JACK IN THE BOX INC /NEW/
Form 10-K
November 24, 2010

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**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 3, 2010**

**COMMISSION FILE NUMBER 1-9390**

**JACK IN THE BOX INC.**

(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code (858) 571-2121

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $0.01 par value | NASDAQ |

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 o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes o No þ

Indicate by check mark whether 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 o

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 and 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 o

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. o

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 o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price reported in the NASDAQ Composite Transactions as of April 11, 2010, was approximately $1,302.3 million.

Number of shares of common stock, $0.01 par value, outstanding as of the close of business November 18, 2010 52,904,990.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

**JACK IN THE BOX INC.**

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PART I

ITEM 1. BUSINESS

**The Company**

*Overview.* Jack in the Box Inc. (the Company ), based in San Diego, California, operates and franchises more than 2,700 Jack in the Box® quick-service restaurants ( QSR ) and Qdoba Mexican Grill® fast-casual restaurants. In fiscal 2010, we generated total revenues of $2.3 billion. References to the Company throughout this Annual Report on Form 10-K are made using the first person notations of we, us and our.

*Jack in the Box* The first Jack in the Box restaurant, which offered only drive-thru service, opened in 1951. Jack in the Box is one of the nation s largest hamburger chains and, based on the number of units, is the second or third largest QSR hamburger chain in most of our major markets. As of the end of our fiscal year on October 3, 2010, the Jack in the Box system included 2,206 restaurants in 18 states, of which 956 were company-operated and 1,250 were franchise-operated.

*Qdoba Mexican Grill* To supplement our core growth and balance the risk associated with growing solely in the highly competitive hamburger segment of the QSR industry, in January 2003 we acquired Qdoba Restaurant Corporation, operator and franchisor of Qdoba Mexican Grill. As of October 3, 2010, the Qdoba system included 525 restaurants in 43 states, as well as the District of Columbia, of which 188 were company-operated and 337 were franchise-operated. In recent years, Qdoba has emerged as a leader in the fast-casual segment of the restaurant industry.

*Discontinued Operations* We had also operated a proprietary chain of 61 convenience stores and fuel stations called Quick Stuff®, which were each adjacent to a Jack in the Box restaurant. In the fourth quarter of 2009, under a plan approved by our Board of Directors, we sold Quick Stuff. Refer to Note 2, *Discontinued Operations*, in the notes to the consolidated financial statements for more information.

*Strategic Plan.* Our Company s long-term strategic plan is supported by four key initiatives: (i) reinvent the Jack in the Box brand, (ii) expand franchising operations, (iii) improve the business model, and (iv) grow Jack in the Box and Qdoba Mexican Grill.

*Strategic Plan Brand Reinvention.* We believe that reinventing the Jack in the Box brand by focusing on the following three initiatives will differentiate us from our competition by offering our guests a better restaurant experience than typically found in the QSR segment:

> *Menu Innovation*. We believe that menu innovation and our use of high-quality ingredients differentiates Jack in the Box from competitors, strengthens our brand and appeals to a broader base of consumers. In recent years, we have successfully leveraged premium ingredients like sirloin and artisan breads in launching new products unique to our segment of the restaurant industry.
>
> *Service*. A second major initiative of brand reinvention is to improve the level and consistency of guest service. Investing in employee training to reinforce six key tenets of guest service (quality food, a clean environment, friendly employees, order accuracy, a hassle-free experience and speed of service) has resulted in improvement in guest-satisfaction scores. Additionally, we are leveraging new technologies to improve service and guest satisfaction, such as self-serve kiosks installed at certain Jack in the Box locations, which offer guests an

alternative method of ordering inside a restaurant. As of fiscal year end, more than 230 company and franchise restaurants had kiosks, and over time, we plan to add them to additional restaurants where the frequency of use is expected to be highest. Generally, our kiosk transactions have higher check averages than orders processed at the service counters, partially due to our ability to customize messaging to prompt add-on items.

*Environment*. Because the restaurant environment is another driver of guest satisfaction, the third element of brand reinvention is a comprehensive re-image of our restaurant facilities. We can portray a more cohesive and consistent brand image to our guests by completely redesigning the dining room and common areas and enhancing the exteriors with new paint schemes, lighting and landscaping. At fiscal year end, nearly 68% of company restaurants and more than 55% of the Jack in the Box system featured all interior and exterior elements of the re-image program. We remain focused on enhancing the entire guest experience, including the substantial completion of our restaurant re-imaging program system-wide, which is targeted by the end of 2011. Our newest restaurant prototype distinguishes Jack in the Box from our competitors through innovative architectural elements and a flexible kitchen design that can accommodate future menu offerings while maximizing productivity and throughput. In 2009, we unveiled a new logo that sends a clear signal to consumers that today s Jack in the Box is not the Jack of the past. The new logo now appears on packaging and uniforms and in our advertising. At fiscal year end, nearly 15% of the system featured the new logo on restaurant signage.

*Strategic Plan Expand Franchising Operations.* Our second strategic initiative is to continue expanding our franchising operations to generate higher margins and returns for the Company while creating a business model that is less capital intensive and not as susceptible to cost fluctuations. Through the sale of 219 company-operated Jack in the Box restaurants to franchisees and the development of 16 new franchise restaurants, we increased franchise ownership of the Jack in the Box system to approximately 57% at fiscal year end from approximately 46% at the end of fiscal 2009. We are ahead of our plan to achieve our goal to increase the percentage of franchise ownership in the Jack in the Box system to approximately 70-80% by the end of fiscal 2013. We also have executed development agreements with several franchisees to further expand the Jack in the Box brand in new and existing markets in 2011 and beyond. The Qdoba system is predominantly franchised, and we anticipate that future growth will continue to be mostly franchised. In fiscal 2010, Qdoba franchisees opened 21 restaurants.

*Strategic Plan Improve the Business Model.* This sweeping strategy involves focusing our entire organization on improving restaurant profitability and returns as well as on administrative efficiencies. We will continue to focus on reducing food, packaging and labor costs through product design, menu innovation and operations simplification, as well as pricing optimization. We expect our selling, general and administrative expenses to further decrease as we continue reengineering our processes and systems and transition to a business model comprised of predominantly franchised restaurant locations.

*Strategic Plan Grow Jack in the Box and Qdoba Mexican Grill.*

*Jack in the Box Growth*. In fiscal 2010, 46 Jack in the Box restaurants opened, including 16 franchise locations. During the year, we expanded our presence in several new contiguous markets in Texas, Colorado, Oregon, New Mexico and Oklahoma. In fiscal 2011, 30-35 new company and franchise restaurants are planned as Jack in the Box will continue to expand into new contiguous markets, including the Kansas City metropolitan area.

*Qdoba Growth*. In fiscal 2010, 36 Qdoba restaurants opened, including 21 franchise locations, and franchisees expanded into new markets in Illinois, Texas, New Mexico, West Virginia and Mississippi. Our Qdoba system is primarily franchised and is the largest franchised Mexican-food chain in the fast-casual segment of the restaurant industry. In fiscal 2011, we plan to open 50-60 new company and franchise restaurants.

**Restaurant Concepts**

*Jack in the Box*. Jack in the Box restaurants offer a broad selection of distinctive, innovative products targeted primarily at the adult fast-food consumer. Our menu features a variety of hamburgers, salads, specialty sandwiches, tacos, drinks, smoothies, real ice cream shakes and side items. Hamburger products include our signature Jumbo Jack®, Sourdough Jack®, Ultimate Cheeseburger and Jack s 100% Sirloin Burger. Jack in the Box restaurants also offer premium entrée salads, specialty sandwiches, Teriyaki Bowls and every day value-priced products, known as Jack s Value Menu, to compete against price-oriented competitors and because value is important to certain fast-food customers. Jack in the Box restaurants also offer customers the ability to customize their meals and to order any product, including breakfast items, any time of the day.

The Jack in the Box restaurant chain was the first major hamburger chain to develop and expand the concept of drive-thru restaurants. In addition to drive-thru windows, most of our restaurants have seating capacities ranging from 20 to 100 persons and are open 18-24 hours a day. Drive-thru sales currently account for approximately 70% of sales at company-operated restaurants.

The 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 | | | | |
|---|---|---|---|---|---|
| | **2010** | **2009** | **2008** | **2007** | **2006** |
| Company-operated restaurants: | | | | | |
| Beginning of period | 1,190 | 1,346 | 1,436 | 1,475 | 1,534 |
| New | 30 | 43 | 23 | 42 | 29 |
| Refranchised | (219) | (194) | (109) | (76) | (82) |
| Closed | (46) | (6) | (4) | (5) | (6) |
| Acquired from franchisees | 1 | 1 | - | - | - |
| End of period total | 956 | 1,190 | 1,346 | 1,436 | 1,475 |
| % of system | 43% | 54% | 62% | 67% | 71% |
| Franchise restaurants: | | | | | |
| Beginning of period | 1,022 | 812 | 696 | 604 | 515 |
| New | 16 | 21 | 15 | 16 | 7 |
| Refranchised | 219 | 194 | 109 | 76 | 82 |
| Closed | (6) | (4) | (8) | - | - |
| Sold to Company | (1) | (1) | - | - | - |
| End of period total | 1,250 | 1,022 | 812 | 696 | 604 |
| % of system | 57% | 46% | 38% | 33% | 29% |
| System end of period total | 2,206 | 2,212 | 2,158 | 2,132 | 2,079 |

*Qdoba Mexican Grill.* Qdoba restaurants use fresh, high quality ingredients and traditional Mexican flavors fused with popular ingredients from other regional cuisines, positioning Qdoba as an Artisanal Mexican kitchen within reach. A few examples of Qdoba s unique flavors are its signature Poblano Pesto and Ancho Chile BBQ sauces. While the great flavors start with the core philosophy of the fresher the ingredients, the fresher the flavors[tm], our ability to deliver these flavors is made possible by the commitment to professional preparation methods. Throughout each day, guacamole is prepared on site using fresh Hass avocados, black and pinto beans are slow-simmered, shredded beef and pork are slow-roasted and adobo-marinated chicken and steak are flame-grilled. Customer orders are prepared in full view, which gives our guests the control they desire to build a meal that is specifically suited to their individual taste preferences and nutritional needs. Qdoba restaurants also offer a variety of catering options that can be tailored to feed groups of five to several hundred. Our Hot Taco, Nacho and Naked Burrito Bars come with everything needed, including plates, napkins, serving utensils, chafing stands and sternos. Each Hot Bar is set up buffet-style so diners have the ability to prepare their meal to their liking, just like in the restaurant. The seating capacity at Qdoba restaurants ranges from 60 to 80 persons, including outdoor patio seating at many locations.

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

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Company-operated restaurants: | | | | | |
| Beginning of period | 157 | 111 | 90 | 70 | 57 |
| New | 15 | 24 | 21 | 10 | 13 |
| Refranchised | - | - | - | - | - |
| Closed | - | - | - | - | - |
| Acquired from franchisees | 16 | 22 | - | 10 | - |
| End of period total | 188 | 157 | 111 | 90 | 70 |
| % of system | 36% | 31% | 24% | 23% | 22% |
| Franchise restaurants: | | | | | |
| Beginning of period | 353 | 343 | 305 | 248 | 193 |
| New | 21 | 38 | 56 | 77 | 58 |
| Refranchised | - | - | - | - | - |
| Closed | (21) | (6) | (18) | (10) | (3) |
| Sold to Company | (16) | (22) | - | (10) | - |
| End of period total | 337 | 353 | 343 | 305 | 248 |
| % of system | 64% | 69% | 76% | 77% | 78% |
| System end of period total | 525 | 510 | 454 | 395 | 318 |

**Site Selection and Design**

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

We have a restaurant prototype with different seating capacities to help reduce costs and improve our flexibility in locating restaurants. Management believes that the flexibility provided by the alternative configurations enables the Company to match the restaurant configuration with the specific economic, demographic, geographic and physical characteristics of a particular site. The majority of our Jack in the Box restaurants are financed with sale and leaseback transactions or constructed on leased land. Typical costs to develop a traditional Jack in the Box restaurant, excluding the land value, range from $1.2 million to $1.9 million. When sale and leaseback financing is used, the initial cash investment is reduced to the cost of equipment, which averages approximately $0.4 million. Qdoba restaurant development costs typically range from $0.5 million to $0.9 million depending on geographic region.

**Franchising Program**

*Jack in the Box*. The Jack in the Box franchise agreement generally provides for an initial franchise fee of $50,000 per restaurant for a 20-year term, and in most instances, marketing fees at 5% of gross sales. Royalty rates, typically 5% of gross sales, range from 2% to as high as 15% of gross sales, and some existing agreements provide for variable rates. We offer development agreements for construction of one or more new restaurants over a defined period of time and in a defined geographic area. Developers are required to pay a fee, a portion of which may be credited against franchise fees due when restaurants open in the future. Developers may forfeit such fees and lose their rights to future development if they do not maintain the required schedule of openings. In fiscal 2009, we began offering a new market development incentive to our franchisees whereby the first 10% of restaurants opening on schedule in a new market may be eligible to receive a royalty rate reduction of 2.5% of gross sales for the first two years after opening, subject to certain limitations.

In connection with the sale of a company-operated restaurant, the restaurant equipment and the right to do business at that location are sold to the franchisee. The aggregate price is equal to the negotiated fair market 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, generally 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 image of the restaurant.

*Qdoba Mexican Grill.* The current Qdoba franchise agreement generally provides for an initial franchise fee of $30,000 per restaurant, a 10-year term with a 10-year option to extend at a fee of $5,000, and marketing fees of up to 2% of gross sales. Franchisees are also required to spend a minimum of 2% of gross sales on local marketing for their restaurants. Royalty rates are typically 5% of gross sales with certain agreements at 2.5% as noted below. We offer development agreements 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 to be opened in the future. If the developer does not maintain the required schedule of openings, they may forfeit such fees and lose their rights to future development. In fiscal 2010, as an incentive to develop target markets, we entered into two development agreements with an initial franchise fee of $15,000 and a royalty rate of 2.5% of gross sales for the first two years of operation for each restaurant opened within the first two years of the development agreement, subject to certain limitations. We may offer similar development agreements in target markets during fiscal 2011.

### Restaurant Operations

*Restaurant Management.* Restaurants are operated by a company-employed manager or a franchisee 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. 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. We also use an interactive system of computer-based training ( CBT ), with a touch-screen computer terminal at Jack in the Box restaurants. The CBT technology incorporates audio, video and text, all of which are updated via satellite. CBT is also designed to reduce the administrative demands on restaurant managers.

For company operations, division vice presidents supervise regional directors, who supervise area coaches, who in turn supervise restaurant managers. Under our performance system, division vice presidents, regional directors, area coaches and restaurant managers are eligible for periodic bonuses based on achievement of goals related to location sales, profit and/or certain other operational performance standards.

*Customer Satisfaction.* We devote significant resources toward ensuring that all restaurants offer quality food and good service. We place great emphasis on ensuring that ingredients are delivered timely to the restaurants. Restaurant food production systems are continuously developed and improved, and we train our employees to deliver consistently good service. Through our network of quality assurance, facilities services and restaurant management personnel, we standardize specifications for food preparation and service, employee conduct and appearance, and the maintenance of our restaurant premises. Operating specifications and procedures are documented in on-line reference manuals and CBT modules. During fiscal 2010, most Jack in the Box restaurants received at least two quality and food safety inspections. In addition, our Voice of the Guest program provides restaurant managers with guest surveys each period regarding their Jack in the Box experience. In 2010, we received more than 1.2 million guest survey responses, in addition to receiving guest feedback through our toll-free telephone number. Also, we recently implemented a comprehensive, system-wide program at Jack in the Box restaurants to improve guest service by delivering a more consistent dining experience. Additional resources are being committed to more closely measure how restaurants are executing the key drivers of guest satisfaction, including: food quality, accuracy, hassle free service, friendliness, cleanliness and service times. The regional director, area coach and restaurant manager receive the feedback so they are able to take immediate action to correct any issues and improve the guest experience in the restaurant.

**Quality Assurance**

Our farm-to-fork food safety and quality assurance program is designed to maintain high standards for the food products and food preparation procedures used by company-operated and franchise restaurants. We maintain product specifications and approve product sources. We have a comprehensive, restaurant-based Hazard Analysis & Critical Control Points ( HACCP ) system for managing food safety and quality. HACCP combines employee training, testing by suppliers, documented restaurant practices and detailed attention to product quality at every stage of the food preparation cycle. The U.S. Department of Agriculture ( USDA ), Food and Drug Administration ( FDA ) and the Center for Science in the Public Interest have recognized our HACCP program as a leader in the industry.

In addition, our HACCP system uses ServSafe®, a nationally recognized food-safety training and certification program. Jack in the Box Inc. is a member of the International Food Safety Council, a coalition of industry members of the National Restaurant Association that have demonstrated a corporate commitment to food safety. Our standards require that all restaurant managers and grill employees receive special grill certification training and be certified annually.

**Purchasing and Distribution**

We provide purchasing, warehouse and distribution services for all Jack in the Box company-operated restaurants, nearly 90% of our Jack in the Box franchise-operated restaurants, and approximately 45% of Qdoba s company and franchise-operated restaurants. The remaining Jack in the Box franchisees and Qdoba restaurants purchase product from approved suppliers and distributors. Some products, primarily dairy and bakery items, are delivered directly by approved suppliers to both company and franchise-operated restaurants. In 2009, we outsourced the transportation services portion of our supply chain as a means of reducing risks associated with the transportation business without increasing our costs.

Regardless of whether we provide distribution services to a restaurant or not, we require that all suppliers meet our strict HACCP program standards, previously discussed. 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 make advance purchases of commodities when considered to be advantageous. However, certain commodities remain subject to price fluctuations. All essential food and beverage products are available, or can be made available, upon short notice from alternative qualified suppliers.

**Information Systems**

*Jack in the Box.* We have centralized financial and accounting systems for company-operated restaurants. We believe these systems are important in analyzing and improving profit margins and accumulating marketing information. Our restaurant satellite-enabled software allows for daily, weekly and monthly polling of sales, inventory and labor data from the restaurants. We use a standardized Windows-based touch screen point-of-sale ( POS ) platform in our Jack in the Box company and franchise restaurants, which allows us to accept credit cards and JACK CA$H®, our re-loadable gift cards. We have contactless payment technology throughout our system, which allows us to accept new credit card types and to prepare for future innovation. We have also developed business intelligence systems to provide visibility to the key metrics in the operation of company and franchise restaurants. Our interactive CBT system, previously discussed, is the standard training tool for new hire training and periodic workstation re-certifications. We have a labor scheduling system to assist in managing labor hours based on forecasted sales volumes. We also have a highly reliable inventory management system, which enables timely deliveries to our restaurants with excellent control over food safety. To support order accuracy and speed of service, our drive-thru restaurants use color order confirmation screens.

*Qdoba.* Qdoba restaurants use POS software with touch screens, accept debit and credit cards at all locations and use back-of-the-restaurant software to control purchasing, inventory, and food and labor costs. These software products have been customized to meet Qdoba s operating standards.

**Advertising and Promotion**

We build brand awareness through our marketing and advertising programs and activities. These activities are supported primarily by contractual contributions from all company and franchise restaurants based on a percentage of sales. Activities to advertise restaurant products, promote brand awareness and attract customers include, but are not limited to, regional and local campaigns on television, national cable television, radio and print media, as well as Internet advertising on specific sites and broad-reach Web portals.

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### Employees

At October 3, 2010, we had approximately 29,300 employees, of whom 27,600 were restaurant employees, 1,000 were corporate personnel, 300 were distribution employees and 400 were field management and administrative personnel. Employees are paid on an hourly basis, except certain restaurant managers, operations and corporate management, and certain administrative personnel. We employ both full and part-time restaurant employees in order to provide the flexibility necessary during peak periods of restaurant operations.

We have not experienced any significant work stoppages and believe our labor relations are good. Over the last several years, we have realized improvements in our hourly restaurant employee retention rate. We support our employees, including part-time workers, by offering competitive wages and benefits. Furthermore, we offer all hourly employees meeting certain minimum service requirements access to health coverage, including vision and dental benefits. As an additional incentive to team members with more than a year of service, we will pay a portion of their health insurance premiums. We also provide our restaurant employees with a program called Sed de Saber (Thirst for Knowledge), an electronic home study program to assist Spanish-speaking restaurant employees in improving their English skills. We believe these programs have contributed to lower turnover, training costs and workers compensation claims.

### 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 3, 2010):

| Name | Age | Positions | Years with the Company |
|---|---|---|---|
| Linda A. Lang | 52 | Chairman of the Board, Chief Executive Officer and President | 23 |
| Jerry P. Rebel | 53 | Executive Vice President and Chief Financial Officer | 7 |
| Phillip H. Rudolph | 52 | Executive Vice President, General Counsel, Secretary, and Chief Ethics & Compliance Officer | 2 |
| Leonard A. Comma | 40 | Senior Vice President, Chief Operating Officer | 9 |
| Terri F. Graham | 45 | Senior Vice President, Chief Marketing Officer | 20 |
| Charles E. Watson | 55 | Senior Vice President, Chief Development Officer | 24 |
| Mark H. Blankenship, Ph.D. | 49 | Vice President, Human Resources | 13 |
| Carol A. DiRaimo | 49 | Vice President, Investor Relations and Corporate Communications | 2 |
| Gary J. Beisler | 54 | Chief Executive Officer and President, Qdoba Restaurant Corporation | 7 |

The following sets forth the business experience of each executive officer for at least the last 5 years:

Ms. Lang has been Chairman of the Board and Chief Executive Officer since October 2005, and became President in February 2010. She was President and Chief Operating Officer from November 2003 to October 2005 and was Executive Vice President from July 2002 to November 2003. From 1996 through July 2002, Ms. Lang held officer-level positions with marketing or operations responsibilities.

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, CVS Corporation and People s Drugs and has more than 20 years of corporate finance experience.

Mr. Rudolph has been Executive Vice President, General Counsel, Corporate Secretary, and Chief Ethics & Compliance Officer since February 2010. He was previously Senior Vice President, General Counsel, Corporate Secretary and Chief Ethics & Compliance Officer since November 2007. Prior to joining the Company in November 2007, Mr. Rudolph was Vice President and General Counsel for Ethical Leadership Group of Wilmette, Ill. He was previously a Partner with Foley Hoag, LLP, a Vice President and U.S. and International General Counsel at McDonald s Corporation, and a Partner with the law firm of Gibson, Dunn & Crutcher, LLP. Mr. Rudolph has more than 25 years of legal experience.

Mr. Comma became Senior Vice President and Chief Operating Officer in February 2010. He was Vice President Operations Division II from February 2007 to February 2010, Regional Vice President of the Company s Southern California region from May 2006 to February 2007 and Director of Convenience-Store & Fuel Operations for the Company s proprietary chain of Quick Stuff convenience stores from August 2001 to May 2006.

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Ms. Graham has been Senior Vice President and Chief Marketing Officer since September 2007. She was previously Vice President and Chief Marketing Officer from December 2004 to September 2007, Vice President of Marketing from May 2003 to December 2004 and Vice President of Brand Communications and Regional Marketing from July 2002 to May 2003. Ms. Graham has 20 years of experience with the Company in various marketing positions.

Mr. Watson has been Senior Vice President since September 2008 and Chief Development Officer since November 2007. Mr. Watson served as Vice President, Restaurant Development since rejoining the Company in April 1997. Mr. Watson has 24 years of experience with the Company in various development and franchising positions.

Dr. Blankenship has been Vice President, Human Resources since November 2009. He was previously Vice President, Human Resources and Operational Services since October 2005. He was Division Vice President, Human Resources from October 2001 to September 2005. Dr. Blankenship has more than 13 years experience with the Company in various human resource and training positions. Effective the beginning of fiscal 2011, he was promoted to Senior Vice President and Chief Administrative Officer.

Ms. DiRaimo has been Vice President of Investor Relations and Corporate Communications since July 2008. She previously held various positions with Applebee s International, Inc., including Vice President of Investor Relations from February 2004 to November 2007. Ms. DiRaimo has more than 27 years of corporate finance and public accounting experience.

Mr. Beisler has been Chief Executive Officer of Qdoba Restaurant Corporation since November 2000 and President since January 1999. He was Chief Operating Officer from April 1998 to December 1998.

### Trademarks and Service Marks

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

### Seasonality

Restaurant sales and profitability are subject to seasonal fluctuations and are traditionally higher during the spring and summer months because of factors such as increased travel and improved weather conditions, which affect the public s dining habits.

### Competition and Markets

The restaurant business is highly competitive and is affected by population trends, traffic patterns, competitive changes in a geographic area, changes in consumer dining habits and preferences, new information regarding diet, nutrition and health, and local and national economic conditions, including unemployment levels, that affect consumer spending habits. Key elements of competition in the industry are the type and quality of the food products offered, price, quality and speed of service, personnel, advertising, name identification, restaurant location 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, as well as with locally-owned and/or independent restaurants in the quick-service and the fast-casual segments. In selling franchises, we compete with many other restaurant franchisors, some of whom have substantially greater financial resources and higher total sales volume.

**Regulation**

Each restaurant is subject to regulation by federal agencies, as well as licensing and regulation by state and local health, sanitation, safety, fire, zoning, building and other departments. Difficulties or failures in obtaining and maintaining any required permits, licensing or approval could result in closures of existing restaurants or delays or cancellations in the opening of new restaurants.

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

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

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. To comply with such laws and regulations, the cost of remodeling and developing restaurants has increased.

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

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

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

**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 the Company. A forward-looking statement is neither a prediction nor a guarantee of future events. Whenever possible, we try to identify these forward-looking statements by using words such as anticipate, assume, believe, estimate, expect, forecast, goals, guidance, intend, plan, project, may, will, would, and similar expressions. Certain fo 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 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 actual results to differ materially from any forward-looking statement appears together with such statement. In addition, the factors described under Risk Factors and Critical Accounting Estimates, as well as other possible factors not listed, could cause actual results and/or goals to differ materially from those expressed in 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.

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 actual results to differ materially from our historical results and from projections in forward-looking statements contained in this report, in our other filings with the Securities and Exchange Commission ( 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 may be materially and adversely affected by changes in consumer tastes, national and regional economic and political conditions, and changes in consumer eating habits, whether based on new information regarding diet, nutrition and health, or otherwise. Recessionary economic conditions, including higher levels of unemployment, lower levels of consumer confidence and decreased consumer spending can reduce restaurant traffic and sales and impose practical limits on pricing. If recessionary economic conditions persist for an extended period of time, consumers may make long-lasting changes to their spending behavior. The performance of individual restaurants may be adversely affected by factors such as traffic patterns, demographics and the type, number and location of competing restaurants, as well as local regulatory, economic and political conditions, terrorist acts or government responses, and catastrophic events such as earthquakes or other natural disasters.

Multi-unit food service businesses such as ours can also be materially and adversely affected by widespread negative publicity of any type, particularly regarding food quality, nutritional content, illness or public health issues (such as epidemics or the prospect of a pandemic), obesity, safety, injury or other health concerns. Adverse publicity in these areas could damage the trust customers place in our brand. We have taken steps to mitigate each of these risks. To minimize the risk of foodborne illness, we have implemented a HACCP system for managing food safety and quality. Nevertheless, these risks cannot be completely eliminated. Any outbreak of such illness attributed to our restaurants or within the food service industry or any widespread negative publicity regarding our brands or the restaurant industry in general could cause a decline in our sales and have a material adverse effect on our financial condition and results of operations.

Unfavorable trends or developments concerning factors such as inflation, increased cost of food, labor, fuel, utilities, technology, insurance and employee benefits (including increases in hourly wages, workers compensation and other insurance costs and premiums), increases in the number and locations of competing restaurants, regional weather conditions and the availability of qualified, experienced management and hourly employees, may also adversely affect the food service industry in general. Because a significant number of our restaurants are company-operated, we may have greater exposure to operating cost issues than chains that are more heavily franchised. Exposure to these fluctuating costs, including increases in commodity costs, could negatively impact our margins. Our continued success will depend in part on our ability to anticipate, identify and respond to changing conditions.

Restaurant sales and profitability are traditionally higher in the spring and summer months due to increased travel, improved weather conditions and other factors which affect the public s dining habits. We cannot assure that our operating results will not be impacted by seasonal fluctuations in sales.

*Risks Associated with Severe Weather and Climate Conditions.* Foodservice businesses such as ours can be materially and adversely affected by severe weather conditions. Severe storms, hurricanes, prolonged drought or protracted heat waves and their aftermath, including flooding, mudslides or wildfires, can result in (i) lost restaurant sales when consumers stay home or are physically prevented from reaching the restaurants; (ii) property damage and lost sales when locations are forced to close for extended periods of time; (iii) interruptions in supply when vendors suffer damages or transportation is affected and (iv) increased costs if agricultural capacity is diminished or if insurance recoveries do not cover all 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 effect on our results of operations and financial condition.

*Risks Associated with Suppliers.* Dependence on frequent deliveries of fresh produce and other food products subjects food service businesses such as ours to the risk that shortages or interruptions in supply could adversely affect the availability, quality and cost of ingredients or require us to incur additional costs to obtain adequate supplies. Our deliveries of supplies may be affected by adverse weather conditions, natural disasters, supplier financial or solvency issues, product recalls, failure to meet our high standards for quality or other issues.

*Reliance on Certain Geographic Markets.* Because approximately 57% of all of our restaurants are located in the states of California and Texas, the economic conditions, state and local laws, government regulations, weather conditions and natural disasters affecting those states may have a material impact upon our results. While there are reports pointing towards U.S. economic recovery, many of our largest markets continue to experience adverse economic conditions, including higher levels of unemployment, lower levels of consumer confidence and decreased consumer spending. If economic recovery is slower and unemployment rates remain elevated, our sales results may be adversely affected.

*Risks Associated with Development.* We intend to grow by developing additional company-owned restaurants and through new restaurant development by franchisees. Development involves substantial risks, including the risk of (i) the availability of financing for the Company and for franchisees at acceptable rates and terms, (ii) development costs exceeding budgeted or contracted amounts, (iii) delays in completion of construction, (iv) the inability to identify, or the unavailability of suitable sites on acceptable leasing or purchase terms, (v) developed properties not achieving desired revenue or cash flow levels once opened, (vi) the unpredicted negative impact of a new restaurant upon sales at nearby existing restaurants, (vii) competition for suitable development sites, (viii) incurring substantial unrecoverable costs in the event a development project is abandoned prior to completion, (ix) the inability to obtain all required governmental permits, including, in appropriate cases, liquor licenses, (x) changes in governmental rules, regulations and interpretations (including interpretations of the requirements of the Americans with Disabilities Act), and (xi) general economic and business conditions.

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

*Risks Related to Entering New Markets.* Our growth strategy includes opening restaurants in markets where we have no existing locations. We cannot assure you that we will be able to successfully expand or acquire critical market presence for our brands in new geographic markets, as we may encounter well-established competitors with substantially greater financial resources. We may be unable to find attractive locations, acquire name recognition, successfully market our products or attract new customers. Competitive circumstances and consumer characteristics in new market segments and new geographic markets may differ substantially from those in the market segments and geographic markets in which we have substantial experience. It may also be difficult for us to recruit and retain qualified personnel to manage restaurants. We cannot assure that company or franchise restaurants can be operated profitably in new geographic markets. Management decisions to curtail or cease investment in certain locations or markets may result in impairment charges.

*Competition.* The restaurant industry is highly competitive with respect to price, service, location, personnel, advertising, brand identification and the type and quality of food. 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, sandwich shops and similar types of businesses. The trend toward convergence in grocery, deli and restaurant services may increase the number of our competitors. Such increased competition could decrease the demand for our products and negatively affect our sales and profitability. Some of our competitors have substantially greater financial, marketing, operating and other resources than we have, which may give them a competitive advantage. Certain of our competitors have introduced a variety of new products and engaged in substantial price discounting in the past, and may adopt similar strategies in the future. Our promotional strategies or other actions during unfavorable competitive conditions may adversely affect our margins. We plan to take various steps in connection with our on-going brand re-invention strategy, including making improvements to the facility image at our restaurants, introducing new, higher-quality products, discontinuing certain menu items and implementing new service and training initiatives. However, there can be no assurance (i) that our facility improvements will foster increases in sales and yield the desired return on investment; (ii) of the success of our new products, initiatives or our overall strategies; or (iii) that competitive product offerings, pricing and promotions will not have an adverse effect upon our sales results and financial condition. We have an on-going profit improvement program which seeks to improve efficiencies and lower costs in all aspects of operations. Although we have been successful in improving efficiencies and reducing costs in the past, there is no assurance that we will be able to continue to do so in the future.

*Risks Related to Increased Labor Costs.* We have a substantial number of employees who are paid wage rates at or slightly above the minimum wage. As federal, state and local minimum wage rates increase, our labor costs will increase. If competitive pressures or other factors prevent us from offsetting the increased costs by increases in prices, our profitability may decline. In addition, the Patient Protection and Affordable Care Act (the healthcare reform act) passed by Congress and signed into law in early 2010 imposes several new and costly mandates upon us, including the requirement that we offer health insurance to all full time employees beginning in 2014. It is our belief that our expenses incurred in providing such insurance will be substantially higher than our current expenses and could negatively affect our results of operations.

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

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

*Risks Related to Achieving Increased Franchise Ownership and Reducing Operating Costs.* At October 3, 2010, approximately 57% of the Jack in the Box restaurants were franchised. Our plan to increase the percentage of franchise restaurants and move towards a level of franchise ownership more closely aligned with that of the quick service restaurant industry is subject to risks and uncertainties. We may not be able to identify franchisee candidates with appropriate experience and financial resources or to negotiate mutually acceptable agreements with them. Our franchisee candidates may not be able to obtain financing at acceptable rates and terms. Current credit market conditions may slow the rate at which we are able to refranchise. We may not be able to increase the percentage of franchise restaurants at the rate we desire or achieve the ownership mix of franchise to company-operated restaurants that we desire. Our ability to sell franchises and to realize gains from such sales is uncertain. Sales of our franchises and the realization of gains from franchising may vary from quarter-to-quarter and year-to-year, and may not meet expectations. We anticipate that our operating costs will be reduced as the number of company-operated restaurants decreases. The ability to reduce our operating costs through increased franchise ownership is subject to risks and uncertainties, and we may not achieve reductions in costs at the rate we desire.

*Risks Related to Franchise Operations.* The opening and success of franchise restaurants depends on various factors, including the demand for our franchises, the selection of appropriate franchisee candidates, the availability of suitable sites, the 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 Risks Associated with Development and Risks Related to Achieving Increased Franchise Ownership and Reducing Operating Costs above. We cannot assure you that 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. As the number of franchisees increases, our revenues derived from royalties and rents at franchise restaurants will increase, as will the risk that earnings could be negatively impacted by defaults in the payment of royalties and rents. In addition, franchisee business obligations may not be limited to the operation of Jack in the Box restaurants, making them subject to business and financial risks unrelated to the operation of our restaurants. These unrelated risks could adversely affect a franchisee s ability to make payments to us or to make payments on a timely basis. We cannot assure you that franchisees will successfully participate in our strategic initiatives or operate their restaurants in a manner consistent with our concept and standards. There are significant risks to our business if a franchisee, particularly one who

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operates a large number of restaurants, fails to adhere to our standards and projects an image inconsistent with our brand.

*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.* See also Item 1. Business Regulation. The restaurant industry is subject to extensive federal, state and local governmental regulations. The increasing amount and complexity of regulations may increase both our costs of compliance and our exposure to regulatory claims. We are subject to regulations including but not limited to those related to:

- The preparation, labeling, advertising and sale of food;
- Building and zoning requirements;
- Employee healthcare (we are currently assessing the potential costs of new federal healthcare legislation);
- Health, sanitation and safety standards;
- Liquor licenses;
- Labor and employment, including our relationships with employees and work eligibility requirements;
- The registration, offer, sale, termination and renewal of franchises;
- Consumer protection and the security of information. The costs of compliance, including increased investment in technology in order to protect such information, may negatively impact our margins;
- Climate change, including the potential impact of greenhouse gases, water consumption, or a tax on carbon emissions.

*Risks Related to Computer Systems and Information Technology.* We rely on computer systems and information technology to conduct our business. A material failure or interruption of service or a breach in security of our computer systems could cause reduced efficiency in operations, loss of data and business interruptions. Significant capital investment could be required to rectify these problems. In addition, any security breach involving our point of sale or other systems could result in loss of consumer confidence and potential costs associated with consumer fraud.

*Risks Related to Interest Rates.* We have exposure to changes in interest rates based on our financing, investing and cash management activities. Changes in interest rates could materially impact our profitability.

*Risks Related to Availability of Credit.* To the extent that banks in our revolving credit facility become insolvent, this could limit our ability to borrow to the full level of our facility.

*Risks Related to the Failure of Internal Controls.* We maintain a documented system of internal controls, which is reviewed and monitored by an Internal Control Committee and tested by the Company s full time Internal Audit Department. The Internal Audit Department reports to the Audit Committee of the Board of Directors. We believe we have a well-designed system to maintain adequate internal controls on the business; however, we cannot be certain that our controls will be adequate in the future or that adequate controls will be effective in preventing errors or fraud. 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 Risks and Regulations.* As is the case with any owner or operator of real property, we are subject to a variety of federal, state and local governmental regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by governmental agencies or courts of law, which could adversely affect operations. We have engaged and may engage in real estate development projects and own or lease several parcels of real estate on which our restaurants are located. We are unaware of any significant hazards on properties we own or have owned, or operate or have operated, the remediation of which would result in material liability for the Company. Accordingly, we do not have environmental liability insurance, 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. We also operate motor vehicles and warehouses and handle various petroleum substances and hazardous substances, and we are not aware of any current material liability related thereto.

*Risks Related to Leverage.* The Company has a $600 million credit facility, which is comprised of a $400 million revolving credit facility and a $200 million term loan. Increased leverage resulting from borrowings under the credit facility could have certain material adverse effects on the Company, including but not limited to the following: (i) our ability to obtain additional financing in the future for acquisitions, working capital, capital expenditures and general corporate or other purposes could be impaired, or any such financing may not be available on terms favorable to us; (ii) 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; (iii) any substantial decrease in net operating cash flows or any substantial increase in expenses could make it difficult for us to meet our debt service requirements or force us to modify our operations or sell assets; (iv) our ability to withstand competitive pressures may be decreased; and (v) 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.

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

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

*Litigation.* Like any public company, we are subject to a wide variety of legal claims by employees, consumers, franchisees, shareholders and others including potential class action claims. The costs associated with the defense, settlement and/or potential judgments related to such claims could adversely affect our results.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

The following table sets forth information regarding our Jack in the Box and Qdoba restaurant properties as of October 3, 2010:

| | Company-Operated | Franchised | Total |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Company-owned restaurant buildings: | | | |
| On company-owned land | 101 | 131 | 232 |
| On leased land | 500 | 330 | 830 |
| Subtotal | 601 | 461 | 1,062 |
| Company-leased restaurant buildings on leased land | 543 | 637 | 1,180 |
| Franchise directly-owned or directly-leased restaurant buildings | - | 489 | 489 |
| Total restaurant buildings | 1,144 | 1,587 | 2,731 |

Our leases generally provide for fixed rental payments (with cost-of-living index adjustments) plus real estate taxes, insurance and other expenses. In addition, less than 20% of the leases provide for contingent rental payments between 1% and 11% of the restaurant s gross sales once certain thresholds are met. We have generally been able to renew our restaurant leases as they expire at then-current market rates. The remaining terms of ground leases range from approximately one year to 58 years, including optional renewal periods. The remaining lease terms of our other leases range from approximately one year to 47 years, including optional renewal periods. At October 3, 2010, our restaurant leases had initial terms expiring as follows:

| | Number of Restaurants | |
|---|---|---|
| **Fiscal Year** | **Ground Leases** | **Land and Building Leases** |
| 2011 2015 | 157 | 377 |
| 2016 2020 | 176 | 580 |
| 2021 2025 | 176 | 306 |
| 2026 and later | 133 | 105 |

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 Wheat Ridge, Colorado. We also lease seven distribution centers, with remaining terms ranging from seven to 15 years, including optional renewal periods.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to normal and routine litigation. In the opinion of management, based in part on the advice of legal counsel, the ultimate liability from all pending legal proceedings, asserted legal claims and known potential legal claims should not materially affect our operating results, financial position or liquidity.

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 New York Stock Exchange and NASDAQ Composite Transactions:

| | **13 Weeks Ended Oct. 3, 2010** | **12 Weeks Ended July 4, 2010** | **12 Weeks Ended Apr. 11, 2010** | **16 Weeks Ended Jan. 17, 2010** |
|---|---|---|---|---|
| High | $ 22.54 | $ 26.37 | $ 25.04 | $ 21.04 |
| Low | 18.42 | 19.05 | 19.50 | 17.84 |

| | **Sept. 27, 2009** | **12 Weeks Ended July 5, 2009** | **Apr. 12, 2009** | **16 Weeks Ended Jan. 18, 2009** |
|---|---|---|---|---|
| High | $ 23.87 | $ 28.35 | $ 25.78 | $ 23.09 |
| Low | 19.87 | 21.82 | 16.59 | 11.82 |

*Dividends.* We did not pay any cash or other dividends during the last two fiscal years and do not anticipate paying dividends in the foreseeable future. Our credit agreement provides for $500 million for the potential payment of cash dividends and stock repurchases, subject to certain limitations based on our leverage ratio as defined in our credit agreement.

*Stock Repurchases.* In November 2007, the Board approved a program to repurchase up to $200 million in shares of our common stock over three years expiring November 9, 2010. As of October 3, 2010, the aggregate remaining amount authorized and available under this program for repurchase was $3.0 million. During fiscal 2010, we repurchased 4.9 million shares for a total of $97.0 million. The following table summarizes shares repurchased pursuant to this program during the quarter ended October 3, 2010:

| | **(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** |
|---|---|---|---|---|
| | | | | $ 50,000,479 |
| July 5, 2010 August 1, 2010 | - | - | - | 50,000,479 |
| August 2, 2010 August 29, 2010 | 1,979,287 | $ 19.82 | 1,979,287 | 10,718,098 |
| August 30, 2010 October 3, 2010 | 366,368 | 21.04 | 366,368 | 3,000,485 |

| | | | |
|---|---|---|---|
| Total | 2,345,655 | $ 20.01 | 2,345,655 |

In November 2010, the Board of Directors approved a new program to repurchase, within the next year, up to $100.0 million in shares of our common stock.

*Stockholders.* As of October 3, 2010, there were 638 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 3, 2010. Stockholders of the Company approved all plans.

| | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) | (b) Weighted-average exercise price of outstanding options (1) | (c) Number of securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a))(2) |
|---|---|---|---|
| Equity compensation plans approved by security holders (3) | 5,503,369 | $ 21.81 | 2,371,672 |

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

(2) Includes 143,072 shares that are reserved for issuance under our Employee Stock Purchase Plan.

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

*Performance Graph.* The following graph compares the cumulative return to holders of the Company s common stock at September 30th of each year (except 2010 when the comparison date is October 3 due to the fifty-third week in fiscal 2010) to the yearly weighted cumulative return of a Restaurant Peer Group Index and to the Standard & Poor s ( S&P ) 500 Index for the same period.

The below comparison assumes $100 was invested on September 30, 2005 in the Company s common stock and in the comparison group and assumes reinvestment of dividends. The Company paid no dividends during these periods.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Jack in the Box Inc. | $ 100 | $ 174 | $ 217 | $ 141 | $ 137 | $ 144 |
| S&P 500 Index | $ 100 | $ 111 | $ 129 | $ 101 | $ 94 | $ 103 |
| Restaurant Peer Group (1) | $ 100 | $ 121 | $ 141 | $ 138 | $ 143 | $ 193 |

(1) Jack in the Box Inc. Restaurant Peer Group Index is comprised of the following companies: Brinker International, Inc.; Cracker Barrel Old Country Store, Inc.; Darden Restaurants Inc.; DineEquity, Inc.; McDonalds Corp.; Panera Bread Company; PF Chang s China Bistro Inc.; Ruby Tuesday, Inc.; Sonic Corp.; Starbucks Corp.; The Cheesecake Factory Inc.; and Yum! Brands Inc.

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ITEM 6. SELECTED FINANCIAL DATA

Our fiscal year is 52 or 53 weeks, ending the Sunday closest to September 30. All years presented include 52 weeks, except for 2010 which includes 53 weeks. The selected financial data reflects Quick Stuff as discontinued operations for fiscal years 2006 through 2009. The following selected financial data of Jack in the Box Inc. for each fiscal year was extracted or derived from our audited financial statements.

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2010** | **2009** | **2008** | **2007** | **2006** |
| | (in thousands, except per share data) | | | | |
| **Statements of Earnings Data:** | | | | | |
| Total revenues | $ 2,297,531 | $ 2,471,096 | $ 2,539,561 | $ 2,513,431 | $ 2,381,244 |
| Total operating costs and expenses | 2,230,609 | 2,318,470 | 2,390,022 | 2,334,526 | 2,244,383 |
| Gains on the sale of company-operated restaurants, net | (54,988) | (78,642) | (66,349) | (38,091) | (40,464) |
| Total operating costs and expenses, net | 2,175,621 | 2,239,828 | 2,323,673 | 2,296,435 | 2,203,919 |
| Earnings from operations | 121,910 | 231,268 | 215,888 | 216,996 | 177,325 |
| Interest expense, net | 15,894 | 20,767 | 27,428 | 23,335 | 12,056 |
| Income taxes | 35,806 | 79,455 | 70,251 | 68,982 | 58,845 |
| Earnings from continuing operations | $ 70,210 | $ 131,046 | $ 118,209 | $ 124,679 | $ 106,424 |
| **Earnings per Share and Share Data:** | | | | | |
| Earnings per share from continuing operations: | | | | | |
| Basic | $ 1.27 | $ 2.31 | $ 2.03 | $ 1.91 | $ 1.52 |
| Diluted | $ 1.26 | $ 2.27 | $ 1.99 | $ 1.85 | $ 1.48 |
| Weighted-average shares outstanding Diluted (1) | 55,843 | 57,733 | 59,445 | 67,263 | 71,834 |
| Market price at year-end | $ 21.47 | $ 20.07 | $ 22.06 | $ 32.42 | $ 26.09 |
| **Other Operating Data:** | | | | | |
| Jack in the Box restaurants: | | | | | |
| Company-operated average unit volume (3) | $ 1,297 | $ 1,420 | $ 1,439 | $ 1,430 | $ 1,358 |
| Change in company-operated same-store sales (4) | (8.6)% | (1.2)% | 0.2% | 6.1% | 4.8% |
| Change in franchise-operated same-store sales (4) | (7.8)% | (1.3)% | 0.1% | 5.3% | 3.5% |

| | | | | | |
|---|---|---|---|---|---|
| Change in system same-store sales (4) | (8.2)% | (1.3)% | 0.2% | 5.8% | 4.5% |
| Qdoba restaurants: | | | | | |
| System average unit volume (3) | $ 923 | $ 905 | $ 946 | $ 953 | $ 933 |
| Change in system same-store sales(4) | 2.8% | (2.3)% | 1.6% | 4.6% | 5.9% |
| SG&A rate | 10.6% | 10.5% | 10.4% | 11.6% | 12.5% |
| Capital expenditures related to continuing operations | $ 95,610 | $ 153,500 | $ 178,605 | $ 148,508 | $ 135,022 |
| **Balance Sheet Data (at end of period):** | | | | | |
| Total assets | $ 1,407,092 | $ 1,455,910 | $ 1,498,418 | $ 1,374,690 | $ 1,513,499 |
| Long-term debt | 352,630 | 357,270 | 516,250 | 427,516 | 254,231 |
| Stockholders equity (2) | 520,463 | 524,489 | 457,111 | 409,585 | 706,633 |

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

(2) Fiscal 2007 includes a reduction in stockholders equity of $363.4 million related to shares repurchased and retired during the year.

(3) 2010 average unit volume is adjusted to exclude the 53$^{rd}$ week for the purpose of comparison to prior years.

(4) Same-store sales, sales growth and average unit volume presented on a system-wide basis include company and franchise restaurants. Franchise sales represent sales at all franchise restaurants and are revenues to our franchisees. We do not record franchise sales as revenues; however, our royalty revenues are calculated based on a percentage of franchise sales. We believe franchise and system sales growth 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 same-store sales growth includes the results of all restaurants that have been open more than one year.

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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 3, 2010 and the 52-week periods ended September 27, 2009 and September 28, 2008 for 2010, 2009 and 2008, respectively, unless otherwise indicated.

Our MD&A consists of the following sections:

***Overview*** a general description of our business, the quick-service dining segment of the restaurant industry and fiscal 2010 highlights.

***Financial reporting*** a discussion of changes in presentation.

***Results of operations*** an analysis of our consolidated statements of earnings for the three years presented in our consolidated financial statements.

***Liquidity and capital resources*** an analysis of cash flows including capital expenditures, aggregate contractual obligations, share repurchase activity, known trends that may impact liquidity, and the impact of inflation.

***Discussion of critical accounting estimates*** a discussion of accounting policies that require critical judgments and estimates.

***Future application of accounting principles*** a discussion of new accounting pronouncements, dates of implementation and impact on our consolidated financial position or results of operations, if any.

## OVERVIEW

Our primary source of revenue is from retail sales at Jack in the Box and Qdoba company-operated restaurants. We also derive revenue from Jack in the Box and Qdoba franchise restaurants, including royalties (based upon a percent of sales), rents, franchise fees and distribution sales of food and packaging commodities. In addition, we recognize gains from the sale of company-operated restaurants to franchisees, which are presented as a reduction of operating costs and expenses, net in the accompanying consolidated statements of earnings.

The quick-service restaurant industry is complex and challenging. Challenges currently facing the sector include higher levels of consumer expectations, intense competition with respect to market share, restaurant locations, labor, menu and product development, changes in the economy, including the current recessionary environment, high rates of unemployment, costs of commodities and trends for healthier eating.

The following summarizes the most significant events occurring in fiscal 2010 and certain trends compared to prior years:

***Restaurant Sales.*** Sales at Jack in the Box company-operated restaurants open more than one year ( same-store sales ) decreased 8.6% in fiscal 2010 and 1.2% in 2009. Same-store sales at franchise-operated restaurants decreased 7.8% in fiscal 2010 and 1.3% in 2009. System same-store sales at Qdoba increased 2.8% versus a decrease of 2.3% last fiscal year. Sales at Jack in the Box restaurants continue to be impacted by high unemployment rates in our major markets for our key customer demographics.

***Commodity Costs.*** Pressures from higher commodity costs, which negatively impacted our business in fiscal 2009, moderated somewhat in 2010. Overall commodity costs at Jack in the Box restaurants decreased approximately 1.4% after increasing approximately 2.0% in 2009, as lower costs for beef, shortening, poultry and bakery were partially offset by higher costs for produce and pork.

***Restaurant Closures.*** In the fourth quarter, we closed 40 underperforming Jack in the Box restaurants located primarily in the Southeast and Texas resulting in a charge of $18.5 million, net of taxes, or $0.33 per diluted share. These closures are expected to have a positive impact on future earnings and cash flows.

***New Unit Development.*** We continued to grow our brands with the opening of new company-operated and franchise restaurants. In 2010, we opened 46 Jack in the Box locations, including several in our newer markets, and 36 Qdoba locations.

***Franchising Program.*** We refranchised 219 Jack in the Box restaurants, while Qdoba and Jack in the Box franchisees opened 37 restaurants in 2010. We remain on track to achieve our goal to increase the percentage of franchise ownership in the Jack in the Box system to 70-80% by the end of fiscal year 2013, and we ended fiscal 2010 at 57% franchised.

***Credit Facility.*** During 2010, we entered into a new credit agreement consisting of a $400 million revolving credit facility and a $200 million term loan, both with a five-year maturity.

***Share Repurchases.*** Pursuant to a share repurchase program authorized by our Board of Directors, we repurchased 4.9 million shares of our common stock at an average price of $19.71 per share.

## FINANCIAL REPORTING

In 2010, we separated impairment and other charges, net from selling, general and administrative expenses in our consolidated statements of earnings. Prior year amounts have been reclassified to conform to this new presentation.

The results of operations and cash flows for Quick Stuff, which was sold in 2009, are reflected as discontinued operations for all periods presented. Refer to Note 2, *Discontinued Operations*, in the notes to our consolidated financial statements for more information.

## RESULTS OF OPERATIONS

The following table presents certain income and expense items included in our consolidated statements of earnings as a percentage of total revenues, unless otherwise indicated:

### CONSOLIDATED STATEMENTS OF EARNINGS DATA

| | | Fiscal Year | |
|---|---|---|---|
| | **2010** | **2009** | **2008** |
| Revenues: | | | |
| Company restaurant sales | 72.6% | 80.0% | 82.8% |
| Distribution sales | 17.3% | 12.2% | 10.8% |
| Franchise revenues | 10.1% | 7.8% | 6.4% |
| Total revenues | 100.0% | 100.0% | 100.0% |
| Total operating costs and expenses, net: | | | |
| Company restaurant costs: | | | |

| | | | |
|---|---|---|---|
| Food and packaging (1) | 31.8% | 32.4% | 33.3% |
| Payroll and employee benefits(1) | 30.3% | 29.7% | 29.7% |
| Occupancy and other (1) | 23.9% | 21.7% | 20.9% |
| Total company restaurant costs (1) | 85.9% | 83.8% | 83.9% |
| Distribution costs (1) | 100.4% | 99.6% | 99.3% |
| Franchise costs (1) | 45.4% | 40.6% | 39.9% |
| Selling, general and administrative expenses | 10.6% | 10.5% | 10.4% |
| Impairment and other charges, net | 2.1% | 0.9% | 0.9% |
| Gains on the sale of company-operated restaurants, net | (2.4)% | (3.2)% | (2.6)% |
| Earnings from operations | 5.3% | 9.4% | 8.5% |
| Income tax rate (2) | 33.8% | 37.7% | 37.3% |

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

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**Revenues**

As we execute our refranchising strategy, which includes the sale of restaurants to franchisees, we expect the number of company-operated restaurants and the related sales to continually decrease while revenues from franchise restaurants increase. Company restaurant sales decreased $307.3 million in 2010 and $125.7 million in 2009 compared with the prior years. The decrease in restaurant sales in both years is due primarily to decreases in the average number of Jack in the Box company-operated restaurants and declines in same-store sales at Jack in the Box restaurants, partially offset by an increase in the number of Qdoba company-operated restaurants and, in 2010, additional sales of $28.9 million from a 53rd week. The following table presents the approximate impact of these increases and decreases on restaurant sales (*dollars in millions*):

| | Increase/(Decrease) | |
|---|---|---|
| | **2010 vs 2009** | **2009 vs 2008** |
| Reduction in the average number of company-operated restaurants | $ (176.6) | $ (85.5) |
| Jack in the Box same-store sales declines | (156.1) | (27.4) |
| 53rd week | 28.9 | - |
| Other | (3.5) | (12.8) |
| Total change in restaurant sales | $ (307.3) | $ (125.7) |

Same-store sales at Jack in the Box restaurants declined 8.6% in 2010 and 1.2% in 2009. The average check decreased 1.5% in 2010 and increased 1.8% in 2009, including the impact of price increases of approximately 1.7% and 2.8%, respectively. The 2010 decline reflects unfavorable product mix changes, promotions and discounting. Sales continue to be impacted by high unemployment rates in our major markets.

Distribution sales to Jack in the Box and Qdoba franchisees grew $95.8 million in 2010 and $26.9 million in 2009 compared with the prior year. The increase in distribution sales in both years primarily relates to an increase in the number of Jack in the Box and Qdoba franchise restaurants serviced by our distribution centers, which contributed additional sales of approximately $108.4 million and $39.6 million in 2010 and 2009, respectively, and were partially offset by lower per store average ( PSA ) volumes in both years. The increase in 2010 also includes sales of approximately $11.2 million from the 53rd week.

Franchise revenues increased $37.9 million and $30.4 million in 2010 and 2009, respectively, primarily reflecting an increase in the average number of Jack in the Box franchise restaurants and, in 2010, additional revenues of $4.6 million from a 53rd week, offset in part by a decline in same-store sales at Jack in the Box franchise restaurants. The increase in the average number of restaurants due to refranchising activity contributed additional royalties, rents and fees of approximately $39.0 million and $31.2 million in 2010 and 2009, respectively. The following table reflects the detail of our franchise revenues in each year and other information we believe is useful in analyzing the change in franchise revenues (*dollars in thousands*):

| | **2010** | **2009** | **2008** |
|---|---|---|---|
| Royalties | $ 91,216 | $ 79,690 | $ 68,811 |

| | | | |
|---|---|---|---|
| Rents | 128,143 | 103,784 | 86,310 |
| Re-image contributions to franchisees | (1,455) | (3,700) | (2,100) |
| Franchise fees and other | 13,123 | 13,345 | 9,739 |
| Franchise revenues | $ 231,027 | $ 193,119 | $ 162,760 |
| % change | 19.6% | 18.7% | 16.4% |
| Average number of franchised restaurants | 1,424 | 1,215 | 1,068 |
| % change | 17.2% | 13.8% | |
| Change in Jack in the Box franchise-operated same-store sales | (7.8)% | (1.3)% | 0.1% |
| Royalties as a percentage of estimated franchised restaurant sales: | | | |
| Jack in the Box | 5.3% | 5.3% | 5.1% |
| Qdoba | 5.0% | 5.0% | 5.0% |

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## Operating Costs and Expenses

Food and packaging costs decreased to 31.8% of company restaurant sales in 2010 from 32.4% in 2009 and 33.3% in 2008. In 2010, lower commodity costs (including beef, shortening, poultry and bakery), margin improvement initiatives and modest selling price increases more than offset the impact of unfavorable product mix and promotions. The decline in 2009 included the benefit of selling price increases, favorable product mix changes and margin improvement initiatives, offset in part by commodity cost increases of approximately 2.0%.

Payroll and employee benefit costs were 30.3% of company restaurant sales in 2010 and 29.7% in 2009 and 2008. The increase in 2010 reflects the impact of same-store sales deleverage and higher workers compensation costs of approximately 50 basis points, which more than offset the benefits derived from our labor productivity initiatives. Workers compensation costs have increased as the cost per claim is trending higher although the number of claims is lower. In 2009 labor productivity initiatives offset minimum wage increases.

Occupancy and other costs were 23.9% of company restaurant sales in 2010, 21.7% in 2009 and 20.9% in 2008. The higher percentage in 2010 is due primarily to sales deleverage and higher depreciation from the ongoing re-image program at Jack in the Box, which were partially offset by lower utilities expense. The increase in 2009 was due primarily to higher depreciation expense related to the Jack in the Box re-image program and a kitchen enhancement project completed in 2008, higher rent and depreciation related to new restaurant development at Qdoba and sales deleverage at Jack in the Box and Qdoba restaurants, which were partially offset by lower utility costs.

Distribution costs increased to $399.7 million in 2010 from $300.9 million in 2009 and $273.4 million in 2008, primarily reflecting increases in the related sales. These costs increased to 100.4% of distribution sales in 2010, compared with 99.6% in 2009 and 99.3% in 2008, due primarily to deleverage from lower PSA sales at Jack in the Box franchise restaurants.

Franchise costs, principally rents and depreciation on properties leased to Jack in the Box franchisees, increased $26.4 million in 2010 and $13.4 million in 2009, due primarily to an increase in the number of franchise restaurants that sublease property from us as a result of our refranchising activities. Franchise costs increased to 45.4% of the related revenues in 2010 from 40.6% in 2009 and 39.9% in 2008 primarily due to revenue deleverage from lower sales at franchised restaurants and higher PSA rent and depreciation expense.

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

| | **Increase/(Decrease)** | |
|---|---|---|
| | **2010 vs 2009** | **2009 vs 2008** |
| Advertising | $ (11,689) | $ (6,807) |
| Refranchising strategy | (14,818) | 4,217 |
| Severance | (1,366) | 2,079 |
| Incentive compensation | (6,062) | (25) |
| Cash surrender value of COLI policies, net | (2,954) | (2,731) |
| Pension and postretirement benefits | 17,632 | (2,190) |
| Hurricane Ike insurance proceeds | (4,223) | - |
| Pre-opening | (1,540) | 1,861 |
| 53rd week | 3,597 | - |

| | | |
|---|---|---|
| Other | 4,114 | (540) |
| | $ (17,309) | $ (4,136) |

Our refranchising strategy has resulted in a decrease in the number of company-operated restaurants and the related overhead expenses to manage and support those restaurants. Advertising costs, primarily contributions to our marketing fund that are generally determined as a percentage of company restaurant sales, decreased reflecting our refranchising strategy and lower PSA sales at Jack in the Box company-operated restaurants, and were partially offset by incremental Company contributions of approximately $6.5 million in 2010. The decrease in incentive compensation in 2010 reflects the decrease in the Company s performance. Changes in the cash surrender value of our COLI policies, net of changes in our non-qualified deferred compensation obligation supported by these policies are subject to market fluctuations. The market adjustments of the investments include a net benefit of

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$2.7 million in 2010 compared with negative impacts of $0.3 million in 2009 and $3.0 million in 2008. The increase in pension and postretirement benefits expense in 2010 principally relates to a decrease in our discount rate. The fluctuations in pre-opening costs primarily relate to changes in the number of new Jack in the Box restaurants opened which decreased to 30 locations in 2010, compared with 43 in 2009 and 23 in 2008.

Impairment and other charges, net is comprised of the following *(in thousands)*:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Impairment | $ 12,970 | $ 6,586 | $ 3,507 |
| Losses on disposition of property and equipment, net | 10,757 | 11,418 | 17,373 |
| Costs of closed restaurants (primarily lease obligations) | 22,262 | 2,080 | (21) |
| Other | 2,898 | 1,930 | 1,898 |
| | $ 48,887 | $ 22,014 | $ 22,757 |

Impairment and other charges, net increased $26.9 million in 2010 and decreased slightly in 2009 compared to the prior years. The increase in 2010 is due primarily to the closure of 40 underperforming Jack in the Box restaurants in the fourth quarter of the fiscal year. The decision to close these restaurants was based on a comprehensive analysis performed that took into consideration levels of return on investment and other key operating performance metrics. In connection with these closures, we recorded a total charge of $28.0 million which included property and equipment impairment charges of $8.4 million and $19.0 million related to future lease commitments.

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

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Number of restaurants sold to franchisees | 219 | 194 | 109 |
| Gains on the sale of company-operated restaurants | $ 54,988 | $ 81,013 | $ 66,349 |
| Loss on expected sale of underperforming market | - | (2,371) | - |
| Gains on the sale of company-operated restaurants, net | $ 54,988 | $ 78,642 | $ 66,349 |
| Average gain on restaurants sold | $ 251 | $ 418 | $ 609 |

Gains were impacted by the number of restaurants sold and changes in average gains recognized, which relate to the specific sales and cash flows of those restaurants. In 2009, gains on the sale of company-operated restaurants to franchisees, net included a loss of $2.4 million relating to the anticipated sale of a lower performing Jack in the Box market.

**Interest Expense, Net**

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

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Interest expense | $ 17,011 | $ 22,155 | $ 28,070 |
| Interest income | (1,117) | (1,388) | (642) |
| Interest expense, net | $ 15,894 | $ 20,767 | $ 27,428 |

Interest expense, net decreased $4.9 million in 2010 and $6.7 million in 2009 due primarily to lower average interest rates. In 2010, lower average borrowings, partially offset by a $0.5 million charge to write off deferred financing fees in connection with the refinancing of our credit facility, also contributed to the decrease. In 2009, higher average borrowings partially offset the impact of lower interest rates.

**Income Taxes**

The income tax provisions reflect effective tax rates of 33.8%, 37.7% and 37.3% of pretax earnings from continuing operations in 2010, 2009 and 2008, respectively. The lower tax rate in 2010 is largely attributable to the impact of impairment and other charges, higher work opportunity tax credits and the market performance of insurance investment products used to fund certain non-qualified retirement plans. Changes in the cash value of the insurance products are not included in taxable income.

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**Earnings from Continuing Operations**

Earnings from continuing operations were $70.2 million, or $1.26 per diluted share, in 2010; $131.0 million, or $2.27 per diluted share, in 2009; and $118.2 million, or $1.99 per diluted share, in 2008. We estimate that the extra 53rd week benefitted net earnings by approximately $1.8 million, or $0.03 per diluted share, in fiscal 2010.

**Earnings from Discontinued Operations, Net**

As described in the Financial Reporting section, Quick Stuff s results of operations have been reported as discontinued operations. In 2009, the loss from discontinued operations, net was $12.6 million, reflecting the $15.0 million net of tax loss from the sale of Quick Stuff in the fourth quarter. Earnings from discontinued operations, net were $1.1 million in 2008.

**LIQUIDITY AND CAPITAL RESOURCES**

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

Our cash requirements consist principally of:

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

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

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

Cash and cash equivalents decreased $42.4 million to $10.6 million at October 3, 2010 from $53.0 million at the beginning of the fiscal year. This decrease is primarily due to repurchases of common stock, net repayments under our credit facility, and property and equipment expenditures. These uses of cash were offset in part by proceeds from the sale and leaseback of restaurant properties, cash flows provided by operating activities, and proceeds and collections of notes receivable from the sale of restaurants to franchisees. We generally reinvest available cash flows from operations to develop new restaurants or enhance existing restaurants, to reduce debt and to repurchase shares of our common stock.

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

| | **2010** | **2009** | **2008** |
|---|---|---|---|
| Total cash provided by (used in): | | | |
| Operating activities: | | | |
| Continuing operations | $ 64,038 | $ 147,324 | $ 167,035 |
| Discontinued operations | (2,172) | 1,426 | 5,349 |
| Investing activities: | | | |
| Continuing operations | 19,173 | (71,607) | (132,406) |
| Discontinued operations | - | 30,648 | (1,964) |
| Financing activities | (123,434) | (102,673) | (5,832) |
| Increase (decrease) in cash and cash equivalents | $ (42,395) | $ 5,118 | $ 32,182 |

Operating Activities. Operating cash flows from continuing operations decreased $83.3 million in 2010 compared with 2009 due primarily to the timing of working capital receipts and disbursements and a decrease in cash flows related to higher company restaurant costs, our refranchising strategy and same-store sales declines at our Jack in the Box restaurants. In 2009, cash flows from continuing operations decreased $19.7 million compared with 2008 due to a decrease in earnings from continuing operations adjusted for non-cash items, partially offset by fluctuations due to the timing of working capital receipts and disbursements. Operating cash flows from our discontinued operations were not material to our consolidated statements of cash flows for all fiscal years presented.

Investing Activities. Investing activity cash flows from continuing operations increased $90.8 million in 2010 compared with 2009. This increase is primarily due to an increase in the number of sites that we sold and leased back and lower spending for purchases of property and equipment, partially offset by decreases in proceeds from and collections of notes receivable related to the sale of restaurants to franchisees. In 2009, cash flows used in investing activities from continuing operations decreased $60.8 million compared with 2008. This decrease was primarily due to an increase in cash proceeds from the sale of company-operated restaurants to franchisees, lower spending for purchases of property and equipment and an increase in collections on notes receivable, offset in part by an increase in spending related to assets held for sale and leaseback and cash used in 2009 to acquire Qdoba franchise-operated restaurants.

In 2009, cash flows provided by discontinued operations increased $32.6 million compared with 2008 due primarily to proceeds received in 2009 of $34.4 million related to the sale of our Quick Stuff convenience and fuel stores.

*Assets Held for Sale and Leaseback.* We use sale and leaseback financing to lower the initial cash investment in our Jack in the Box restaurants to the cost of the equipment, whenever possible. In 2010, 20 of our new Jack in the Box restaurants were developed as sale and leaseback properties, compared with 18 in 2009 and 9 in 2008. In 2010, we sold and leased back 25 restaurants compared with four in 2009 and 7 in 2008. As of October 3, 2010, we had cash investments of $59.9 million in approximately 56 operating and under-construction restaurant properties that we expect to sell and lease back during fiscal 2011.

*Capital Expenditures.* The composition of capital expenditures used in continuing operations in each year follows (*in thousands*):

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Jack in the Box: | | | |
| New restaurants | $ 20,867 | $ 46,078 | $ 35,751 |
| Restaurant facility improvements | 50,724 | 69,856 | 116,670 |
| Other, including corporate | 10,447 | 18,377 | 10,943 |
| Qdoba | 13,572 | 19,189 | 15,241 |
| Total capital expenditures used in continuing operations | $ 95,610 | $ 153,500 | $ 178,605 |

Our capital expenditure program includes, among other things, investments in new locations, restaurant remodeling, new equipment and information technology enhancements. In 2010, capital expenditures decreased due primarily to a decline in the number of new Jack in the Box and Qdoba restaurants developed and the number of existing restaurants rebuilt, and lower spending related to our re-image program and network and system upgrades. In 2010, we continued reimaging our restaurants, focusing on the interiors as we substantially completed reimaging the restaurant exteriors in 2009. The reimage program, which began in 2006, is an important part of the chain s brand-reinvention initiative and is intended to create a warm and inviting dining experience for Jack in the Box guests. As of October 3, 2010, approximately 68% of all Jack in the Box company-operated restaurants feature all interior and exterior elements of the reimage program; we expect completion by the end of fiscal year 2011. In 2009, capital expenditures decreased due to lower spending related to our reimage program as well as the inclusion of a kitchen enhancement project and the purchase of our smoothie equipment in 2008. The kitchen enhancements were designed to increase restaurant capacity for new product introductions while reducing utility expense using energy-efficient equipment.

In fiscal 2011, capital expenditures are expected to be approximately $135-$145 million, including investment costs related to the Jack in the Box restaurant re-image program and the continued rollout of our new logo. We plan to open approximately 25 new Jack in the Box and 25 new Qdoba company-operated restaurants in 2011.

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

| | **2010** | **2009** | **2008** |
|---|---|---|---|
| Number of restaurants sold to franchisees | 219 | 194 | 109 |
| Cash proceeds from the sale of company-operated restaurants | $ 66,152 | $ 94,927 | $ 57,117 |
| Notes receivable | 25,809 | 21,575 | 27,928 |
| Total proceeds | $ 91,961 | $ 116,502 | $ 85,045 |
| Average proceeds | $ 420 | $ 601 | $ 780 |

All fiscal years presented include financing provided to facilitate the closing of certain transactions. As of October 3, 2010, notes receivable related to refranchisings were $29.8 million, of which $18.7 million has been repaid since the end of the fiscal year. We expect total proceeds of $85-$95 million from the sale of 175-225 Jack in the Box restaurants in 2011.

*Acquisition of Franchise-Operated Restaurants.* In 2010, we acquired 16 Qdoba franchise-operated restaurants in the Boston market for approximately $8.1 million. The purchase price was allocated to property and equipment, goodwill and reacquired franchise rights. For additional information, refer to Note 3, *Initial Franchise Fees, Refranchisings and Acquisitions*, of the notes to the consolidated financial statements.

In 2009, we acquired 22 Qdoba franchise-operated restaurants for approximately $6.8 million, net of cash received. The total purchase price was allocated to property and equipment, goodwill and other income. The restaurants acquired are located in Michigan and California, which we believe provide good long-term growth potential consistent with our strategic goals.

Financing Activities. Cash used in financing activities increased $20.8 million in 2010 and $96.8 million in 2009 compared with the previous year. These increases were primarily attributable to purchases of our common stock in

2010 and the repayment of borrowings under our revolving credit facility in 2009.

*New Credit Facility.* On June 29, 2010, we replaced our existing credit facility with a new credit facility intended to provide a more flexible capital structure. The new credit facility is comprised of (i) a $400.0 million revolving credit facility and (ii) a $200.0 million term loan with a five-year maturity, initially both with London Interbank Offered Rate ( LIBOR ) plus 2.50%. In connection with the refinancing, borrowings under the term loan and $169.0 million of borrowings under the revolving credit facility were used to repay all borrowings under the prior credit facility and related transaction fees and expenses, including those associated with the new credit facility. Loan origination costs associated with the new credit facility were $9.5 million and are included as deferred costs in other assets, net in the accompanying consolidated balance sheet as of October 3, 2010.

As part of the credit agreement, we may also request the issuance of up to $75.0 million in letters of credit, the outstanding amount of which reduces the net borrowing capacity under the agreement. The new credit facility requires the payment of an annual commitment fee based on the unused portion of the credit facility. The credit facility s interest rates and the annual commitment rate are based on a financial leverage ratio, as defined in the credit agreement. We may make voluntary prepayments of the loans under the revolving credit facility and term loan at any time without premium or penalty. Specific events, such as asset sales, certain issuances of debt and insurance and condemnation recoveries, may trigger a mandatory prepayment.

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

At October 3, 2010, we had $197.5 million outstanding under the term loan, borrowings under the revolving credit facility of $160.0 million and letters of credit outstanding of $34.9 million. For additional information related to our credit facility, refer to Note 7, *Indebtedness*, of the notes to the consolidated financial statements.

*Interest Rate Swaps.* To reduce our exposure to rising interest rates under our credit facility, we consider interest rate swaps. In August 2010, we entered into two forward looking swaps that will effectively convert $100.0 million of our variable rate term loan to a fixed-rate basis beginning September 2011 through September 2014. Based on the term loan s applicable margin of 2.50% as of October 3, 2010, these agreements would have an average pay rate of 1.54%, yielding a fixed rate of 4.04%. Previously, we held two interest rate swaps that effectively converted $200.0 million of our variable rate term loan borrowings to a fixed-rate basis from March 2007 to April 1, 2010. For additional information related to our interest rate swaps, refer to Note 6, *Derivative Instruments*, of the notes to the consolidated financial statements.

*Repurchases of Common Stock.* In November 2007, the Board of Directors approved a program to repurchase up to $200.0 million in shares of our common stock over three years expiring November 9, 2010. During fiscal 2010, we repurchased 4.9 million shares at an aggregate cost of $97.0 million. During fiscal 2008, we repurchased 3.9 million shares at an aggregate cost of $100.0 million. As of October 3, 2010, the aggregate remaining amount authorized and available under our credit agreement for repurchase was $3.0 million. In November 2010, the Board of Directors approved a new program to repurchase, within the next year, up to $100.0 million in shares of our common stock.

***Off-balance sheet arrangements.*** Other than operating leases, we are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources. We finance a portion of our new restaurant development through sale-leaseback transactions. These transactions involve selling restaurants to unrelated parties and leasing the restaurants back. Additional information regarding our operating leases is available in Item 2, *Properties,* and Note 8, *Leases,* of the notes to the consolidated financial statements.

***Contractual obligations and commitments.*** The following is a summary of our contractual obligations and commercial commitments as of October 3, 2010 (*in thousands*):

| | Payments Due by Year | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | After 5 years |
| **Contractual Obligations:** | | | | | |
| Credit facility term loan (1) | $ 217,240 | $ 17,925 | $ 51,880 | $ 147,435 | $ - |
| Revolving credit facility (1) | 181,180 | 4,459 | 8,918 | 167,803 | - |
| Capital lease obligations | 12,824 | 2,101 | 3,424 | 2,735 | 4,564 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating lease obligations | | 1,901,022 | | 219,414 | | 405,462 | | 356,770 | | 919,376 |
| Purchase commitments (2) | | 740,786 | | 482,871 | | 254,794 | | 3,121 | | - |
| Benefit obligations (3) | | 61,465 | | 16,428 | | 9,091 | | 9,111 | | 26,835 |
| Total contractual obligations | $ | 3,114,517 | $ | 743,198 | $ | 733,569 | $ | 686,975 | $ | 950,775 |
| **Other Commercial Commitments:** | | | | | | | | | | |
| Stand-by letters of credit (4) | $ | 34,941 | $ | 34,941 | $ | - | $ | - | $ | - |

(1) Obligations related to our credit facility include interest expense estimated at interest rates in effect on October 3, 2010.

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

(3) Includes expected payments associated with our defined benefit plans, postretirement benefit plans and our non-qualified deferred compensation plan through fiscal 2020.

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

We maintain a noncontributory defined benefit pension plan ( qualified plan ) covering substantially all full-time employees. Our policy is to fund our qualified plan at amounts necessary to satisfy the minimum amount required by law, plus additional amounts as determined by management to improve the plan s funded status. Based on the funding status of our qualified plan as of our last measurement date, we are not required to make a minimum contribution in 2011. However, we expect to make discretionary contributions of $10.0 million which have been included in the table above. Effective September 2010, we amended our qualified plan whereby participants will no longer accrue benefits after December 31, 2015. As a result, our discretionary contributions will likely be lower in the future when compared with recent years. Contributions beyond fiscal 2011 will depend on pension asset performance, future interest rates, future tax law changes, and future changes in regulatory funding requirements. For additional information related to our pension plans, refer to Note 11, *Retirement Plans*, of the notes to the consolidated financial statements.

## DISCUSSION OF CRITICAL ACCOUNTING ESTIMATES

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

*Long-lived Assets* Property, equipment and certain other assets, including amortized intangible assets, are reviewed for impairment when indicators of impairment are present. This review generally includes a restaurant-level analysis, except when we are actively selling a group of restaurants, in which case we perform our impairment evaluations at the group level. Impairment evaluations for individual restaurants take into consideration a restaurant s operating cash flows, the period of time since a restaurant has been opened or remodeled, refranchising expectations, and the maturity of the related market. Impairment evaluations for a group of restaurants take into consideration the group s expected future cash flows and sales proceeds from bids received, if any, or fair market value based on, among other considerations, the specific sales and cash flows of those restaurants. If the assets of a restaurant or group of restaurants subject to our impairment evaluation are not recoverable based upon the forecasted, undiscounted cash flows, we recognize an impairment loss as the amount by which the carrying value of the assets exceeds fair value. Our estimates of cash flows used to assess impairment are subject to a high degree of judgment and may differ from actual cash flows due to, among other things, economic conditions or changes in operating performance. During fiscal year 2010, we recorded impairment charges totaling $13.0 million to write down certain assets to their estimated fair value.

*Retirement Benefits* Our defined benefit and other postretirement plans costs and liabilities are determined using several statistical and other factors, which attempt to anticipate future events, including assumptions about the discount rate and expected return on plan assets. Our discount rate is set annually by us, with assistance from our actuaries, and is determined by considering the average of pension yield curves constructed of a population of high-quality bonds with a Moody s or Standard and Poor s rating of AA or better meeting certain other criteria. As of

October 3, 2010, our discount rate was 5.82% for our defined benefit and postretirement benefit plans. Our expected long-term rate of return on assets is determined taking into consideration our projected asset allocation and economic forecasts prepared with the assistance of our actuarial consultants. As of October 3, 2010, our assumed expected long-term rate of return was 7.75% for our qualified defined benefit plan. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower turnover and retirement rates or longer or shorter life spans of participants. These differences may affect the amount of pension expense we record. A hypothetical 25 basis point reduction in the assumed discount rate and expected long-term rate of return on plan assets would have resulted in an estimated increase of $2.7 million and $0.7 million, respectively, in our fiscal 2011 pension and postretirement plan expense. We expect our pension and postretirement expense to decrease in fiscal 2011 principally due to the curtailment of our qualified plan which will be partially offset by a decrease in our discount rate from 6.16% to 5.82%.

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

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

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

*Goodwill and Other Intangibles* We also evaluate goodwill and non-amortizable intangible assets annually, or more frequently if indicators of impairment are present. If the determined fair values of these assets are less than the related carrying amounts, an impairment loss is recognized. The methods we use to estimate fair value include future cash flow assumptions, which may differ from actual cash flows due to, among other things, economic conditions or changes in operating performance. During the fourth quarter of fiscal 2010, we reviewed the carrying value of our goodwill and indefinite life intangible assets and determined that no impairment existed as of October 3, 2010.

*Allowances for Doubtful Accounts* Our trade receivables consist primarily of amounts due from franchisees for rents on subleased sites, royalties and distribution sales. We continually monitor amounts due from franchisees and maintain an allowance for doubtful accounts for estimated losses. This estimate is based on our assessment of the collectability of specific franchisee accounts, as well as a general allowance based on historical trends, the financial condition of our franchisees, consideration of the general economy and the aging of such receivables. We have good relationships with our franchisees and high collection rates; however, if the future financial condition of our franchisees were to deteriorate, resulting in their inability to make specific required payments, we may be required to increase the allowance for doubtful accounts.

*Legal Accruals* The Company is subject to claims and lawsuits in the ordinary course of its business. A determination of the amount accrued, if any, for these contingencies is made after analysis of each matter. We continually evaluate such accruals and may increase or decrease accrued amounts, as we deem appropriate.

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

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## FUTURE APPLICATION OF ACCOUNTING PRINCIPLES

In June 2009, the FASB issued authoritative guidance for consolidation, which changes the approach for determining which enterprise has a controlling financial interest in a variable interest entity and requires more frequent reassessments of whether an enterprise is a primary beneficiary. This guidance is effective for annual periods beginning after November 15, 2009. We are currently in the process of assessing the impact this guidance may have on our consolidated financial statements.

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

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to risks relating to financial instruments is changes in interest rates. Our credit facility, which is comprised of a revolving credit facility and a term loan, bears interest at an annual rate equal to the prime rate or LIBOR plus an applicable margin based on a financial leverage ratio. As of October 3, 2010, the applicable margin for the LIBOR-based revolving loans and term loan was set at 2.50%.

We use interest rate swap agreements to reduce exposure to interest rate fluctuations. In August 2010, we entered into two interest rate swap agreements that will effectively convert $100.0 million of our variable rate term loan borrowings to a fixed-rate basis beginning September 2011 through September 2014. Based on the term loan s applicable margin of 2.50% as of October 3, 2010, these agreements would have an average pay rate of 1.54%, yielding a fixed rate of 4.04%.

A hypothetical 100 basis point increase in short-term interest rates, based on the outstanding balance of our revolving credit facility and term loan at October 3, 2010, would result in an estimated increase of $3.6 million in annual interest expense.

We are also exposed to the impact of commodity and utility price fluctuations related to unpredictable factors such as weather and various other market conditions outside our control. Our ability to recover increased costs through higher prices is limited by the competitive environment in which we operate. From time to time, we enter into futures and option contracts to manage these fluctuations. At October 3, 2010, we had no such contracts in place.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Not applicable.

## ITEM 9A. CONTROLS AND PROCEDURES

*Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures*

Based on an evaluation of the Company s disclosure controls and procedures (as defined in Rules 13(a) 15(e) and 15(d) 15(e) of the Securities Exchange Act of 1934, as amended), as of the end of the Company s fiscal year ended October 3, 2010, the Company s Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) have concluded that the Company s disclosure controls and procedures were effective.

*Changes in Internal Control Over Financial Reporting*

There have been no significant changes in the Company s internal control over financial reporting that occurred

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during the Company s fiscal quarter ended October 3, 2010 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

*Management s Report on Internal Control Over Financial Reporting*

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

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

Management assessed the effectiveness of the Company s internal control over financial reporting as of October 3, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in Internal Control-Integrated Framework. Management has concluded that, as of October 3, 2010, the Company s internal control over financial reporting was effective based on these criteria.

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

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*Report of Independent Registered Public Accounting Firm*

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

We have audited Jack in the Box Inc.  s (the Company  s) internal control over financial reporting as of October 3, 2010, based on criteria established in *Internal Control  Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company  s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management  s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company  s internal control over financial reporting based on our audit.

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

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

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

In our opinion, Jack in the Box Inc. maintained, in all material respects, effective internal control over financial reporting as of October 3, 2010, based on criteria established in *Internal Control  Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Jack in the Box Inc. and subsidiaries as of October 3, 2010 and September 27, 2009, and the related consolidated statements of earnings, cash flows, and stockholders  equity for the fifty-three weeks ended October 3, 2010, and the fifty-two weeks ended September 27, 2009 and September 28, 2008, and our report dated November 23, 2010, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Diego, California
November 23, 2010

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ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

That portion of our definitive Proxy Statement appearing under the captions Election of Directors Committees of the Board of Directors Member Qualifications and Section 16(a) Beneficial Ownership Reporting Compliance to be filed with the Commission pursuant to Regulation 14A within 120 days after October 3, 2010 and to be used in connection with our 2011 Annual Meeting of Stockholders is hereby incorporated by reference.

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

That portion of our definitive Proxy Statement appearing under the caption Audit Committee, relating to the members of the Company s Audit Committee and the Audit Committee financial expert, is also incorporated herein by reference.

That portion of our definitive Proxy Statement appearing under the caption Other Business, relating to the procedures by which stockholders may recommend candidates for director to the Nominating and Governance Committee of the Board of Directors, is also incorporated herein by reference.

We have adopted a Code of Ethics, which applies to all Jack in the Box Inc. directors, officers and employees, including the Chief Executive Officer, Chief Financial Officer, Controller and all of the financial team. The Code of Ethics is posted on the Company s website, www.jackinthebox.com (under the Investors Corporate Governance Code of Conduct caption). We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Controller or persons performing similar functions, by posting such information on our website. No such waivers have been issued during fiscal 2010.

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

The Company s primary website can be found at www.jackinthebox.com. We make available free of charge at this website (under the caption Investors SEC Filings ) all of our reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and amendments to those reports. These reports are made available on the website as soon as reasonably practicable after their filing with, or furnishing to, the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION

That portion of our definitive Proxy Statement appearing under the caption Executive Compensation, Compensation Committee Interlocks and Insider Participation and Compensation Committee Report to be filed with the Commission pursuant to Regulation 14A within 120 days after October 3, 2010 and to be used in connection with our 2011 Annual Meeting of Stockholders is hereby incorporated by reference.

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

That portion of our definitive Proxy Statement appearing under the caption Security Ownership of Certain Beneficial Owners and Management to be filed with the Commission pursuant to Regulation 14A within 120 days after October 3, 2010 and to be used in connection with our 2011 Annual Meeting of Stockholders is hereby

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incorporated by reference. Information regarding equity compensation plans under which company common stock may be issued as of October 3, 2010 is set forth in Item 5 of this Report.

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

That portion of our definitive Proxy Statement appearing under the caption Certain Transactions, if any, to be filed with the Commission pursuant to Regulation 14A within 120 days after October 3, 2010 and to be used in connection with our 2011 Annual Meeting of Stockholders is hereby incorporated by reference.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

That portion of our definitive Proxy Statement appearing under the caption Independent Registered Public Accountant Fees and Services to be filed with the Commission pursuant to Regulation 14A within 120 days after October 3, 2010 and to be used in connection with our 2011 Annual Meeting of Stockholders is hereby incorporated by reference.

# PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

ITEM 15(a) (2) Financial Statement Schedules. Not applicable.

ITEM 15(a) (3) Exhibits.

| Number | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation, as amended, which is incorporated herein by reference from the registrant s Current Report on Form 8-K dated September 21, 2007. |
| 3.1.1 | Certificate of Amendment of Restated Certificate of Incorporation, which is incorporated herein by reference from the registrant s Current Report on Form 8-K dated September 21, 2007. |
| 3.2 | Amended and Restated Bylaws, which are incorporated herein by reference from the registrant s Current Report on Form 8-K dated May 11, 2010. |
| 10.1 | Credit Agreement dated as of June 29, 2010 by and among Jack in the Box Inc. and the lenders named therein, which is incorporated herein by reference from the registrant s Current Report on Form 8-K dated July 1, 2010. |
| 10.2 | Collateral Agreement dated as of June 29, 2010 by and among Jack in the Box Inc. and the lenders named therein, which is incorporated herein by reference from the registrant s Current Report on Form 8-K dated July 1, 2010. |
| 10.3 | Guaranty Agreement dated as of June 29, 2010 by and among Jack in the Box Inc. and the lenders named therein, which is incorporated herein by reference from the registrant s Current Report on Form 8-K dated July 1, 2010. |
| 10.4* | Amended and Restated 1992 Employee Stock Incentive Plan, which is incorporated herein by reference from the registrant s Registration Statement on Form S-8 (No. 333-26781) filed May 9, 1997. |
| 10.5* | Jack in the Box Inc. 2002 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Definitive Proxy Statement dated January 18, 2002 for the Annual Meeting of Stockholders on February 22, 2002. |
| 10.5.1* | Form of Restricted Stock Award for certain executives under the 2002 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended January 19, 2003. |
| 10.6* | Amended and Restated Supplemental Executive Retirement Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended January 18, 2009. |
| 10.6.1* | First Amendment dated as of August 2, 2002 to the Supplemental Executive Retirement Plan, which is incorporated herein by reference from registrant s Annual Report on Form 10-K for the fiscal year ended September 29, 2002. |
| 10.6.2* | Second Amendment dated as of November 9, 2006 to the Supplemental Executive Retirement Plan, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the year ended October 1, 2006. |
| 10.6.3* | Third Amendment dated as of February 15, 2007 to the Supplemental Executive Retirement Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended April 15, 2007. |
| 10.6.4* | Fourth and Fifth Amendments dated as of September 14, 2007 and November 8, 2007, respectively, to the Supplemental Executive Retirement Plan, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the year ended September 30, 2007. |
| 10.7* | Amended and Restated Performance Bonus Plan effective October 2, 2000, which is incorporated herein by reference from the registrant s Definitive Proxy Statement dated January 13, 2006 for the Annual Meeting of Stockholders on February 17, 2006. |
| 10.8* | Amended and Restated Deferred Compensation Plan for Non-Management Directors effective November 9, 2006, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the year ended October 1, 2006. |

| Number | Description |
|---|---|
| 10.9* | Amended and Restated Non-Employee Director Stock Option Plan, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the fiscal year ended October 3, 1999. |
| 10.10* | Form of Compensation and Benefits Assurance Agreement for Executives, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended January 20, 2008. |
| 10.10.1* | Revised Form of Compensation and Benefits Assurance Agreement for Executives, which is incorporated herein by reference from the registrant s Current Report on Form 8-K dated November 16, 2009. |
| 10.11* | Form of Indemnification Agreement between Jack in the Box Inc. and certain officers and directors, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the fiscal year ended September 29, 2002. |
| 10.13* | Amended and Restated Executive Deferred Compensation Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended January 18, 2009. |
| 10.13.1* | First amendment dated September 14, 2007 to the Executive Deferred Compensation Plan, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the year ended September 30, 2007. |
| 10.14(a)* | Schedule of Restricted Stock Awards, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the year ended October 1, 2006. |
| 10.15* | Executive Retention Agreement between Jack in the Box Inc. and Gary J. Beisler, President and Chief Executive Officer of Qdoba Restaurant Corporation, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended April 13, 2003. |
| 10.16* | Amended and Restated 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q dated April 11, 2010. |
| 10.16.1* | Form of Restricted Stock Award for officers and certain members of management under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended July 5, 2009. |
| 10.16.1(a)* | Form of Restricted Stock Award for executives of Qdoba Restaurant Corporation under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended July 5, 2009. |
| 10.16.2* | Form of Stock Option Awards under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended July 5, 2009. |
| 10.16.2(a)* | Form of Stock Option Award for officers of Qdoba Restaurant Corporation under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended July 5, 2009. |
| 10.16.3* | Jack in the Box Inc. Non-Employee Director Stock Option Award Agreement under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Current Report on Form 8-K dated November 10, 2005. |
| 10.16.4* | Form of Restricted Stock Unit Award Agreement for officers and certain members of management under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant s Quarterly Report on Form 10-Q for the quarter ended April 12, 2009. |
| 10.16.4(a)* | Form of Restricted Stock Unit Award Agreement for Non-Employee Director under the 2004 Stock Incentive Plan, which is incorporated by reference from the registrant s Annual Report on Form 10-K for the year ended September 27, 2009. |

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| Number | Description |
|---|---|
| 10.16.4(b)* | Form of Time-Vested Restricted Stock Unit Award Agreement for officers under the 2004 Stock Incentive Plan. |
| 10.16.5* | Form of Award Agreement under the 2004 Stock Incentive Plan, which is incorporated by reference from the registrant s Annual Report on Form 10-K for the year ended September 27, 2009. |
| 10.16.6* | Form of Qdoba Unit Award Agreement |
| 10.22* | Dr. David M. Theno s Retirement and Release Agreement, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the year ended September 28, 2008. |
| 10.23* | Summary of Director Compensation effective fiscal 2007, which is incorporated herein by reference from the registrant s Annual Report on Form 10-K for the year ended October 1, 2006. |
| 23.1 | Consent of Independent Registered Public Accounting Firm. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

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

ITEM 15(b) All required exhibits are filed herein or incorporated by reference as described in Item 15(a)(3).

ITEM 15(c) All supplemental schedules are omitted as inapplicable or because the required information is included in the consolidated financial statements or notes thereto.

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## SIGNATURES

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

JACK IN THE BOX INC.

By: /S/ JERRY P. REBEL

Jerry P. Rebel
Executive Vice President and Chief Financial Officer
(principal financial officer)
(Duly Authorized Signatory)
Date: November 24, 2010

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

| Signature | Title | Date |
|---|---|---|
| /S/ LINDA A. LANG<br>Linda A. Lang | Chairman of the Board, Chief Executive Officer and President<br>(principal executive officer) | November 24, 2010 |
| /S/ JERRY P. REBEL<br>Jerry P. Rebel | Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer) | November 24, 2010 |
| /S/ MICHAEL E. ALPERT<br>Michael E. Alpert | Director | November 24, 2010 |
| /S/ DAVID L. GOEBEL<br>David L. Goebel | Director | November 24, 2010 |
| /S/ MURRAY H. HUTCHISON<br>Murray H. Hutchison | Director | November 24, 2010 |
| /S/ MICHAEL W. MURPHY<br>Michael W. Murphy | Director | November 24, 2010 |
| /S/ DAVID M. TEHLE<br>David M. Tehle | Director | November 24, 2010 |
| /S/ WINIFRED M. WEBB<br>Winifred M. Webb | Director | November 24, 2010 |
| /S/ JOHN T. WYATT<br>John T. Wyatt | Director | November 24, 2010 |

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS



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

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**Report of Independent Registered Public Accounting Firm**

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

We have audited the accompanying consolidated balance sheets of Jack in the Box Inc. and subsidiaries (the Company) as of October 3, 2010 and September 27, 2009, and the related consolidated statements of earnings, cash flows, and stockholders equity for the fifty-three weeks ended October 3, 2010, and the fifty-two weeks ended September 27, 2009 and September 28, 2008. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jack in the Box Inc. and subsidiaries as of October 3, 2010 and September 27, 2009, and the results of their operations and their cash flows for the fifty-three weeks ended October 3, 2010, and the fifty-two weeks ended September 27, 2009 and September 28, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Jack in the Box Inc. s internal control over financial reporting as of October 3, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated November 23, 2010, expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

San Diego, CA
November 23, 2010

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**JACK IN THE BOX INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**
**(Dollars in thousands, except per share data)**

| | October 3, 2010 | September 27, 2009 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 10,607 | $ 53,002 |
| Accounts and other receivables, net | 81,150 | 49,036 |
| Inventories | 37,391 | 37,675 |
| Prepaid expenses | 33,563 | 8,958 |
| Deferred income taxes | 46,185 | 44,614 |
| Assets held for sale | 59,897 | 99,612 |
| Other current assets | 6,129 | 7,152 |
| Total current assets | 274,922 | 300,049 |
| Property and equipment, at cost: | | |
| Land | 101,206 | 101,576 |
| Buildings | 965,312 | 936,351 |
| Restaurant and other equipment | 437,547 | 506,185 |
| Construction in progress | 58,664 | 58,135 |
| | 1,562,729 | 1,602,247 |
| Less accumulated depreciation and amortization | (684,690) | (665,957) |
| Property and equipment, net | 878,039 | 936,290 |
| Intangible assets, net | 17,986 | 18,434 |
| Goodwill | 85,041 | 85,843 |
| Other assets, net | 151,104 | 115,294 |
| | $ 1,407,092 | $ 1,455,910 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Current maturities of long-term debt | $ 13,781 | $ 67,977 |
| Accounts payable | 101,216 | 63,620 |
| Accrued liabilities | 168,186 | 206,100 |
| Total current liabilities | 283,183 | 337,697 |
| Long-term debt, net of current maturities | 352,630 | 357,270 |
| Other long-term liabilities | 250,440 | 234,190 |

| | | | | |
|---|---|---|---|---|
| Deferred income taxes | | 376 | | 2,264 |
| Stockholders equity: | | | | |
| Preferred stock $.01 par value, 15,000,000 shares authorized, none issued | | - | | - |
| Common stock $.01 par value, 175,000,000 shares authorized, 74,461,632 and 73,987,070 issued, respectively | | 745 | | 740 |
| Capital in excess of par value | | 187,544 | | 169,440 |
| Retained earnings | | 982,420 | | 912,210 |
| Accumulated other comprehensive loss, net | | (78,787) | | (83,442) |
| Treasury stock, at cost, 21,640,400 and 16,726,032 shares, respectively | | (571,459) | | (474,459) |
| Total stockholders equity | | 520,463 | | 524,489 |
| | $ | 1,407,092 | $ | 1,455,910 |

See accompanying notes to consolidated financial statements.

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**JACK IN THE BOX INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF EARNINGS**
**(In thousands, except per share data)**

| | Fiscal Year 2010 | 2009 | 2008 |
|---|---|---|---|
| Revenues: | | | |
| Company restaurant sales | $ 1,668,527 | $ 1,975,842 | $ 2,101,576 |
| Distribution sales | 397,977 | 302,135 | 275,225 |
| Franchise revenues | 231,027 | 193,119 | 162,760 |
| | 2,297,531 | 2,471,096 | 2,539,561 |
| Operating costs and expenses, net: | | | |
| Company restaurant costs: | | | |
| Food and packaging | 530,613 | 639,916 | 700,755 |
| Payroll and employee benefits | 505,138 | 587,551 | 624,600 |
| Occupancy and other | 398,066 | 428,979 | 438,788 |
| Total company restaurant costs | 1,433,817 | 1,656,446 | 1,764,143 |
| Distribution costs | 399,707 | 300,934 | 273,369 |
| Franchise costs | 104,845 | 78,414 | 64,955 |
| Selling, general and administrative expenses | 243,353 | 260,662 | 264,798 |
| Impairment and other charges, net | 48,887 | 22,014 | 22,757 |
| Gains on the sale of company-operated restaurants, net | (54,988) | (78,642) | (66,349) |
| | 2,175,621 | 2,239,828 | 2,323,673 |
| Earnings from operations | 121,910 | 231,268 | 215,888 |
| Interest expense, net | 15,894 | 20,767 | 27,428 |
| Earnings from continuing operations and before income taxes | 106,016 | 210,501 | 188,460 |
| Income taxes | 35,806 | 79,455 | 70,251 |
| Earnings from continuing operations | 70,210 | 131,046 | 118,209 |
| Earnings (losses) from discontinued operations, net | - | (12,638) | 1,070 |
| Net earnings | $ 70,210 | $ 118,408 | $ 119,279 |
| Net earnings per share basic: | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Earnings from continuing operations | $ | 1.27 | $ | 2.31 | $ | 2.03 |
| Earnings (losses) from discontinued operations, net | | - | | (0.23) | | 0.02 |
| Net earnings per share | $ | 1.27 | $ | 2.08 | $ | 2.05 |
| Net earnings per share diluted: | | | | | | |
| Earnings from continuing operations | $ | 1.26 | $ | 2.27 | $ | 1.99 |
| Earnings (losses) from discontinued operations, net | | - | | (0.22) | | 0.02 |
| Net earnings per share | $ | 1.26 | $ | 2.05 | $ | 2.01 |
| Weighted-average shares outstanding: | | | | | | |
| Basic | | 55,070 | | 56,795 | | 58,249 |
| Diluted | | 55,843 | | 57,733 | | 59,445 |

See accompanying notes to consolidated financial statements.

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**JACK IN THE BOX INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Dollars in thousands)**

| | Fiscal Year 2010 | 2009 | 2008 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net earnings | $ 70,210 | $ 118,408 | $ 119,279 |
| Losses (earnings) from discontinued operations, net | - | 12,638 | (1,070) |
| Net earnings from continuing operations | 70,210 | 131,046 | 118,209 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 101,514 | 100,830 | 96,943 |
| Deferred finance cost amortization | 1,658 | 1,461 | 1,462 |
| Deferred income taxes | (27,554) | (15,331) | 6,643 |
| Share-based compensation expense | 10,605 | 9,341 | 10,566 |
| Pension and postretirement expense | 29,140 | 12,243 | 14,433 |
| Losses (gains) on cash surrender value of company-owned life insurance | (6,199) | 1,910 | 8,172 |
| Gains on the sale of company-operated restaurants, net | (54,988) | (78,642) | (66,349) |
| Gains on the acquisition of franchise-operated restaurants | - | (958) | - |
| Losses on the disposition of property and equipment, net | 10,757 | 11,418 | 17,373 |
| Impairment charges and other | 12,970 | 6,586 | 3,507 |
| Loss on early retirement of debt | 513 | - | - |
| Changes in assets and liabilities, excluding acquisitions and dispositions: | | | |
| Accounts and other receivables | (8,174) | 3,519 | (9,172) |
| Inventories | 284 | 7,596 | (4,452) |
| Prepaid expenses and other current assets | (22,967) | 11,496 | 7,026 |
| Accounts payable | (2,219) | (14,975) | 4,167 |
| Pension and postretirement contributions | (24,072) | (26,233) | (25,012) |
| Other | (27,440) | (13,983) | (16,481) |
| Cash flows provided by operating activities from continuing operations | 64,038 | 147,324 | 167,035 |
| Cash flows provided by (used in) operating activities from discontinued operations | (2,172) | 1,426 | 5,349 |
| Cash flows provided by operating activities | 61,866 | 148,750 | 172,384 |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (95,610) | (153,500) | (178,605) |
| Proceeds from the sale of company-operated restaurants | 66,152 | 94,927 | 57,117 |
| Proceeds from (purchases of) assets held for sale and leaseback, net | 45,348 | (36,824) | (14,003) |
| Collections on notes receivable | 8,322 | 31,539 | 7,942 |
| Acquisition of franchise-operated restaurants | (8,115) | (6,760) | - |
| Other | 3,076 | (989) | (4,857) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash flows provided by (used in) investing activities from continuing operations | | 19,173 | | (71,607) | | (132,406) |
| Cash flows provided by (used in) investing activities from discontinued operations | | - | | 30,648 | | (1,964) |
| Cash flows provided by (used in) investing activities | | 19,173 | | (40,959) | | (134,370) |
| Cash flows from financing activities: | | | | | | |
| Borrowings on revolving credit facility | | 881,000 | | 541,000 | | 650,000 |
| Repayments of borrowings on revolving credit facility | | (721,000) | | (632,000) | | (559,000) |
| Proceeds from issuance of debt | | 200,000 | | - | | - |
| Principal repayments on debt | | (418,836) | | (2,334) | | (5,722) |
| Debt issuance costs | | (9,548) | | - | | - |
| Proceeds from issuance of common stock | | 5,186 | | 4,574 | | 8,642 |
| Repurchase of common stock | | (97,000) | | - | | (100,000) |
| Excess tax benefits from share-based compensation arrangements | | 2,037 | | 664 | | 3,346 |
| Change in book overdraft | | 34,727 | | (14,577) | | (3,098) |
| Cash flows used in financing activities | | (123,434) | | (102,673) | | (5,832) |
| Net increase (decrease) in cash and cash equivalents | | (42,395) | | 5,118 | | 32,182 |
| Cash and cash equivalents at beginning of period | | 53,002 | | 47,884 | | 15,702 |
| Cash and cash equivalents at end of period | $ | 10,607 | $ | 53,002 | $ | 47,884 |

See accompanying notes to consolidated financial statements.

## JACK IN THE BOX INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
**(Dollars in thousands)**

| | Number of shares | Amount | Capital in excess of par value | Retained earnings | Accumulated other comprehensive loss, net | Treasury stock | Total |
|---|---|---|---|---|---|---|---|
| Balance at September 30, 2007 | 72,515,171 | $ 725 | $ 132,081 | $ 676,378 | $ (25,140) | $ (374,459) | $ 409,585 |
| Shares issued under stock plans, including tax benefit | 990,878 | 10 | 12,376 | - | - | - | 12,386 |
| Share-based compensation | - | - | 10,566 | - | - | - | 10,566 |
| Purchase of treasury stock | - | - | - | - | - | (100,000) | (100,000) |
| Comprehensive income: | | | | | | | |
| Net earnings | - | - | - | 119,279 | - | - | 119,279 |
| Unrealized losses on interest rate swaps, net | - | - | - | - | (1,984) | - | (1,984) |
| Amortization of unrecognized actuarial gain and prior service cost, net | - | - | - | - | 7,279 | - | 7,279 |
| Total comprehensive income | - | - | - | 119,279 | 5,295 | - | 124,574 |
| Balance at September 28, 2008 | 73,506,049 | 735 | 155,023 | 795,657 | (19,845) | (474,459) | 457,111 |
| Shares issued under stock plans, including tax benefit | 481,021 | 5 | 5,076 | - | - | - | 5,081 |
| Share-based compensation | - | - | 9,341 | - | - | - | 9,341 |
| Change in pension and postretirement plans measurement date, net | - | - | - | (1,855) | 40 | - | (1,815) |
| Comprehensive income: | | | | | | | |
| Net earnings | - | - | - | 118,408 | - | - | 118,408 |
| Unrealized gains on interest rate swaps, net | - | - | - | - | 21 | - | 21 |
| Amortization of unrecognized actuarial loss and prior service cost, net | - | - | - | - | (63,658) | - | (63,658) |
| Total comprehensive income | - | - | - | 118,408 | (63,637) | - | 54,771 |
| | 73,987,070 | 740 | 169,440 | 912,210 | (83,442) | (474,459) | 524,489 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Balance at September 27, 2009 | | | | | | | |
| Shares issued under stock plans, including tax benefit | 474,562 | 5 | 7,499 | - | - | - | 7,504 |
| Share-based compensation | - | - | 10,605 | - | - | - | 10,605 |
| Purchase of treasury stock | - | - | - | - | - | (97,000) | (97,000) |
| Comprehensive income: | | | | | | | |
| Net earnings | - | - | - | 70,210 | - | - | 70,210 |
| Unrealized gains on interest rate swaps, net | - | - | - | - | 2,401 | - | 2,401 |
| Amortization of unrecognized actuarial loss and prior service cost, net | - | - | - | - | 2,254 | - | 2,254 |
| Total comprehensive income | - | - | - | 70,210 | 4,655 | - | 74,865 |
| Balance at October 3, 2010 | 74,461,632 | $ 745 | $ 187,544 | $ 982,420 | $ (78,787) | $ (571,459) | $ 520,463 |

See accompanying notes to consolidated financial statements.

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## JACK IN THE BOX INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. ORGANIZATION, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Nature of operations*** Founded in 1951, Jack in the Box Inc. (the Company ) operates and franchises Jack in the Box® quick-service restaurants and Qdoba Mexican Grill® ( Qdoba ) fast-casual restaurants in 45 states. The following summarizes the number of restaurants:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Jack in the Box:** | | | |
| Company-operated | 956 | 1,190 | 1,346 |
| Franchised | 1,250 | 1,022 | 812 |
| Total system | 2,206 | 2,212 | 2,158 |
| **Qdoba:** | | | |
| Company-operated | 188 | 157 | 111 |
| Franchised | 337 | 353 | 343 |
| Total system | 525 | 510 | 454 |

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

***Basis of presentation*** The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission ( SEC ). During fiscal 2009, we sold all of our Quick Stuff® convenience stores and fuel stations. These stores and their related activities have been presented as discontinued operations for all periods presented. Unless otherwise noted, amounts and disclosures throughout these Notes to Consolidated Financial Statements relate to our continuing operations.

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

***Reclassifications and adjustments*** Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the fiscal 2010 presentation. In 2010, we separated impairment and other charges, net from selling, general and administrative expenses in our consolidated statements of earnings. We believe the additional detail provided is useful when analyzing our results of operations.

***Fiscal year*** Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Fiscal 2010 includes 53 weeks while fiscal 2009 and 2008 include 52 weeks.

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

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

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

**JACK IN THE BOX INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Changes in accounts and other receivables are classified as an operating activity in the consolidated statements of cash flows.

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

***Assets held for sale*** typically represent the costs for new sites and existing sites that we plan to sell and lease back within the next year. Gains or losses realized on sale-leaseback transactions are deferred and amortized to income over the lease terms. Assets held for sale also includes the net book value of equipment we plan to sell to franchisees. Assets are not depreciated when classified as held for sale. Assets held for sale consisted of the following at each year-end:

| | 2010 | 2009 |
|---|---|---|
| Sites held for sale and leaseback | $ 55,224 | $ 99,612 |
| Assets held for sale | 4,673 | - |
| | $ 59,897 | $ 99,612 |

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

Buildings, equipment, and leasehold improvements are generally depreciated using the straight-line method based on the estimated useful lives of the assets, over the initial lease term for certain assets acquired in conjunction with the lease commencement for leased properties, or the remaining lease term for certain assets acquired after the commencement of the lease for leased properties. In certain situations, one or more option periods may be used in determining the depreciable life of assets related to leased properties if we deem that an economic penalty would be incurred otherwise. In either circumstance, our policy requires lease term consistency when calculating the depreciation period, in classifying the lease and in computing straight-line rent expense. Building and leasehold improvement assets are assigned lives that range from three to 35 years, and equipment assets are assigned lives that range from two to 35 years. Depreciation and amortization expense related to property and equipment was $101.0 million, $100.5 million and $96.7 million in 2010, 2009 and 2008, respectively.

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

***Goodwill and intangible assets*** Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired. Intangible assets, net is comprised primarily of lease acquisition costs, acquired franchise contract costs and our Qdoba trademark. Lease acquisition costs primarily represent the fair

**JACK IN THE BOX INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

values of acquired lease contracts having contractual rents lower than fair market rents and are amortized on a straight-line basis over the remaining initial lease term. Acquired franchise contract costs, which represent the acquired value of franchise contracts, are amortized over the term of the franchise agreements, generally 10 years, based on the projected royalty revenue stream. Our trademark asset, recorded in connection with our acquisition of Qdoba Restaurant Corporation in fiscal 2003, has an indefinite life and is not amortized.

Goodwill and non-amortizable intangible assets are evaluated for impairment annually, or more frequently if indicators of impairment are present. If the determined fair values of these assets are less than the related carrying amounts, an impairment loss is recognized. We performed our annual impairment tests of goodwill and non-amortized intangible assets in the fourth quarter of fiscal 2010 and determined there was no impairment.

***Company-owned life insurance*** We have purchased company-owned life insurance ( COLI ) policies to support our non-qualified benefit plans. The cash surrender values of these policies were $75.8 million and $66.9 million as of October 3, 2010 and September 27, 2009, respectively, and are included in other assets, net in the accompanying consolidated balance sheets. Changes in cash surrender values are included in selling, general and administrative expenses in the accompanying consolidated statements of earnings. These policies reside in an umbrella trust for use only to pay plan benefits to participants or to pay creditors if the Company becomes insolvent. As of October 3, 2010 and September 27, 2009, the trust also included cash of $0.5 million and $1.4 million, respectively.

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

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