamburger segment of the QSR industry, in 2003 we acquired Qdoba Restaurant Corporation, operator and franchisor of Qdoba Mexican Eats. Qdoba is the second largest fast-casual Mexican food brand in the United States. As of October 2, 2016, the Qdoba system included 699 restaurants in 47 states, the District of Columbia and Canada, of which 367 were company-operated and 332 were franchise-operated.
Strategic Plan. Our long-term strategic plan focuses on continued growth, increasing average unit volumes ("AUVs"), improving restaurant profitability and returns on invested capital, and returning cash to shareholders.
Through the execution of our refranchising strategy over the last five years, we have increased franchise ownership of the Jack in the Box system from 72% at the end of fiscal 2011 to 82% at the end of fiscal 2016. We plan to increase franchise ownership of the Jack in the Box system to over 90%. In fiscal 2016, our Jack in the Box franchisees independently developed 12 new franchise restaurants, and we expect the majority of Jack in the Box new unit growth will be through franchise restaurants.
Through new unit growth, acquisitions of franchised Qdoba restaurants in select markets, and the refranchising of Jack in the Box restaurants, Qdoba has become a more prominent part of our company restaurant operations. As of the end of fiscal 2016, Qdoba comprised approximately 47% of our total company-operated units as compared with approximately 28% at the end of fiscal 2011. We plan to continue to build out the number of Qdoba company locations at an accelerated pace over the next several years. Accelerating the growth of our Qdoba brand by increasing market penetration is anticipated to generate heightened brand awareness.
Restaurant Concepts
Jack in the Box. Jack in the Box restaurants offer a broad selection of distinctive products including classic burgers like our Jumbo Jack® burgers, and innovative new product lines such as Buttery Jack™ burgers and our Brunchfast™ menu. We also offer tacos, regular and curly fries, 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).

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. Drive-thru sales currently account for approximately 75% of sales at company-operated restaurants. The average check in fiscal year 2016 was $7.38 for company-operated restaurants.
With a presence in only 21 states, we believe Jack in the Box is a brand with significant growth opportunities. In fiscal 2016, we continued to expand in existing markets. We opened four company-operated restaurants and franchisees opened 12 Jack in the Box restaurants during the year. In fiscal 2017, we expect to open approximately 20-25 new Jack in the Box restaurants system-wide.

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Company-operated restaurants:					
Beginning of period	413	431	465	547	629
New	4	2	1	6	19
Refranchised	(1)	(21)	(37)	(78)	(97)
Closed	—	(6)	(2)	(11)	(4)
Acquired from franchisees	1	7	4	1	—
End of period total	417	413	431	465	547
% of system	18 %	18 %	19 %	21 %	24 %
Franchise restaurants:					
Beginning of period	1,836	1,819	1,786	1,703	1,592
New	12	16	11	11	18
Refranchised	1	21	37	78	97
Closed	(10)	(13)	(11)	(5)	(4)
Sold to company	(1)	(7)	(4)	(1)	—
End of period total	1,838	1,836	1,819	1,786	1,703
% of system	82 %	82 %	81 %	79 %	76 %
System end of period total	2,255	2,249	2,250	2,251	2,250

Qdoba. Qdoba's menu features Mexican-themed food items including burritos, tacos, salads, and quesadillas. Guests can customize their meals by adding 3-cheese queso, guacamole, and a variety of sauces and salsas without paying an extra charge. Our new logo that debuted in fiscal 2016 modifies the full name of our brand from Qdoba Mexican Grill® to Qdoba Mexican Eats to better reflect the flavors and variety our menu offers.

Our restaurants also offer a variety of catering options that can be tailored to feed groups of ten to several hundred. While some of our restaurants serve breakfast, the majority generally operate from 10:30 a.m. to 10:00 p.m. Qdoba restaurants have a seating capacity that ranges from 60 to 80 people, and many locations include outdoor patio seating. In fiscal 2016, the average check for company-operated restaurants was $11.75, which excludes catering sales.

We currently estimate the long-term growth potential for Qdoba to be approximately 2,000 units across the United States. Our company-operated restaurants are generally located in larger market areas. Franchise development is more weighted towards traditional sites, but are also developed in non-traditional sites (airports, campuses, etc.) or areas where local franchisees can operate more efficiently. During fiscal 2016, we opened 35 company-operated restaurants and franchisees opened 18 Qdoba restaurants, including six non-traditional sites. In fiscal 2017, we expect to open 60-70 new Qdoba restaurants system-wide, of which we expect approximately 40 to be company-operated locations.

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Company-operated restaurants:					
Beginning of period	322	310	296	316	245
New	35	17	16	34	26
Refranchised	—	—	—	(3)	—
Closed	(4)	(5)	(2)	(64)	(1)
Acquired from franchisees	14	—	—	13	46
End of period total	367	322	310	296	316
% of system	53 %	49 %	49 %	48 %	50 %
Franchise restaurants:					
Beginning of period	339	328	319	311	338
New	18	22	22	34	32
Refranchised	—	—	—	3	—
Closed	(11)	(11)	(13)	(16)	(13)
Sold to company	(14)	—	—	(13)	(46)
End of period total	332	339	328	319	311
% of system	47 %	51 %	51 %	52 %	50 %
System end of period total	699	661	638	615	627

Site Selection and Design

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

Each of our brands have multiple restaurant models with different seating capacities to improve our flexibility in selecting locations for our restaurants. Management believes that this flexibility enables the Company to match the restaurant configuration with the specific economic, demographic, geographic or physical characteristics of a particular site.

Typical costs to develop a traditional Jack in the Box restaurant, excluding the land value, range from $1.2 million to $2.0 million. The majority of our Jack in the Box 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 $0.5 million.

The majority of Qdoba restaurants are located in leased spaces ranging from conventional large-scale retail projects to smaller neighborhood retail strip centers as well as non-traditional locations such as airports, college campuses and food courts. Qdoba restaurant development costs generally range from $0.8 million to $1.5 million depending on the type, square footage, geographic region, and if the location includes an expanded alcohol offering. In fiscal 2015, we began testing new restaurant design elements as part of our brand evolution, and in fiscal 2016, we finalized our new restaurant design and approved remodel designs for existing restaurants.

Franchising Program

Jack in the Box. The Jack in the Box franchise agreement generally provides for an initial franchise fee of $50,000 per restaurant for a 20-year term, royalty payments, and marketing fees at 5% of gross sales. Royalty rates, typically 5% of gross sales, can range from 1% to as high as 15% of gross sales, and some existing agreements provide for variable rates and/or royalty holidays. We may offer development agreements to franchisees for construction of one or more new restaurants over a defined period of time and in a defined geographic area. Developers 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 lower royalty rates to franchisees who opened restaurants within specified time frames.

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

Qdoba. Qdoba franchisees are generally charged an initial franchise fee of $30,000 per restaurant for a 10-year franchise term with a 10-year option to extend at a fee of $5,000, royalty payments, and marketing fees of 1.25% of gross sales. We also require franchisees to spend a minimum of 2% of gross sales on local marketing for their restaurants. Royalty rates are typically 5% of gross sales. We offer development agreements to franchisees for the construction of one or more new restaurants over a defined period of time and in a defined geographic area for a development fee, a portion of which may be credited against franchise fees due for restaurants when they are opened. If the developer does not maintain the required schedule of openings, they may forfeit such fees and lose their rights to future development. We continue to pursue non-traditional locations both through multi-location commitments and single unit franchise agreements. Currently, the non-traditional franchise agreements we offer provide for a $15,000 initial franchise fee, and a 6% royalty rate. To enhance our multi unit non-traditional growth, we may offer agreements that provide for lower fees.

Restaurant Management and Operations

Jack in the Box and Qdoba restaurants are operated by a company manager or franchise operator who is directly responsible for the operations of the restaurant, including product quality, service, food safety, cleanliness, inventory, cash control and the conduct and appearance of employees. We focus on attracting, selecting, engaging and retaining employees and franchisees who share our passion for creating long-lasting, successful restaurants.

At both brands, company-operated restaurant managers are supervised by district managers, who are overseen by directors of operations, who report to vice presidents of operations. Under our performance system, vice presidents and directors are eligible for an annual incentive based on achievement of goals related to region level sales, profit, and company-wide performance. District managers and restaurant managers are eligible for quarterly incentives based on growth in restaurant sales and profit and/or certain other operational performance standards.

Jack in the Box. Company restaurant managers are required to attend extensive management training classes involving a combination of classroom instruction and on-the-job training in specially designated training restaurants. Restaurant managers and supervisory personnel train other restaurant employees in accordance with detailed procedures and guidelines using training aids available at each location.

Qdoba. The Qdoba Training System is used to provide employees with detailed training by position, from entry level to restaurant manager. Restaurant management are certified to train and develop team members through a series of on the job and workshop training that focus on knowledge, skills and behaviors. The Qdoba Training System certifies achievement for our cooks and line servers who showcase excellence in their positions. Team members must have, or acquire, specific technical and behavioral skills to become certified in all positions.

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 use 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 guest 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. In 2016, the Jack in the Box and Qdoba systems received approximately 2.1 million and 0.2 million guest survey responses, respectively. Our Guest Relations Department receives feedback that guests provide via our website, and communicates that feedback to restaurant managers and franchise operators. We also collect guest feedback through social media and other resources.

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Food Safety and Quality

Our “farm-to-fork” food safety and quality assurance programs are designed to maintain high standards for the food products and food preparation procedures used by 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

Historically, we provided purchasing and distribution services for our company-operated restaurants and most of our franchise-operated restaurants. Our remaining franchisees purchased product from approved suppliers and distributors. In fiscal 2012, all of our company-operated Qdoba restaurants and approximately 90% of our Qdoba franchisees began utilizing the distribution services of a third-party distributor under a long-term contract, ending February 2017. Since December 2014, the remaining 10% of our Qdoba franchisees have utilized the same third-party distributor under the same long-term contract. We expect to enter into a new long-term agreement with a third-party distributor for all company and franchise Qdoba restaurants in the United States upon expiration of our current contract.

In July 2012, all of our Jack in the Box company-operated restaurants and approximately 90% of our Jack in the Box franchisees entered into a long-term contract with another third-party distributor to provide distribution services to our Jack in the Box restaurants through August 2022. Beginning in June 2015, the remaining 10% of our Jack in the Box franchisees decided to use the services of the same third-party distributor under the same long-term contract.

The primary commodities purchased by our restaurants are beef, poultry, pork, cheese and produce. We monitor the primary commodities we purchase in order to minimize the impact of fluctuations in price and availability, and we may enter into purchasing contracts and pricing arrangements when we consider them advantageous. However, certain commodities remain subject to price fluctuations. We believe all essential food and beverage products are available, or can be made available, upon short notice from alternative qualified suppliers.

Information Systems

At our shared services corporate support center, we have centralized financial accounting systems, human resources and payroll systems, and a communications and network infrastructure that supports both Jack in the Box and Qdoba corporate functions. Our restaurant software allows for daily polling of sales, inventory and 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. Our Qdoba POS system is also enhanced with an integrated guest loyalty program as well as a takeout and delivery interface. The takeout and delivery interface is used to manage online and catering orders which are distributed to sites via a hosted online ordering website.

We have business intelligence systems that provide visibility to the key metrics in the operation of company and franchise restaurants. These systems play an integral role in accumulating and analyzing market information. 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 which enable timely and accurate deliveries of food and packaging to our restaurants. To support order accuracy and speed of service, our drive-thru Jack in the Box restaurants use color order confirmation screens. We have plans to consolidate our restaurant level technologies at Jack in the Box and Qdoba restaurants.

Advertising and Promotion

Jack in the Box. At Jack in the Box, we build brand awareness through our marketing and advertising programs and activities. These activities are supported primarily by financial contributions to a marketing fund from all company and franchise restaurants based on a percentage of gross sales. Activities to advertise restaurant products, promote brand awareness and attract customers include, but are not limited to, system and regional campaigns on television, radio and print media, as well as digital and social media.

Qdoba. At Qdoba, our marketing and advertising programs are designed to build brand awareness, lift restaurant traffic, and increase brand advocacy. All company and franchise restaurants financially contribute a percentage of gross sales to fund the production and development of national and regional radio, print, and digital and social media. Advertising is created at the brand level and the system operators can utilize these assets, or tap into our in-house creative services group to create custom advertising that meets their particular communication objectives while adhering to brand standards. Additionally, the brand is piloting an affinity and mobile platform designed to inspire, motivate and reward increased frequency among Qdoba guests.

Employees

At October 2, 2016, we had approximately 22,200 employees, of whom 21,500 were restaurant employees, 500 were corporate personnel, and 200 were field management or administrative personnel. Employees are paid on an hourly basis, except certain restaurant management, operations and corporate management, and administrative personnel. We employ both full- and part-time restaurant employees in order to provide the flexibility necessary during peak periods of restaurant operations. We have not experienced any significant work stoppages, and we support our employees, including part-time workers, by offering industry competitive wages and benefits.

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 October 2, 2016:

Name	Age	Positions	Years with the Company
Leonard A. Comma	47	Chairman of the Board and Chief Executive Officer	15
Mark H. Blankenship, Ph.D.	55	Executive Vice President, Chief People, Culture and Corporate Strategy Officer	19
Jerry P. Rebel	59	Executive Vice President and Chief Financial Officer	13
Phillip H. Rudolph	58	Executive Vice President, Chief Legal and Risk Officer and Corporate Secretary	9
Frances L. Allen	54	President, Jack in the Box Brand	2
Keith M. Guilbault	53	President, Qdoba Brand	12
Paul D. Melancon	60	Senior Vice President of Finance, Controller and Treasurer	11
Vanessa C. Fox	43	Vice President, Chief Development Officer	19
Carol A. DiRaimo	55	Vice President of Investor Relations and Corporate Communications	8
Dean C. Gordon	54	Vice President of Supply Chain	7
Raymond Pepper	55	Vice President and General Counsel	19

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

Mr. Comma has been Chairman of the Board and Chief Executive Officer since January 2014. From May 2012 until October 2014, he served as President, and from November 2010 through January 2014, as Chief Operating Officer. Mr. Comma served as Senior Vice President and Chief Operating Officer from February 2010 to November 2010, Vice President Operations Division II from February 2007 to February 2010, Regional Vice President of the Company’s Southern California region from May 2006 to February 2007 and Director of Convenience-Store & Fuel Operations for the Company’s proprietary chain of Quick Stuff convenience stores from August 2001 to May 2006. Mr. Comma has 24 years of retail and franchise experience.

Dr. Blankenship has been Executive Vice President, Chief People, Culture and Corporate Strategy Officer since November 2013. He was previously Senior Vice President and Chief Administrative Officer from October 2010 to November 2013, Vice President, Human Resources and Operational Services from October 2005 to October 2010 and Division Vice President, Human Resources from October 2001 to September 2005. Dr. Blankenship has 19 years of experience with the Company in various human resource and training positions.

Mr. Rebel has been Executive Vice President and Chief Financial Officer since October 2005. He was previously Senior Vice President and Chief Financial Officer from January 2005 to October 2005 and Vice President and Controller of the Company from September 2003 to January 2005. Prior to joining the Company in 2003, Mr. Rebel held senior level positions with Fleming Companies and CVS Corporation. He has more than 35 years of corporate finance experience.

Mr. Rudolph has been Chief Legal and Risk Officer since October 2014, Executive Vice President since February 2010, and Corporate Secretary since November 2007. Before becoming Chief Legal and Risk Officer, he was General Counsel since November 2007. Prior to joining the Company, Mr. Rudolph was Vice President and General Counsel for Ethical Leadership Group. He was previously a partner in the Washington, D.C. office of Foley Hoag, LLP, and a Vice President at McDonald's Corporation where, among other roles, he served as U.S. and International General Counsel. Before joining McDonald's, Mr. Rudolph spent 15 years with the law firm of Gibson, Dunn & Crutcher, LLP, the last six of which he spent as a litigation partner in the firm's Washington, D.C. office. Mr. Rudolph has more than 30 years of legal experience.

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

Mr. Guilbault has served as President of Qdoba brand since June 2016. From March 2016 to June 2016, he served as Chief Operating Officer of Qdoba. Prior to that, Mr. Guilbault held several positions with the Jack in the Box brand, including: Senior Vice President and Chief Marketing Officer from November 2013 to March 2016; Vice President of Menu & Innovation from October 2012 to November 2013; Vice President of Franchising from October 2010 to October 2012; Division Vice President of Operations Initiatives from February 2010 to October 2010; and Division Vice President of Brand Innovation & Regional Marketing from February 2006 to February 2010. He joined the Company in 2004 as a Regional Vice President in Central California. Including his service with Jack in the Box Inc., Mr. Guilbault has more than 16 years of experience in management positions with several companies, including Mobil Oil Corporation, Priceline WebHouse Club and Freemarkets, Inc.

Mr. Melancon has been Senior Vice President of Finance, Controller and Treasurer since November 2013. He was previously Vice President of Finance, Controller and Treasurer from September 2008 to November 2013 and Vice President and Controller from July 2005 to September 2008. Before joining the Company, Mr. Melancon held senior financial positions at several major companies, including Guess?, Inc., Hyper Entertainment, Inc. (a subsidiary of Sony Corporation of America) and Sears, Roebuck and Company. Mr. Melancon has more than 35 years of experience in accounting and finance, including 11 years with Price Waterhouse.

Ms. Fox has been Vice President and Chief Development Officer overseeing development for the Jack in the Box and Qdoba brands since June 2016, and the Jack in the Box brand since March 2014. Previously, she held numerous positions for the Jack in the Box brand, including: Division Vice President of Franchise Business Development since September 2013 and Division Vice President of Franchise Sales & Development since June 2011. From February 2011 to June 2011, she was Director of Franchise Business Development, and she previously had the same title in Franchise Sales since October 2010. Ms. Fox served in other capacities since joining the Company in 1997. Before joining Jack in the Box Inc., she was a licensed real estate agent and worked for several companies in the residential real estate industry. Ms. Fox has 24 years of real estate and development experience.

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

Mr. Gordon has been Vice President of Supply Chain since October 2012. He was previously 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.

Mr. Pepper has been Vice President and General Counsel since September 2014. He was previously Vice President, Deputy General Counsel since September 2013, and Division Vice President, Deputy General Counsel from July 2009 to September 2013. Prior to that, Mr. Pepper held the positions of Division Vice President, Corporate Counsel from 2003 to 2009 and Director, Corporate Counsel from 1997 to 2003. Before joining the Company, Mr. Pepper spent 11 years with the law firm of Miller, Boyko and Bell, both as an associate and partner. Mr. Pepper has 30 years of legal experience.

Trademarks and Service Marks

The Jack in the Box, Qdoba Mexican Eats, Qdoba Mexican Grill and Qdoba names are of material importance to us, and each is a registered trademark and service mark 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 logo, Qdoba logos, Qdoba Mexican Grill mark and various product names and designs.

Seasonality

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

Competition and Markets

The restaurant business is highly competitive and is affected by local and national economic conditions, including unemployment levels, population and socioeconomic trends, traffic patterns, 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 Jack in the Box and Qdoba restaurant competes directly and indirectly with a large number of national and regional restaurant chains, some of which have significantly greater financial resources, as well as with locally-owned and/or independent restaurants in the quick-service and the fast-casual segments, and other consumer options including grocery and specialty stores, catering and delivery services. In selling franchises, we compete with many other restaurant franchisors, some of whom have substantially greater financial resources.

Available Information

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

Regulation

Each restaurant is subject to regulation by federal agencies, as well as licensing and regulation by state and local health, sanitation, safety, fire, zoning, building, taxing and other agencies and departments. Restaurants are also subject to rules and regulations imposed by owners and/or operators of shopping centers, college campuses, airports, military bases or other locations 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 also subject to federal, state and international 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 to our employees, or healthcare or other employee benefits, 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 to provide full and equal access to persons with physical disabilities.

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

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

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

ITEM 1A. RISK FACTORS

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

Risks Related to the Food Service Industry. Food service businesses such as ours may be materially and adversely affected by changes in consumer preferences, national and regional economic, political and socioeconomic conditions, attitudes and changes in consumer dining habits (whether or not based on new information regarding diet, nutrition or health), as well as by the cost of food at home compared to food away from home, technological and other innovations, health-based regulations or other factors. Adverse economic conditions, such as higher levels of unemployment, lower levels of consumer confidence and decreased discretionary spending, may reduce restaurant traffic and sales and impose practical limits on pricing. If adverse or uncertain economic conditions persist for an extended period of time, consumers may make long-lasting changes to their spending behavior. The impact of these factors may be exacerbated by the geographic profile of our Jack in the Box brand. Specifically, nearly 70% of the restaurants in our Jack in the Box system are located in the states of California and Texas. Economic conditions, state and local laws, government regulations, weather conditions or natural disasters affecting those states may therefore more greatly impact our results than would similar occurrences in other locations.

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

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

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

Risks Related to Food and Commodity Costs and Availability. 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. For example, the costs of feed ingredients used to produce beef, pork and chicken could be adversely affected by changes in worldwide supply or demand, or by regulatory or societal mandates, leading to higher prices for our products. In past years, food and commodity costs increased significantly, out-pacing general inflation and industry expectations. Looking forward, we anticipate volatile or uncertain price conditions to continue.

We seek to manage food and commodity costs, including through extended fixed price contracts, strong category and commodity management, and purchasing fundamentals. However, certain commodities such as beef and pork, which currently represent approximately 20% and 7%, respectively, of our consolidated commodity spend, do not lend themselves to fixed price contracts.

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

Further, we cannot assure you that we or our franchisees will be able to successfully anticipate and react effectively to changing food and commodity costs by adjusting 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.

Risk Related to Our Brands and Reputation. Multi-unit food service businesses such as ours can be materially and adversely affected by widespread negative publicity of any type, particularly regarding food quality, food safety, nutritional content, safety or public health issues (such as epidemics or the prospect of a pandemic), obesity or other health concerns, and employee relations issues, among other things. Adverse publicity in these areas could damage the trust customers place in our brands. The increasingly widespread use of mobile communications and social media applications has amplified the speed and scope of adverse publicity and could hamper our ability to promptly correct misrepresentations or otherwise respond effectively to negative publicity. To minimize the risk of food safety issues arising in our restaurants and at our vendors, we have restaurant Food Safety programs that include a daily restaurant Food Safety Checklist, and we use third-party and internal audits to review the Food Safety programs of our vendors. Nevertheless, food safety risks cannot be completely eliminated. Any outbreak of illness attributed to company or franchised restaurants, or within the food service industry, or any widespread negative publicity regarding our brands or the restaurant industry in general could cause a decline in company and franchise restaurant sales, and could have a material adverse effect on our financial condition and results of operations.

In addition, the success of our business strategy depends on the value and relevance of our brands and reputation, including implementation and success of brand strategies. If customers perceive that we and our franchisees fail to deliver a consistently positive and relevant experience, our brands could suffer. This could have a material adverse effect on our business. Moreover, while we devote considerable efforts and resources to protecting our trademarks and other intellectual property, if these efforts are not successful, the value of our brands may be harmed. This could also have a material adverse effect on our business.

Supply and Distribution Risks. Dependence on frequent deliveries of fresh produce and other food products subjects food service businesses such as ours to the risk that shortages or interruptions in supply could adversely affect the availability, quality 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, distributor or supplier financial or solvency issues, 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 standards or otherwise do not perform adequately, or if any one or more of such entities seeks to terminate its agreement or fails to perform as anticipated, or if there is any disruption in any of our distribution or supply relationships or operations for any reason, our business, financial condition and results of operations may be materially affected.

Risks Associated with Severe Weather, Natural Disasters or Civil Unrest. 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, and their aftermath. Any of these, or civil disturbances or unrest, could result in:

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

If systemic or widespread adverse changes in climate or weather patterns occur, we could experience more of these losses, and such losses could have a material adverse effect on our results of operations and financial condition.
Growth and Development Risks. We intend to grow both Qdoba and Jack in the Box by developing additional company-owned restaurants and through new restaurant development by franchisees, both in existing markets and in new markets. Development involves substantial risks, including the risk of:

- the inability to identify suitable franchisees;
- limited availability of financing for the Company and for franchisees at acceptable rates and terms;
- development costs exceeding budgeted or contracted amounts;
- delays in completion of construction;
- the inability to identify, or the unavailability of suitable sites 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 brands, 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;
- unique regulations or challenges applicable to operating in non-traditional locations, such as airports, college campuses, military or government facilities;
- the challenge of identifying, recruiting and training qualified restaurant management;
- the inability to obtain all required permits;
- changes in laws, regulations and interpretations, including interpretations of the requirements of the Americans with Disabilities Act; and
- general economic and business conditions.

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

Risks Related to Franchisee Financial and Business Operations. The opening and continued success of franchise restaurants depends on various factors, including the demand for our franchises, the selection of appropriate franchisee candidates, the identification and availability of suitable sites, negotiation of acceptable lease or purchase terms for new locations, permitting and regulatory compliance, the ability to meet construction schedules, the availability of financing, and the financial and other capabilities of our franchisees and developers. See “Growth and Development Risks” above. Despite our due diligence performed during the recruiting process, we cannot assure you that franchisees and developers planning the opening of franchise restaurants will have the business abilities or sufficient access to financial resources necessary to open the restaurants required by their agreements, or will prove to be effective operators and remain aligned with us on operations, pricing, promotional or capital-intensive initiatives.

Our franchisees are contractually obligated to operate their restaurants in accordance with all applicable laws and regulations, as well as standards set forth in our agreements with them. However, franchisees are independent third parties whom we cannot and do not control beyond the terms of our agreements with them. If franchisees do not successfully operate restaurants in an effective or profitable manner or consistent with applicable laws and required standards, royalty, and in some cases rent, payments to us may be adversely affected. If customers have negative perceptions or experiences with the operational execution, food quality or safety at our franchised locations, the image and reputation of our brands could be harmed, which in turn could negatively impact our business and operating results. Also, if franchisee employees have negative experiences and stage work stoppages or otherwise produce bad publicity, this could negatively impact brand equity.

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

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

Advertising and Promotion Risks. Some of our competitors have greater financial resources, which enable them to purchase significantly more advertising, particularly television and radio ads, than we are able to purchase. Should our competitors increase spending on advertising and promotion, or should the cost of advertising increase or our advertising funds decrease for any reason, including reduced sales or implementation of reduced spending strategies, or should our advertising and promotion be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition. 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. Failure to effectively use these platforms or technology 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 the Company's costs, lead to litigation or result in negative publicity that could also have a materially adverse effect on our results.

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

Risks Related to Reducing Operating Costs. During the current and recent years, we have identified strategies and taken steps to reduce operating costs to align with increased Jack in the Box franchise ownership and to further integrate Jack in the Box and Qdoba brand restaurant systems. These strategies include outsourcing certain functions, reducing headcount, relocating the Qdoba corporate support center to San Diego and integrating restaurant information systems between our brands. The ability to reduce our operating costs through these initiatives is subject to risks and uncertainties, and we cannot assure that these activities, or any other activities that we may undertake in the future, will achieve the desired cost savings and efficiencies. Failure to achieve such desired savings, or business disruption resulting from these strategies, could adversely affect our results of operations and financial condition.

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

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

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- labor and employment, including minimum wage adjustments, overtime, working conditions, employment eligibility and documentation, sick leave, and other employee benefit and fringe benefit requirements, Service Contract Act requirements for restaurants located on military bases, and changing judicial, administrative or regulatory interpretations of federal or state labor laws;
- the registration, offer, sale, termination and renewal of franchises;
- truth-in-advertising, consumer protection and the security of information;
- Americans with Disabilities Act;
- payment cards;
- alcohol sales; and
- climate change, including regulations related to the potential impact of greenhouse gases, water consumption, or a tax on carbon emissions.

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 statutory and administrative rules, we cannot predict the effect on operations from issuance of additional requirements in the future.

Risks Related to Computer Systems, Information Technology and Cyber Security. We and our franchisees rely on computer systems and information technology to conduct our business. A material failure or interruption of service, or a breach in security of our computer systems caused by malware or other attack, could cause reduced efficiency in operations, loss or misappropriation of data, or business interruptions, or could impact delivery of food to restaurants or financial functions such as vendor payment or employee payroll. We have business continuity plans that attempt to anticipate and mitigate such failures, but it is possible that significant capital investment could be required to rectify these problems, or more likely that cash flows could be impacted.

We have instituted controls intended to protect our computer systems, our point of sale (“POS”) systems, and our information technology systems, to adhere to payment card industry data security standards and to limit third party access for vendors that require access to our restaurant networks. However, we cannot control every security risk, particularly those affecting our franchise locations which are independent businesses. Our security architecture is decentralized, such that payment card information is primarily confined to the restaurant where the specific transaction took place. However, a security breach involving our POS, personnel, franchise operations reporting or other systems could result in disclosure or theft of confidential customer or employee or other proprietary data, and potentially cause loss of consumer confidence or potential costs, fines and litigation, including costs associated with reputational damage, consumer fraud or privacy breach. These risks may be magnified by the increased use of mobile communications and other new technologies, and are subject to increased and changing 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, may negatively impact our results of operations.

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

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

Risks Related to Leverage. As of October 2, 2016, the Company has a credit facility comprised of a $900.0 million revolving credit agreement and a $700.0 million term loan. We may also request the issuance of up to $75.0 million in letters of credit, the outstanding amount of which reduces our net borrowing capacity under the credit agreement. For additional information related to our credit facility, refer to Note 7, Indebtedness, of the notes to the consolidated financial statements. Increased leverage resulting from borrowings under our credit facility could have certain material adverse effects on the Company, including but not limited to the following:

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

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

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

Risks of Changes in Accounting Policies and Assumptions. Changes in accounting standards, policies or related interpretations by accountants or regulatory entities may negatively impact our results. Many accounting standards require management to make subjective assumptions and estimates, such as those required for 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.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth information regarding our operating Jack in the Box and Qdoba restaurant properties as of October 2, 2016:

	Company-Operated	Franchise	Total
Company-owned restaurant buildings:			
On company-owned land	44	182	226
On leased land	135	506	641
Subtotal	179	688	867
Company-leased restaurant buildings on leased land	605	924	1,529
Franchise directly-owned or directly-leased restaurant buildings	—	558	558
Total restaurant buildings	784	2,170	2,954

Our restaurant leases generally provide for fixed rental payments (with cost-of-living index adjustments) plus real estate taxes, insurance and other expenses. In addition, approximately 15% of our leases provide for contingent rental payments between 1% and 15% of the restaurant's gross sales once certain thresholds are met. We have generally been able to renew our restaurant leases as they expire at then-current market rates. The remaining terms of ground leases range from approximately less than one year to 52 years, including optional renewal periods. The remaining lease terms of our other leases range from approximately less than one year to 41 years, including optional renewal periods. As of October 2, 2016, our restaurant leases had initial terms expiring as follows:

	Number of Restaurants	
Fiscal Year	Ground Leases	Land and Building Leases
2017 – 2021	295	758
2022 – 2026	219	542
2027 – 2031	111	166
2032 and later	16	63

Our principal executive offices are located in San Diego, California in an owned facility of approximately 150,000 square feet. We also own our 70,000 square foot Innovation Center and approximately four acres of undeveloped land directly adjacent to it. Qdoba's corporate support center is located in a leased facility in Lakewood, Colorado, that we plan to exit during the first quarter of 2017, relocating all operations to San Diego. We believe our principal executive offices and Innovation Center are suitable and adequate for our present purposes.

ITEM 3. LEGAL PROCEEDINGS

See Note 15, Commitments, Contingencies and Legal Matters, of the notes to the consolidated financial statements for a discussion of our legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

	13 Weeks Ended	12 Weeks Ended		16 Weeks Ended
	October 2, 2016	July 3, 2016	April 10, 2016	January 17, 2016
High	$102.68	$88.65	$ 78.87	$ 82.20
Low	$83.64	$64.30	$ 61.78	$ 69.60

	12 Weeks Ended			16 Weeks Ended
	September 27, 2015	July 5, 2015	April 12, 2015	January 18, 2015
High	$98.26	$96.40	$ 99.99	$ 87.50
Low	$63.94	$85.30	$ 81.56	$ 63.84

Dividends. During the third quarter of fiscal 2014, the Board of Directors approved the initiation of a regular quarterly cash dividend. In fiscal 2016, the Board of Directors declared four cash dividends of $0.30 per share each. In fiscal 2015, we declared two cash dividends of $0.20 per share each, and two cash dividends of $0.30 per share each. In fiscal 2014, we declared two cash dividends of $0.20 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, restrictions in our credit agreement and other factors that our Board of Directors may deem relevant.

Stock Repurchases. The following table summarizes shares repurchased during the quarter ended October 2, 2016. The average price paid per share in column (b) below does not include the cost of brokerage fees:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs	(d) Maximum Dollar Value That May Yet Be Purchased Under These Programs
				$150,025,646
July 4, 2016 - July 31, 2016	—	$ —	—	$150,025,646
August 1, 2016 - August 28, 2016	—	$ —	—	$150,025,646
August 29, 2016 - October 2, 2016	425,254	$ 98.42	425,254	$408,172,440
Total	425,254	$ —	425,254	

Stockholders. As of November 18, 2016, there were 493 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 October 2, 2016. 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)	965,160	$61.73	2,465,612

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

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

Performance Graph. The following graph compares the cumulative return to holders of the Company's common stock at September 30th of each year to the yearly weighted cumulative return of a Peer Group Index and to the Standard & Poor's ("S&P") 500 Index for the same period. As it does every year, the Compensation Committee of the Board of Directors (the "Committee") reviews the make-up of the Peer Group as part of its process of setting the compensation of our executive officers. Working closely with its independent compensation consultant, and considering anticipated Company revenues, the Committee approved changes to the Peer Group to remove Ruby Tuesday, Inc. due to its size being relatively smaller than other members of the Peer Group based on defined criteria (i.e., revenue, market capitalization, and system-wide sales), and added Papa John's International, Inc, which more closely meets the established criteria for our Peer Group. The below comparison assumes $100 was invested on September 30, 2011 in the Company's common stock and in the comparison groups and assumes reinvestment of dividends. The Company paid dividends beginning in fiscal 2014.

	2011	2012	2013	2014	2015	2016
Jack in the Box Inc.	$100	$141	$201	$345	$394	$498
S&P 500 Index	$100	$130	$155	$186	$185	$213
Old Peer Group (1)	$100	$130	$174	$219	$257	$219
New Peer Group (2)	$100	$132	$177	$224	$266	$232

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

(2) The New Peer Group Index comprises the following companies: Brinker International, Inc.; Buffalo Wild Wings, Inc.; Chipotle Mexican Grill Inc.; Cracker Barrel Old Country Store, Inc.; DineEquity, Inc.; Domino's Pizza, Inc.; Panera Bread Company; Papa John's Int'l, Inc.; Sonic Corp.; The Cheesecake Factory Inc.; and The Wendy's Company.

ITEM 6. SELECTED FINANCIAL DATA

Our fiscal year is 52 or 53 weeks, ending the Sunday closest to September 30. All years presented below include 52 weeks, except for 2016 which includes 53 weeks. The selected financial data reflects, as discontinued operations, 62 closed Qdoba stores and our distribution business for all years presented. 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				
	2016	2015	2014	2013	2012
	(dollars in thousands, except per share data)				
Statements of Earnings Data (1):					
Total revenues	$1,599,331	$1,540,317	$1,484,131	$1,489,867	$1,509,295
Operating costs and expenses	$1,370,646	$1,340,005	$1,318,275	$1,356,302	$1,417,624
(Gains) losses on the sale of company-operated restaurants	(1,230)	3,139	3,548	(4,640)	(29,145)
Total operating costs and expenses, net	$1,369,416	$1,343,144	$1,321,823	$1,351,662	$1,388,479
Earnings from continuing operations	$126,270	$112,601	$94,844	$82,608	$68,104
Earnings per Share and Share Data:					
Earnings per share from continuing operations (1):					
Basic	$3.74	$3.00	$2.33	$1.91	$1.55
Diluted	$3.70	$2.95	$2.26	$1.84	$1.52
Cash dividends declared per common share (1)	$1.20	$1.00	$0.40	$—	$—
Weighted-average shares outstanding — Basic (1)(2)	33,735	37,587	40,781	43,351	43,999
Weighted-average shares outstanding — Diluted (1)(2)	34,146	38,215	41,973	44,899	44,948
Market price at year-end	$95.94	$79.71	$65.73	$40.10	$28.11
Other Operating Data:					
Jack in the Box restaurants:					
Company-operated average unit volume (4)	$1,870	$1,858	$1,708	$1,606	$1,557
Franchise-operated average unit volume (3)(4)	$1,454	$1,429	$1,337	$1,312	$1,313
System average unit volume (3)(4)	$1,530	$1,510	$1,412	$1,381	$1,379
Change in company-operated same-store sales	0.0%	5.1%	2.0%	1.0%	4.6%
Change in franchise-operated same-store sales (3)	1.6%	7.0%	2.0%	0.1%	3.0%
Change in system same-store sales (3)	1.2%	6.5%	2.0%	0.3%	3.4%
Qdoba restaurants:					
Company-operated average unit volume (4)	$1,209	$1,199	$1,114	$1,080	$1,060
Franchise-operated average unit volume (3)(4)	$1,150	$1,140	$1,028	$961	$958

System average unit volume (3)(4)	$1,179	$1,169	$1,070	$1,017	$1,000
Change in company-operated same-store sales	1.7 %	8.3 %	5.7 %	0.5 %	3.2 %
Change in franchise-operated same-store sales (3)	1.1 %	10.4 %	6.3 %	1.1 %	1.9 %
Change in system same-store sales (3)	1.4 %	9.3 %	6.0 %	0.8 %	2.5 %
Capital expenditures	$96,615	$86,226	$60,525	$84,690	$80,200
Balance Sheet Data (at end of period) (1):					
Total assets	$1,348,791	$1,303,979	$1,270,665	$1,319,209	$1,463,725
Long-term debt, excluding current maturities	$937,512	$688,579	$497,012	$349,393	$405,276
Stockholders' (deficit) equity (5)	$(217,206)	$15,953	$257,911	$472,018	$411,945

(1) Financial data was extracted or derived from our audited financial statements.

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

(3) 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.

(4) 2016 average unit volume is adjusted to exclude the 53rd week for the purpose of comparison to prior years.

(5) 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 past three fiscal years, we believe our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and related notes included in this annual report as indexed on page F-1.

Comparisons under this heading refer to the 53-week period ended October 2, 2016, and 52-week periods ended September 27, 2015 and September 28, 2014 for fiscal years 2016, 2015 and 2014, respectively, unless otherwise indicated.

Our MD&A consists of the following sections:

- Overview — a general description of our business and fiscal 2016 highlights.
- Financial reporting — a discussion of changes in presentation, if any.
- Results of operations — an analysis of our consolidated statements of earnings for the three years presented in our consolidated financial statements.
- Liquidity and capital resources — an analysis of cash flows including pension and postretirement health contributions, capital expenditures, our credit facility, share repurchase activity, dividends, aggregate contractual obligations, 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 the following:

- Changes in sales at restaurants open more than one year ("same-store sales") and average unit volumes ("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 and AUV information is useful to investors as a significant indicator of the overall strength of our business.
- Company restaurant margin ("restaurant margin") is defined as company restaurant sales less expenses incurred directly by our restaurants in generating those sales (food and packaging costs, payroll and employee benefits costs, and occupancy and other costs). We also present restaurant margin as a percentage of company restaurant sales.
- Franchise margin is defined as franchise rental revenues and franchise royalties and other, less franchise occupancy expenses, and franchise support and other costs, and is also presented as a percentage of franchise revenues.

Same-store sales, AUVs, restaurant margin, and franchise margin are not measurements determined in accordance with generally accepted accounting principles ("GAAP") and should not be considered in isolation, or as an alternative to income from operations, or other similarly titled measures of other companies.

OVERVIEW

As of October 2, 2016, we operated and franchised 2,255 Jack in the Box quick-service restaurants, primarily in the western and southern United States, including one in Guam, and 699 Qdoba fast-casual restaurants operating primarily throughout the United States as well as the District of Columbia and Canada.

Our primary source of revenue is from retail sales at Jack in the Box and Qdoba company-operated restaurants. We also derive revenue from Jack in the Box and Qdoba franchise restaurants, including rental revenue, royalties (based upon a percent of sales) and franchise fees. 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 2016, and certain trends compared to prior years:

- Same-Store Sales — Same-store sales were flat at company-operated Jack in the Box restaurants as the impact of menu price increases offset a decline in transactions. Qdoba's same-store sales increase of 1.7% at company-operated restaurants was driven primarily by transaction growth, menu price increases and catering.
- Commodity Costs — Commodity costs decreased approximately 3.0% and 4.4% in 2016 at our Jack in the Box and Qdoba restaurants, respectively, compared with a year ago. Beef represents the largest portion, or approximately 20%, of the Company's overall commodity spend. We typically do not enter into fixed price contracts for our beef needs. In 2017, we currently expect our beef costs to be slightly deflationary as compared to fiscal 2016. We expect our overall commodity costs in fiscal 2017 to be approximately flat to down 1% at both our Jack in the Box and Qdoba restaurants.
- Restaurant Margins — Our consolidated company-operated restaurant margin decreased in 2016 to 20.2% from 20.4% in 2015. Jack in the Box's company-operated restaurant margin improved in 2016 to 21.2% from 20.7% in 2015 due primarily to lower costs for food and packaging and benefits of refranchising, partially offset by minimum wage increases in California that went into effect in January 2016, and by higher costs for equipment upgrades. Restaurant margins at our Qdoba company-operated restaurants decreased in 2016 to 18.1% from 19.7% in 2015 primarily reflecting an increase in new restaurant activity, unfavorable product mix including higher levels of discounting, and higher costs for equipment upgrades.
- Jack in the Box Franchising Program — In 2016, Jack in the Box franchisees opened a total of 12 restaurants. Our Jack in the Box system was 82% franchised at the end of fiscal 2016. We plan to increase franchise ownership of the system to over 90%. In fiscal 2017, we expect to open approximately 20-25 new Jack in the Box restaurants, the majority of which will be franchise locations.
- Qdoba New Unit Growth — In 2016 we opened 35 company-operated restaurants and franchisees opened 18 restaurants of which six were in non-traditional locations such as airports and college campuses. In fiscal 2017, 60-70 new Qdoba restaurants are expected to open system-wide, of which approximately 40 are expected to be company-operated locations
- Restructuring Costs — In 2016, we announced a plan to reduce our general and administrative costs. In connection with this plan, we have recorded $10.1 million of restructuring charges which are included in impairment and other charges, net in the accompanying consolidated statements of earnings.
- Pension Contribution — In September 2016, we made an $80.0 million tax-deductible accelerated contribution to our qualified defined benefit pension plan to reduce future pension costs including our exposure to Pension Benefit Guaranty Corporation ("PBGC") variable-rate premiums that are paid on the unfunded portion of our pension liability, and to improve the funded status of the plan.
- Credit Facility — In September 2016, we amended our existing credit facility to increase our overall borrowing capacity by $400.0 million to $1.6 billion, consisting of a $900.0 million revolving credit agreement and a $700.0 million term loan, both maturing in March 2019.
- Return of Cash to Shareholders — During 2016, we continued to return cash to shareholders in the form of share repurchases and quarterly cash dividends. We repurchased 3.9 million shares of our common stock at an average price of $75.29 per share, totaling $291.9 million, including the cost of brokerage fees. We also declared dividends of $1.20 per share totaling $40.5 million.

FINANCIAL REPORTING

During fiscal 2012, we entered into an agreement to outsource our Jack in the Box distribution business. In fiscal 2013, we closed 62 Qdoba restaurants (the "2013 Qdoba Closures") as part of a comprehensive Qdoba market performance review. All charges related to our distribution business and the 2013 Qdoba Closures are reported as discontinued operations for all periods presented. Refer to Note 2, Discontinued Operations, in the notes to consolidated financial statements for additional information. Unless otherwise noted, amounts and disclosures throughout our MD&A relate to our continuing operations.

In 2016, we adopted an Accounting Standards Update which simplifies the presentation of deferred income taxes and requires deferred tax liabilities and assets to be classified as non-current in a classified statement of financial position. Upon adoption, we retrospectively applied the new standard which resulted in a $40.0 million reclassification of current deferred income taxes to other assets, net on our September 27, 2015 consolidated balance sheet. Refer to Note 1, Nature of Operations and Summary of Significant Accounting Policies, in the notes to consolidated financial statements for more information.

RESULTS OF OPERATIONS

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

CONSOLIDATED STATEMENTS OF EARNINGS DATA

	Fiscal Year		
	2016	2015	2014
Revenues:			
Company restaurant sales	75.3 %	75.1 %	75.5 %
Franchise rental revenues	14.6 %	14.7 %	14.6 %
Franchise royalties and other	10.1 %	10.2 %	9.8 %
Total revenues	100.0 %	100.0 %	100.0 %
Operating costs and expenses, net:			
Company restaurant costs:			
Food and packaging (1)	30.1 %	31.3 %	31.9 %
Payroll and employee benefits (1)	27.8 %	27.1 %	27.5 %
Occupancy and other (1)	21.9 %	21.3 %	22.1 %
Total company restaurant costs (1)	79.8 %	79.6 %	81.5 %
Franchise occupancy expenses (2)	73.1 %	75.0 %	77.8 %
Franchise support and other costs (3)	9.9 %	10.0 %	9.5 %
Selling, general and administrative expenses	12.7 %	14.4 %	13.9 %
Impairment and other charges, net	1.2 %	0.8 %	1.0 %
(Gains) losses on the sale of company-operated restaurants	(0.1)%	0.2 %	0.2 %
Earnings from operations	14.4 %	12.8 %	10.9 %
Income tax rate (4)	36.5 %	36.9 %	35.3 %

(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 earnings from continuing operations and before income taxes.

CHANGES IN SAME-STORE SALES

	Fiscal Year		
	2016	2015	2014
Jack in the Box:			
Company	0.0%	5.1%	2.0%
Franchise	1.6%	7.0%	2.0%
System	1.2%	6.5%	2.0%
Qdoba:			
Company	1.7%	8.3%	5.7%
Franchise	1.1%	10.4%	6.3%
System	1.4%	9.3%	6.0%

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

	2016			2015			2014		
	Company	Franchise	Total	Company	Franchise	Total	Company	Franchise	Total
Jack in the Box:									
Beginning of year	413	1,836	2,249	431	1,819	2,250	465	1,786	2,251
New	4	12	16	2	16	18	1	11	12
Refranchised	(1)	1	—	(21)	21	—	(37)	37	—
Acquired from franchisees	1	(1)	—	7	(7)	—	4	(4)	—
Closed	—	(10)	(10)	(6)	(13)	(19)	(2)	(11)	(13)
End of year	417	1,838	2,255	413	1,836	2,249	431	1,819	2,250
% of JIB system	18 %	82 %	100 %	18 %	82 %	100 %	19 %	81 %	100 %
Qdoba:									
Beginning of year	322	339	661	310	328	638	296	319	615
New	35	18	53	17	22	39	16	22	38
Acquired from franchisees	14	(14)	—	—	—	—	—	—	—
Closed	(4)	(11)	(15)	(5)	(11)	(16)	(2)	(13)	(15)
End of year	367	332	699	322	339	661	310	328	638
% of Qdoba system	53 %	47 %	100 %	49 %	51 %	100 %	49 %	51 %	100 %
Consolidated:									
Total system	784	2,170	2,954	735	2,175	2,910	741	2,147	2,888
% of consolidated system	27 %	73 %							