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

# FORM 10-Q

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

**For the quarterly period ended January 17, 2016**

**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**

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation 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 ☑ No ☐

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 | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

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

Yes ☐ No ☑

As of the close of business February 12, 2016, 34,681,826 shares of the registrant's common stock were outstanding.

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

**INDEX**

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

| | January 17, 2016 | September 27, 2015 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 7,100 | $ 17,743 |
| Accounts and other receivables, net | 51,673 | 47,975 |
| Inventories | 7,871 | 7,376 |
| Prepaid expenses | 20,365 | 16,240 |
| Assets held for sale | 19,359 | 15,516 |
| Other current assets | 3,018 | 3,106 |
| Total current assets | 109,386 | 107,956 |
| Property and equipment, at cost | 1,570,364 | 1,563,377 |
| Less accumulated depreciation and amortization | (852,360) | (835,114) |
| Property and equipment, net | 718,004 | 728,263 |
| Intangible assets, net | 14,552 | 14,765 |
| Goodwill | 149,012 | 149,027 |
| Other assets, net | 282,053 | 303,968 |
| | $ 1,273,007 | $ 1,303,979 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current maturities of long-term debt | $ 24,760 | $ 26,677 |
| Accounts payable | 43,995 | 32,137 |
| Accrued liabilities | 143,854 | 170,575 |
| Total current liabilities | 212,609 | 229,389 |
| Long-term debt, net of current maturities | 761,252 | 688,579 |
| Other long-term liabilities | 359,265 | 370,058 |
| Stockholders' (deficit) equity: | | |
| Preferred stock $0.01 par value, 15,000,000 shares authorized, none issued | — | — |
| Common stock $0.01 par value, 175,000,000 shares authorized, 81,270,513 and 81,096,156 issued, respectively | 813 | 811 |
| Capital in excess of par value | 409,607 | 402,986 |
| Retained earnings | 1,338,724 | 1,316,119 |
| Accumulated other comprehensive loss | (137,830) | (132,530) |
| Treasury stock, at cost, 46,588,687 and 45,314,529 shares, respectively | (1,671,433) | (1,571,433) |
| Total stockholders' (deficit) equity | (60,119) | 15,953 |
| | $ 1,273,007 | $ 1,303,979 |

See accompanying notes to condensed consolidated financial statements.

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Revenues: | | |
| Company restaurant sales | $ 353,221 | $ 351,896 |
| Franchise rental revenues | 69,738 | 69,446 |
| Franchise royalties and other | 47,864 | 47,279 |
| | 470,823 | 468,621 |
| Operating costs and expenses, net: | | |
| Company restaurant costs: | | |
| Food and packaging | 108,911 | 113,109 |
| Payroll and employee benefits | 97,907 | 95,679 |
| Occupancy and other | 77,699 | 75,031 |
| Total company restaurant costs | 284,517 | 283,819 |
| Franchise occupancy expenses | 52,219 | 52,418 |
| Franchise support and other costs | 4,862 | 4,723 |
| Selling, general and administrative expenses | 65,872 | 63,095 |
| Impairment and other charges, net | 1,657 | 2,180 |
| Gains on the sale of company-operated restaurants | (818) | (850) |
| | 408,309 | 405,385 |
| Earnings from operations | 62,514 | 63,236 |
| Interest expense, net | 8,175 | 5,213 |
| Earnings from continuing operations and before income taxes | 54,339 | 58,023 |
| Income taxes | 20,442 | 20,925 |
| Earnings from continuing operations | 33,897 | 37,098 |
| Losses from discontinued operations, net of income tax benefit | (676) | (1,263) |
| Net earnings | $ 33,221 | $ 35,835 |
| | | |
| Net earnings per share - basic: | | |
| Earnings from continuing operations | $ 0.96 | $ 0.96 |
| Losses from discontinued operations | (0.02) | (0.03) |
| Net earnings per share (1) | $ 0.94 | $ 0.93 |
| Net earnings per share - diluted: | | |
| Earnings from continuing operations | $ 0.94 | $ 0.94 |
| Losses from discontinued operations | (0.02) | (0.03) |
| Net earnings per share (1) | $ 0.92 | $ 0.91 |
| | | |
| Weighted-average shares outstanding: | | |
| Basic | 35,458 | 38,640 |
| Diluted | 35,946 | 39,384 |
| | | |
| Cash dividends declared per common share | $ 0.30 | $ 0.20 |

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

See accompanying notes to condensed consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Net earnings | $ 33,221 | $ 35,835 |
| Cash flow hedges: | | |
| Net change in fair value of derivatives | (11,437) | (6,758) |
| Net loss reclassified to earnings | 1,444 | 627 |
| | (9,993) | (6,131) |
| Tax effect | 3,868 | 2,347 |
| | (6,125) | (3,784) |
| Unrecognized periodic benefit costs: | | |
| Actuarial losses and prior service costs reclassified to earnings | 1,398 | 3,035 |
| Tax effect | (541) | (1,162) |
| | 857 | 1,873 |
| Other: | | |
| Foreign currency translation adjustments | (52) | 6 |
| Tax effect | 20 | (3) |
| | (32) | 3 |
| Other comprehensive loss, net of tax | (5,300) | (1,908) |
| Comprehensive income | $ 27,921 | $ 33,927 |

See accompanying notes to condensed consolidated financial statements.

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Cash flows from operating activities: | | |
| Net earnings | $ 33,221 | $ 35,835 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 28,514 | 27,370 |
| Deferred finance cost amortization | 823 | 661 |
| Excess tax benefits from share-based compensation arrangements | (2,020) | (14,533) |
| Deferred income taxes | (2,128) | 973 |
| Share-based compensation expense | 4,088 | 3,885 |
| Pension and postretirement expense | 4,149 | 5,769 |
| Losses (gains) on cash surrender value of company-owned life insurance | 2,466 | (574) |
| Gains on the sale of company-operated restaurants | (818) | (850) |
| Losses on the disposition of property and equipment | 651 | 621 |
| Impairment charges and other | 446 | 766 |
| Changes in assets and liabilities: | | |
| Accounts and other receivables | (4,204) | 3,999 |
| Inventories | (495) | (121) |
| Prepaid expenses and other current assets | 1,205 | 16,683 |
| Accounts payable | 7,386 | (4,623) |
| Accrued liabilities | (25,403) | (20,063) |
| Pension and postretirement contributions | (1,883) | (6,880) |
| Other | (1,089) | (1,571) |
| Cash flows provided by operating activities | 44,909 | 47,347 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (31,543) | (19,885) |
| Purchases of assets intended for sale and leaseback | (3,274) | — |
| Proceeds from the sale and leaseback of assets | 5,803 | — |
| Proceeds from the sale of company-operated restaurants | 1,021 | 1,174 |
| Collections on notes receivable | 441 | 5,050 |
| Acquisition of franchise-operated restaurants | 324 | — |
| Other | (28) | 22 |
| Cash flows used in investing activities | (27,256) | (13,639) |
| Cash flows from financing activities: | | |
| Borrowings on revolving credit facilities | 176,000 | 154,000 |
| Repayments of borrowings on revolving credit facilities | (97,000) | (98,000) |
| Principal repayments on debt | (8,479) | (5,279) |
| Dividends paid on common stock | (10,592) | (7,791) |
| Proceeds from issuance of common stock | 492 | 11,302 |
| Repurchases of common stock | (100,000) | (104,669) |
| Excess tax benefits from share-based compensation arrangements | 2,020 | 14,533 |
| Change in book overdraft | 9,295 | 423 |
| Cash flows used in financing activities | (28,264) | (35,481) |
| Effect of exchange rate changes on cash and cash equivalents | (32) | 3 |
| Net decrease in cash and cash equivalents | (10,643) | (1,770) |
| Cash and cash equivalents at beginning of period | 17,743 | 10,578 |
| Cash and cash equivalents at end of period | $ 7,100 | $ 8,808 |

See accompanying notes to condensed consolidated financial statements.

## 1. BASIS OF PRESENTATION

***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 Eats® ("Qdoba") fast-casual restaurants. The following table summarizes the number of restaurants as of the end of each period:

| | January 17, 2016 | January 18, 2015 |
|---|---|---|
| **Jack in the Box:** | | |
| Company-operated | 413 | 431 |
| Franchise | 1,840 | 1,822 |
| Total system | 2,253 | 2,253 |
| **Qdoba:** | | |
| Company-operated | 330 | 311 |
| Franchise | 344 | 330 |
| Total system | 674 | 641 |

References to the Company throughout these Notes to Condensed Consolidated Financial Statements are made using the first person notations of "we," "us" and "our."

***Basis of presentation*** — The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission ("SEC"). During fiscal 2012, we entered into an agreement to outsource our Jack in the Box distribution business. In the third quarter of fiscal 2013, we closed 62 Qdoba restaurants (the "2013 Qdoba Closures") as part of a comprehensive Qdoba market performance review. The results of operations for our distribution business and for the 2013 Qdoba Closures are reported as discontinued operations for all periods presented. Refer to Note 2, *Discontinued Operations*, for additional information. Unless otherwise noted, amounts and disclosures throughout these Notes to Condensed Consolidated Financial Statements relate to our continuing operations. In our opinion, all adjustments considered necessary for a fair presentation of financial condition and results of operations for these interim periods have been included. Operating results for one interim period are not necessarily indicative of the results for any other interim period or for the full year.

These financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended September 27, 2015 ("2015 Form 10-K"). The accounting policies used in preparing these condensed consolidated financial statements are the same as those described in our 2015 Form 10-K with the exception of new accounting pronouncements adopted in fiscal 2016 which are described below.

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

***Reclassifications and adjustments*** — Certain prior year amounts in the condensed consolidated financial statements have been reclassified to conform to the fiscal 2016 presentation.

In our 2015 Form 10-K, on our consolidated statements of earnings, we began to separately state our franchise revenues derived from rentals and those derived from royalties and other. To provide clarity, we additionally have separately stated the associated rental expense, and depreciation and amortization related to the rental income received from franchisees. For comparison purposes, we have reclassified prior year franchise revenue and franchise costs line items to reflect the new method of presentation in our accompanying condensed consolidated statements of earnings.

***Fiscal year*** — Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Fiscal year 2016 includes 53 weeks, while fiscal year 2015 includes 52 weeks. Our first quarter includes 16 weeks and all other quarters include 12 weeks, with the exception of the fourth quarter of fiscal 2016, which includes 13 weeks. All comparisons between 2016 and 2015 refer to the 16-weeks ("quarter") ended January 17, 2016 and January 18, 2015, respectively, unless otherwise indicated.

***Use of estimates*** — In preparing the condensed 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.

***Effect of new accounting pronouncements*** — In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue Recognition — Revenue from Contracts with Customers (Topic 606)*, which provides a comprehensive new revenue recognition model that requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to receive for the transfer of promised goods or services to its customers. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for annual and interim periods beginning after December 15, 2017. As such, we will be required to adopt the standard in the first quarter of fiscal 2018. This ASU is to be applied retrospectively or using a cumulative effect transition method, and early adoption is not permitted. We are currently evaluating which transition method to use and the effect that this pronouncement will have on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes. This standard requires deferred tax liabilities and assets to be classified as noncurrent in a classified statement of financial position. The standard is effective prospectively or retrospectively for all periods presented for annual and interim periods beginning after December 15, 2017, with early adoption permitted. We early adopted this standard in the first quarter of 2016 and the prior period was retrospectively adjusted, resulting in a $40.0 million reclassification of current deferred income taxes to other assets, net on our September 27, 2015 condensed consolidated balance sheet.

## 2. DISCONTINUED OPERATIONS

***Distribution business*** — During fiscal 2012, we entered into an agreement with a third party distribution service provider pursuant to a plan approved by our board of directors to sell our Jack in the Box distribution business. During the first quarter of fiscal 2013, we completed the transition of our distribution centers. The operations and cash flows of the business have been eliminated and in accordance with the provisions of the FASB authoritative guidance on the presentation of financial statements, the results are reported as discontinued operations for all periods presented.

In 2016 and 2015, results of discontinued operations were immaterial for both periods. Our liability for lease commitments related to our distribution centers is included in accrued liabilities and other long-term liabilities, and was $0.2 million as of January 17, 2016 and September 27, 2015. The lease commitment balance as of January 17, 2016 relates to one distribution center subleased at a loss.

***2013 Qdoba Closures*** — During the third quarter of fiscal 2013, we closed 62 Qdoba restaurants. The decision to close these restaurants was based on a comprehensive analysis that took into consideration levels of return on investment and other key operating performance metrics. Since the closed locations were not predominantly located near those remaining in operation, we did not expect the majority of cash flows and sales lost from these closures to be recovered. In addition, we did not anticipate any ongoing involvement or significant direct cash flows from the closed stores. Therefore, in accordance with the provisions of the FASB authoritative guidance on the presentation of financial statements, the results of operations for these restaurants are reported as discontinued operations for all periods presented.

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Unfavorable lease commitment adjustments | $ (1,006) | $ (1,799) |
| Bad debt expense related to a subtenant | (124) | — |
| Ongoing facility related costs | (38) | (61) |
| Broker commissions | — | (112) |
| Total operating loss before income tax benefit | $ (1,168) | $ (1,972) |

We do not expect the remaining costs to be incurred related to these closures to be material; however, the estimates we make related to our future lease obligations, primarily the sublease income we anticipate, 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.

Our liability for lease commitments related to the 2013 Qdoba Closures is included in accrued liabilities and other long-term liabilities and changed as follows in 2016 (*in thousands*):

| | |
|---|---|
| Balance as of September 27, 2015 | $ 4,256 |
| Adjustments | 1,006 |
| Cash payments | (1,179) |
| Balance as of January 17, 2016 | $ 4,083 |

Adjustments primarily relate to revisions to certain sublease and cost assumptions due to changes in market conditions.

## 3. SUMMARY OF REFRANCHISINGS, FRANCHISEE DEVELOPMENT AND ACQUISITIONS

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Restaurants sold to Jack in the Box franchisees | 1 | 1 |
| New restaurants opened by franchisees: | | |
| Jack in the Box | 5 | 6 |
| Qdoba | 6 | 6 |
| | | |
| Initial franchise fees | $ 385 | $ 375 |
| | | |
| Proceeds from the sale of company-operated restaurants (1) | $ 1,021 | $ 1,174 |
| Net assets sold (primarily property and equipment) | (193) | (489) |
| Goodwill related to the sale of company-operated restaurants | (10) | (16) |
| Other | — | 181 |
| Gains on the sale of company-operated restaurants | $ 818 | $ 850 |

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(1) Amounts in 2016 and 2015 include additional proceeds recognized upon the extension of the underlying franchise and lease agreements related to restaurants sold in a prior year of $1.0 million and $0.1 million, respectively.

***Franchise acquisitions*** — In 2016, we acquired one Jack in the Box franchise restaurant, and in 2015, there was no acquisition activity. We account for the acquisition of franchised restaurants using the acquisition method of accounting for business combinations. The purchase price allocations were based on fair value estimates determined using significant unobservable inputs (Level 3). The 2016 acquisition was not material to our accompanying condensed consolidated financial statements.

## 4. FAIR VALUE MEASUREMENTS

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

| | Total | Quoted Prices in Active Markets for Identical Assets (3) (Level 1) | Significant Other Observable Inputs (3) (Level 2) | Significant Unobservable Inputs (3) (Level 3) |
|---|---|---|---|---|
| **Fair value measurements as of January 17, 2016:** | | | | |
| Non-qualified deferred compensation plan (1) | $ (34,347) | $ (34,347) | $ — | $ — |
| Interest rate swaps (Note 5) (2) | (36,367) | — | (36,367) | — |
| Total liabilities at fair value | $ (70,714) | $ (34,347) | $ (36,367) | $ — |
| **Fair value measurements as of September 27, 2015:** | | | | |
| Non-qualified deferred compensation plan (1) | $ (35,003) | $ (35,003) | $ — | $ — |
| Interest rate swaps (Note 5) (2) | (26,374) | — | (26,374) | — |
| Total liabilities at fair value | $ (61,377) | $ (35,003) | $ (26,374) | $ — |

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

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

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

The fair values of our debt instruments are based on the amount of future cash flows associated with each instrument discounted using our borrowing rate. At January 17, 2016, the carrying value of all financial instruments was not materially different from fair value, as the borrowings are prepayable without penalty. The estimated fair values of our capital lease obligations approximated their carrying values as of January 17, 2016.

***Non-financial assets and liabilities*** — Our non-financial instruments, which primarily consist of property and equipment, goodwill and intangible assets, are reported at carrying value and are not required to be measured at fair value on a recurring basis. However, on an annual basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable, non-financial instruments are assessed for impairment. If applicable, the carrying values are written down to fair value.

In connection with our impairment reviews performed during 2016, no material fair value adjustments were required. Refer to Note 6, *Impairment and Other Charges, Net* for additional information regarding impairment charges.

## 5. DERIVATIVE INSTRUMENTS

***Objectives and strategies*** — We are exposed to interest rate volatility with regard to our variable rate debt. To reduce our exposure to rising interest rates, in April 2014, we entered into nine forward-starting interest rate swap agreements that effectively convert $300.0 million of our variable rate borrowings to a fixed rate basis from October 2014 through October 2018. In June 2015, we entered into 11 forward-starting interest rate swap agreements that effectively convert an additional $200.0 million of our variable rate borrowings, and future expected variable rate borrowings to a fixed rate from October 2015 through October 2018, and $500.0 million from October 2018 through October 2022. These agreements have been designated as cash flow hedges in accordance with the provisions of the FASB authoritative guidance for derivatives and hedging. To the extent that they are effective in offsetting the variability of the hedged cash flows, changes in the fair values of the derivatives are not included in earnings, but are included in other comprehensive income ("OCI"). These changes in fair value are subsequently reclassified into net earnings as a component of interest expense as the hedged interest payments are made on our term loan debt.

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

| | Balance Sheet Location | January 17, 2016 Fair Value | September 27, 2015 Fair Value |
|---|---|---|---|
| Derivatives designated as hedging instruments: | | | |
| Interest rate swaps (Note 4) | Accrued liabilities | $ (3,231) | $ (3,379) |
| Interest rate swaps (Note 4) | Other long-term liabilities | (33,136) | (22,995) |
| Total derivatives | | $ (36,367) | $ (26,374) |

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

| | | Sixteen Weeks Ended | |
|---|---|---|---|
| | Location of Loss in Income | January 17, 2016 | January 18, 2015 |
| Loss recognized in OCI | N/A | $ (11,437) | $ (6,758) |
| Loss reclassified from accumulated OCI into net earnings | Interest expense, net | $ 1,444 | $ 627 |

Amounts reclassified from accumulated OCI into interest expense represent payments made to the counterparties for the effective portions of the interest rate swaps. During the periods presented, our interest rate swaps had no hedge ineffectiveness.

## 6. IMPAIRMENT AND OTHER CHARGES, NET

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Losses on the disposition of property and equipment, net | $ 651 | $ 621 |
| Costs of closed restaurants (primarily lease obligations) and other | 560 | 786 |
| Accelerated depreciation | 446 | 752 |
| Restaurant impairment charges | — | 14 |
| Restructuring costs | — | 7 |
| | $ 1,657 | $ 2,180 |

***Restaurant closing costs*** — Costs of closed restaurants primarily consist of future lease commitments and expected ancillary costs, net of anticipated sublease rentals. Accrued restaurant closing costs, included in accrued liabilities and other long-term liabilities, changed as follows in 2016 (*in thousands*):

| | | |
|---|---|---|
| Balance as of September 27, 2015 | $ | 9,707 |
| Additions | | 208 |
| Adjustments (1) | | 677 |
| Cash payments | | (1,688) |
| Balance as of January 17, 2016 | $ | 8,904 |

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(1) Adjustments relate primarily to revisions of certain sublease and cost assumptions. The estimates we make related to our future lease obligations, primarily the sublease income we anticipate, 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.

***Accelerated depreciation*** — When a long-lived asset will be replaced or otherwise disposed of prior to the end of its estimated useful life, the useful life of the asset is adjusted based on the estimated disposal date and accelerated depreciation is recognized. In 2016, accelerated depreciation primarily relates to expenses at our Jack in the Box company restaurants for exterior facility enhancements as well as the replacement of technology equipment, and in 2015, charges primarily relate to the replacement of technology equipment and costs associated with Jack in the Box restaurant closures.

***Restaurant impairment charges*** — When events and circumstances indicate that our long-lived assets might be impaired and their carrying amount is greater than the undiscounted cash flows we expect to generate from such assets, we recognize an impairment loss as the amount by which the carrying value exceeds the fair value of the assets. Impairment charges in 2015 were not material.

## 7. INCOME TAXES

The income tax provisions reflect tax rates of 37.6% in 2016, and 36.1% in 2015. The major components of the year-over-year change in tax rates were a decrease in operating earnings before income taxes, an increase in the Company's state tax rate, and a decrease in the market performance of insurance products used to fund certain non-qualified retirement plans which are excluded from taxable income. The Company recognized a benefit from the retroactive reenactment of the Work Opportunity Tax Credit for calendar year 2015 during the first quarter of 2016. Similarly, a retroactive reenactment occurred for calendar year 2014 during the first quarter of 2015. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual 2016 rate could differ from our current estimates.

We file income tax returns in the United States and all state and local jurisdictions in which we operate that impose an income tax. The federal statute of limitations has not expired for fiscal years 2012 and forward. The statutes of limitations for California and Texas, which constitute the Company's major state tax jurisdictions, have not expired for fiscal years 2011 and forward.

## 8. RETIREMENT PLANS

***Defined benefit pension plans*** — We sponsor two defined benefit pension plans: a qualified plan covering substantially all full-time Jack in the Box employees hired prior to January 1, 2011, and an unfunded supplemental executive plan which provides certain employees additional pension benefits and was closed to new participants effective January 1, 2007. In fiscal 2011, the Board of Directors approved the sunset of our qualified plan whereby participants no longer accrue benefits effective December 31, 2015. Benefits under both plans are based on the employees' years of service and compensation over defined periods of employment.

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

***Net periodic benefit cost*** — The components of net periodic benefit cost in each period were as follows (*in thousands*):

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| **Defined benefit pension plans:** | | |
| Service cost | $ 1,616 | $ 2,544 |
| Interest cost | 7,440 | 6,983 |
| Expected return on plan assets | (6,694) | (7,161) |
| Actuarial loss (1) | 1,257 | 2,896 |
| Amortization of unrecognized prior service costs (1) | 74 | 83 |
| Net periodic benefit cost | $ 3,693 | $ 5,345 |
| **Postretirement healthcare plans:** | | |
| Interest cost | $ 389 | $ 368 |
| Actuarial loss (1) | 67 | 56 |
| Net periodic benefit cost | $ 456 | $ 424 |

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(1) Amounts were reclassified from accumulated OCI into net earnings as a component of selling, general and administrative expenses.

***Future cash flows*** — Our policy is to fund our plans at or above the minimum required by law. As of January 1, 2015, the date of our last actuarial funding valuation, there was no minimum contribution funding requirement. Details regarding 2016 contributions are as follows (*in thousands*):

| | Defined Benefit Pension Plans | Postretirement Healthcare Plans |
|---|---|---|
| Net year-to-date contributions | $ 1,496 | $ 387 |
| Remaining estimated net contributions during fiscal 2016 | $ 23,000 | $ 900 |

We will continue to evaluate contributions to our qualified defined benefit pension plan based on changes in pension assets as a result of asset performance in the current market and economic environment.

## 9. SHARE-BASED COMPENSATION

We offer share-based compensation plans to attract, retain and motivate key officers, employees and non-employee directors to work toward the financial success of the Company. In 2016, we granted the following shares related to our share-based compensation awards:

| | |
|---|---|
| Stock options | 99,923 |
| Performance share awards | 32,970 |
| Nonvested stock units | 130,952 |

The components of share-based compensation expense recognized in each period are as follows (*in thousands*):

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Stock options | $ 975 | $ 999 |
| Performance share awards | 1,271 | 1,081 |
| Nonvested stock awards | 27 | 61 |
| Nonvested stock units | 1,815 | 1,744 |
| Total share-based compensation expense | $ 4,088 | $ 3,885 |

## 10. STOCKHOLDERS' EQUITY

***Repurchases of common stock*** — During 2016, we repurchased 1.3 million shares at an aggregate cost of $100.0 million. As of January 17, 2016, there was $100.0 million remaining under a stock-buyback program which expires in November 2017.

***Dividends*** — In 2016, the Board of Directors declared a cash dividend of $0.30 per share which was paid on December 22, 2015 to shareholders of record as of the close of business on December 9, 2015, and totaled $10.6 million. Future dividends are subject to approval by our Board of Directors.

## 11. AVERAGE SHARES OUTSTANDING

Our basic earnings per share calculation is computed based on the weighted-average number of common shares outstanding. Our diluted earnings per share calculation is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive common shares include stock options, nonvested stock awards and units and non-management director stock equivalents. Performance share awards are included in the average diluted shares outstanding each period if the performance criteria have been met at the end of the respective periods.

The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding (*in thousands*):

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Weighted-average shares outstanding – basic | 35,458 | 38,640 |
| Effect of potentially dilutive securities: | | |
| Stock options | 176 | 397 |
| Nonvested stock awards and units | 187 | 198 |
| Performance share awards | 125 | 149 |
| Weighted-average shares outstanding – diluted | 35,946 | 39,384 |
| Excluded from diluted weighted-average shares outstanding: | | |
| Antidilutive | 149 | 60 |
| Performance conditions not satisfied at the end of the period | — | 20 |

## 12. CONTINGENCIES AND LEGAL MATTERS

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

***Gessele v. Jack in the Box Inc.*** — In August 2010, five former employees instituted litigation in federal court in Oregon alleging claims under the federal Fair Labor Standards Act and Oregon wage and hour laws. The plaintiffs alleged that the Company failed to pay non-exempt employees for certain meal breaks and improperly made payroll deductions for shoe purchases and for workers' compensation expenses, and later added additional claims relating to timing of final pay and related wage and hour claims involving employees of a franchisee. The most recent complaint seeks damages of $45.0 million but does not provide a basis for that amount. In fiscal 2012, we accrued for a single claim for which we believe a loss is both probable and estimable; this accrued loss contingency did not have a material effect on our results of operations. We have not established a loss contingency accrual for those claims as to which we believe liability is not probable or estimable, and we plan to vigorously defend against this lawsuit. Nonetheless, an unfavorable resolution of this matter in excess of our current accrued loss contingencies could have a material adverse effect on our business, results of operations, liquidity or financial condition.

***Other legal matters*** — In addition to the matter described above, we are subject to normal and routine litigation brought by former, current or prospective employees, customers, franchisees, vendors, landlords, shareholders or others. We intend to defend ourselves in any such matters. Some of these matters may be covered, at least in part, by insurance. Our insurance liability (undiscounted) and reserves are established in part by using independent actuarial estimates of expected losses for reported claims and for estimating claims incurred but not reported. Our estimated liability for general liability and workers' compensation claims exceeded our self-insurance retention limits by $25.8 million as of September 27, 2015, and was reduced by $21.7 million in 2016 due to a judgment paid by our insurance providers. We expect to be fully covered for the remaining amounts that exceed our self-insurance retention limits by our insurance providers. Although we currently believe that the ultimate determination of liability in connection with legal claims pending against us, if any, in excess of amounts already provided for such matters in the condensed consolidated financial statements, will not have a material adverse effect on our business, our annual results of operations, liquidity or financial position, it is possible that our results of operations, liquidity, or financial position could be materially affected in a particular future reporting period by the unfavorable resolution of one or more matters or contingencies during such period.

## 13. SEGMENT REPORTING

Our principal business consists of developing, operating and franchising our Jack in the Box and Qdoba restaurant concepts, each of which we consider reportable operating segments. This segment reporting structure reflects our current management structure, internal reporting method and financial information used in deciding how to allocate our resources. Based upon certain quantitative thresholds, each operating segment is considered a reportable segment.

We measure and evaluate our segments based on segment revenues and earnings from operations. The reportable segments do not include an allocation of the costs related to shared service functions, such as accounting/finance, human resources, audit services, legal, tax and treasury; nor do they include unallocated costs such as pension expense and share-based compensation. These costs are reflected in the caption "Shared services and unallocated costs," and therefore, the measure of segment profit or loss is before such items. The following table provides information related to our operating segments in each period (*in thousands*):

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| **Revenues by segment:** | | |
| Jack in the Box restaurant operations | $ 347,583 | $ 351,951 |
| Qdoba restaurant operations | 123,240 | 116,670 |
| Consolidated revenues | $ 470,823 | $ 468,621 |
| **Earnings from operations by segment:** | | |
| Jack in the Box restaurant operations | $ 85,690 | $ 80,857 |
| Qdoba restaurant operations | 8,737 | 14,676 |
| Shared services and unallocated costs | (32,731) | (33,147) |
| Gains on the sale of company-operated restaurants | 818 | 850 |
| Consolidated earnings from operations | 62,514 | 63,236 |
| Interest expense, net | 8,175 | 5,213 |
| Consolidated earnings from continuing operations and before income taxes | $ 54,339 | $ 58,023 |
| **Total depreciation expense by segment:** | | |
| Jack in the Box restaurant operations | $ 20,473 | $ 19,615 |
| Qdoba restaurant operations | 5,588 | 5,280 |
| Shared services and unallocated costs | 2,225 | 2,260 |
| Consolidated depreciation expense | $ 28,286 | $ 27,155 |

We do not evaluate, manage or measure performance of segments using asset, interest income and expense, or income tax information; accordingly, this information by segment is not prepared or disclosed.

The following table provides detail of the change in the balance of goodwill for each of our reportable segments (*in thousands*):

| | Jack in the Box | Qdoba | Total |
|---|---|---|---|
| Balance at September 27, 2015 | $ 48,430 | $ 100,597 | $ 149,027 |
| Disposals | (15) | — | (15) |
| Balance at January 17, 2016 | $ 48,415 | $ 100,597 | $ 149,012 |

Refer to Note 3, *Summary of Refranchisings, Franchisee Development and Acquisitions*, for information regarding the transactions resulting in the changes in goodwill.

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Cash paid during the year for: | | |
| Interest, net of amounts capitalized | $ 8,378 | $ 5,115 |
| Income tax payments | $ 16,012 | $ 152 |
| Non-cash transactions: | | |
| Equipment capital lease obligations incurred | $ 271 | $ — |
| Decrease in accrued treasury stock repurchases | $ — | $ 3,112 |
| Increase in dividends accrued or converted to common stock equivalents | $ 53 | $ 35 |
| Decrease in obligations for purchases of property and equipment | $ 6,025 | $ 7,829 |

## 15. SUPPLEMENTAL CONSOLIDATED BALANCE SHEET INFORMATION *(in thousands)*

| | January 17, 2016 | September 27, 2015 |
|---|---|---|
| **Accounts and other receivables, net:** | | |
| Trade | $ 35,386 | $ 36,990 |
| Notes receivable | 3,610 | 1,726 |
| Other | 14,726 | 10,814 |
| Allowance for doubtful accounts | (2,049) | (1,555) |
| | $ 51,673 | $ 47,975 |
| **Prepaid expenses:** | | |
| Prepaid income taxes | $ 6,653 | $ 7,645 |
| Prepaid rent | 5,552 | 318 |
| Other | 8,160 | 8,277 |
| | $ 20,365 | $ 16,240 |
| **Other assets, net:** | | |
| Deferred tax assets | $ 120,749 | $ 118,184 |
| Company-owned life insurance policies | 97,047 | 99,513 |
| Deferred rent receivable | 46,194 | 45,330 |
| Other | 18,063 | 40,941 |
| | $ 282,053 | $ 303,968 |
| **Accrued liabilities:** | | |
| Payroll and related taxes | $ 41,403 | $ 56,223 |
| Insurance | 35,326 | 35,370 |
| Advertising | 14,600 | 20,692 |
| Sales and property taxes | 8,275 | 11,574 |
| Deferred franchise fees | 1,187 | 1,198 |
| Gift card liability | 5,835 | 4,608 |
| Other | 37,228 | 40,910 |
| | $ 143,854 | $ 170,575 |
| **Other long-term liabilities:** | | |
| Pension plans | $ 181,342 | $ 180,476 |
| Straight-line rent accrual | 46,863 | 46,807 |
| Other | 131,060 | 142,775 |
| | $ 359,265 | $ 370,058 |

## 16. SUBSEQUENT EVENTS

On February 12, 2016, the Board of Directors declared a cash dividend of $0.30 per share, to be paid on March 14, 2016 to shareholders of record as of the close of business on March 1, 2016.

On February 12, 2016, the Board of Directors approved an additional $100.0 million stock buy-back program that expires in November 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**GENERAL**

All comparisons between 2016 and 2015 refer to the 16-weeks ("quarter") ended January 17, 2016 and January 18, 2015, respectively, unless otherwise indicated.

For an understanding of the significant factors that influenced our performance during the quarterly periods ended January 17, 2016 and January 18, 2015, 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 Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended September 27, 2015.

Our MD&A consists of the following sections:

- ***Overview*** — a general description of our business and 2016 highlights.
- ***Financial reporting*** — a discussion of changes in presentation, if any.
- ***Results of operations*** — an analysis of our condensed consolidated statements of earnings for the periods presented in our condensed consolidated financial statements.
- ***Liquidity and capital resources*** — an analysis of our cash flows including capital expenditures, share repurchase activity, dividends, known trends that may impact liquidity and the impact of inflation, if applicable.
- ***Discussion of critical accounting estimates*** — a discussion of accounting policies that require critical judgments and estimates.
- ***New accounting pronouncements*** — a discussion of new accounting pronouncements, dates of implementation and the impact on our consolidated financial position or results of operations, if any.
- ***Cautionary statements regarding forward-looking statements*** — a discussion of the risks and uncertainties that may cause our actual results to differ materially from any forward-looking statements made by management.

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

- Changes in sales at restaurants open more than one year ("same-store sales") and average unit volumes ("AUVs") are presented for franchised restaurants and on a system-wide basis, which includes company and franchise restaurants. Franchise sales represent sales at franchise restaurants and are revenues of our franchisees. We do not record franchise sales as revenues; however, our royalty revenues and percentage rent revenues are calculated based on a percentage of franchise sales. We believe franchise and system same-store sales and AUV information is useful to investors as a significant indicator of the overall strength of our business.
- Company restaurant margin ("restaurant margin") is defined as Company restaurant sales less expenses incurred directly by our restaurants in generating those sales (food and packaging costs, payroll and employee benefits, and occupancy and other costs). We also present restaurant margin as a percentage of Company restaurant sales.
- Franchise margin is defined as total franchise revenues less franchise costs and is also presented as a percentage of franchise revenues.

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

**OVERVIEW**

As of January 17, 2016, we operated and franchised 2,253 Jack in the Box quick-service restaurants, primarily in the western and southern United States, including one in Guam, and 674 Qdoba fast-casual restaurants operating primarily throughout the United States as well as the District of Columbia and Canada.

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

The following summarizes the most significant events occurring in 2016, and certain trends compared to a year ago:

- ***Same-Store Sales Growth*** — Same-store sales grew 0.5% at company-operated Jack in the Box restaurants primarily driven by price increases. Qdoba's same-store sales increase of 1.5% at company-operated restaurants was driven primarily by an increase in transactions and double-digit catering growth.
- ***Commodity Costs*** — Commodity costs decreased approximately 1.7% at our Jack in the Box restaurants, and decreased approximately 5.4% at our Qdoba restaurants in 2016 compared with a year ago. We expect our overall commodity costs in fiscal 2016 to decrease approximately 2% and 4% at our Jack in the Box and Qdoba restaurants, respectively. Beef represents the largest portion, or approximately 20%, of the Company's overall commodity spend. We typically do not enter into fixed price contracts for our beef needs. For the full year, we currently expect beef costs to decrease approximately 15-20%.
- ***Restaurant Margin Expansion*** — Our consolidated company-operated restaurant margin increased 20 basis points in 2016 to 19.5%. Jack in the Box's company-operated restaurant margin improved 150 basis points to 20.9% due primarily to lower costs for food and packaging and benefits of refranchising. Company-operated restaurant margins at our Qdoba restaurants decreased 270 basis points to 16.6% primarily reflecting higher staffing levels and an increase in new restaurant activity.
- ***Jack in the Box Franchising Program*** — Year-to-date, franchisees opened a total of five restaurants. In fiscal 2016, we expect franchisees to open approximately 16 Jack in the Box restaurants. Our Jack in the Box system was 82% franchised at the end of the first quarter. We plan to increase franchise ownership of the Jack in the Box system to at least 90% within the next two years.
- ***Qdoba New Unit Growth*** — Year-to-date, we opened nine company-operated restaurants and franchisees opened six restaurants. In fiscal 2016, we plan to open 50 to 60 Qdoba restaurants, of which approximately half are expected to be company-operated restaurants.
- ***Return of Cash to Shareholders*** — During 2016, we returned cash to shareholders in the form of share repurchases and cash dividends. We repurchased 1.3 million shares of our common stock at an average price of $78.48 per share, totaling $100.0 million, including the costs of brokerage fees. We also declared dividends of $0.30 per share totaling $10.6 million.

**FINANCIAL REPORTING**

The condensed consolidated statements of earnings for all periods presented have been prepared reflecting the results of operations for the 62 Qdoba restaurants we closed in the third quarter of fiscal 2013 (the "2013 Qdoba Closures") and charges incurred as a result of closing these restaurants as discontinued operations. During fiscal 2012, we entered into an agreement to outsource our Jack in the Box distribution business, the results of operations and costs incurred to outsource our distribution business are also reflected as discontinued operations for all periods presented. Refer to Note 2, *Discontinued Operations*, in the Notes to our Condensed Consolidated Financial Statements for more information.

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

## RESULTS OF OPERATIONS

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

### CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS DATA

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Revenues: | | |
| Company restaurant sales | 75.0 % | 75.1 % |
| Franchise rental revenues | 14.8 % | 14.8 % |
| Franchise royalties and other | 10.2 % | 10.1 % |
| Total revenues | 100.0 % | 100.0 % |
| Operating costs and expenses, net: | | |
| Company restaurant costs: | | |
| Food and packaging (1) | 30.8 % | 32.1 % |
| Payroll and employee benefits (1) | 27.7 % | 27.2 % |
| Occupancy and other (1) | 22.0 % | 21.3 % |
| Total company restaurant costs (1) | 80.5 % | 80.7 % |
| Franchise occupancy expenses (2) | 74.9 % | 75.5 % |
| Franchise support and other costs (3) | 10.2 % | 10.0 % |
| Selling, general and administrative expenses | 14.0 % | 13.5 % |
| Impairment and other charges, net | 0.4 % | 0.5 % |
| Gains on the sale of company-operated restaurants | (0.2)% | (0.2)% |
| Earnings from operations | 13.3 % | 13.5 % |
| Income tax rate (4) | 37.6 % | 36.1 % |

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

### CHANGES IN SAME-STORE SALES

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| **Jack in the Box:** | | |
| Company | 0.5% | 3.9% |
| Franchise | 1.8% | 4.6% |
| System | 1.4% | 4.4% |
| **Qdoba:** | | |
| Company | 1.5% | 12.9% |
| Franchise | 2.1% | 15.1% |
| System | 1.8% | 14.0% |

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

| | January 17, 2016 | | | January 18, 2015 | | |
|---|---|---|---|---|---|---|
| | Company | Franchise | Total | Company | Franchise | Total |
| **Jack in the Box:** | | | | | | |
| Beginning of year | 413 | 1,836 | 2,249 | 431 | 1,819 | 2,250 |
| New | — | 5 | 5 | 1 | 6 | 7 |
| Refranchised | (1) | 1 | — | (1) | 1 | — |
| Acquired from franchisees | 1 | (1) | — | — | — | — |
| Closed | — | (1) | (1) | — | (4) | (4) |
| End of period | 413 | 1,840 | 2,253 | 431 | 1,822 | 2,253 |
| % of JIB system | 18% | 82% | 100% | 19% | 81% | 100% |
| % of consolidated system | 56% | 84% | 77% | 58% | 85% | 78% |
| **Qdoba:** | | | | | | |
| Beginning of year | 322 | 339 | 661 | 310 | 328 | 638 |
| New | 9 | 6 | 15 | 3 | 6 | 9 |
| Closed | (1) | (1) | (2) | (2) | (4) | (6) |
| End of period | 330 | 344 | 674 | 311 | 330 | 641 |
| % of Qdoba system | 49% | 51% | 100% | 49% | 51% | 100% |
| % of consolidated system | 44% | 16% | 23% | 42% | 15% | 22% |
| **Consolidated:** | | | | | | |
| Total system | 743 | 2,184 | 2,927 | 742 | 2,152 | 2,894 |
| % of consolidated system | 25% | 75% | 100% | 26% | 74% | 100% |

## Jack in the Box Brand

### *Company Restaurant Operations*

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

| | Sixteen Weeks Ended | | | |
|---|---|---|---|---|
| | January 17, 2016 | | January 18, 2015 | |
| Company restaurant sales | $ 236,279 | | $ 241,343 | |
| Company restaurant costs: | | | | |
| Food and packaging | 73,133 | 31.0% | 79,193 | 32.8% |
| Payroll and employee benefits | 65,689 | 27.8% | 66,743 | 27.7% |
| Occupancy and other | 48,171 | 20.4% | 48,631 | 20.2% |
| Total company restaurant costs | 186,993 | 79.1% | 194,567 | 80.6% |
| Restaurant margin | $ 49,286 | 20.9% | $ 46,776 | 19.4% |

Jack in the Box company restaurant sales decreased $5.1 million in 2016 due to a reduction in the average number of company-operated restaurants resulting from the execution of our refranchising strategy which includes the sale of restaurants to franchisees. Higher AUV growth in 2016 versus a year ago partially offset the sales decrease attributable to refranchising. The following table presents the approximate impact of these increases (decreases) on company restaurant sales (*in thousands*):

| | |
|---|---|
| Jack in the Box AUV increase | $ 5,700 |
| Decrease in the average number of Jack in the Box company restaurants | (10,800) |
| Total decrease in company restaurant sales | $ (5,100) |

Same-store sales at Jack in the Box company-operated restaurants increased 0.5% in 2016 as compared to the prior year, primarily driven by price increases and to a lesser extent favorable product mix, which were nearly offset by a decline in transactions. The following table summarizes the change in company-operated same-store sales:

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Average check (1) | 3.4 % | 3.1% |
| Transactions | (2.9)% | 0.8% |
| Change in same-store sales | 0.5 % | 3.9% |

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(1) Amounts in 2016 and 2015 include price increases of approximately 2.8% and 2.1%, respectively.

Food and packaging costs as a percentage of company restaurant sales decreased to 31.0% in 2016, compared with 32.8% a year ago due to favorable product mix changes, lower commodity costs, and menu price increases. Commodity costs decreased 1.7% due to lower costs for beef and cheese which were partially offset by higher costs for eggs, produce, poultry and pork. Beef, our most significant commodity, decreased nearly 22% versus last year while eggs increased most significantly by approximately 56% in 2016. For fiscal 2016, we currently expect commodity costs to decrease approximately 2% at our Jack in the Box restaurants compared with fiscal 2015.

Payroll and employee benefit costs as a percentage of company restaurant sales increased slightly to 27.8% in 2016 compared with 27.7% in 2015. In 2016, higher wages from minimum wage increases and higher costs for workers' compensation insurance were partially offset by lower levels of incentive compensation and the benefits of refranchising.

As a percentage of company restaurant sales, occupancy and other costs increased to 20.4% in 2016 from 20.2% a year ago due to higher costs for equipment upgrades, partially offset by lower costs for utilities and the benefits of refranchising.

***Franchise Operations***

The following table presents Jack in the Box franchise revenues, costs and margin in each period and other information we believe is useful in analyzing the change in franchise operating results (*dollars in thousands*):

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Franchise rental revenues | $ 69,700 | $ 69,382 |
| | | |
| Royalties | 40,870 | 40,252 |
| Franchise fees and other | 734 | 974 |
| Franchise royalties and other | 41,604 | 41,226 |
| Total franchise revenues | 111,304 | 110,608 |
| | | |
| Rental expense | 42,144 | 42,140 |
| Depreciation and amortization | 10,047 | 10,221 |
| Franchise occupancy expenses | 52,191 | 52,361 |
| Franchise support and other costs | 3,338 | 3,627 |
| Total franchise costs | 55,529 | 55,988 |
| Franchise margin | $ 55,775 | $ 54,620 |
| Franchise margin as a % of franchise revenues | 50.1% | 49.4% |
| | | |
| Average number of franchise restaurants | 1,838 | 1,822 |
| % increase | 0.9% | |
| Franchise restaurant AUVs | $ 438 | $ 429 |
| Increase in franchise-operated same-store sales | 1.8% | 4.6% |
| Royalties as a percentage of franchise restaurant sales | 5.1% | 5.2% |

Total franchise revenues, which includes franchise rental revenues and franchise royalties and other, increased $0.7 million or 0.6% in 2016 as compared to a year ago, primarily reflecting higher AUVs resulting in an increase in revenues from royalties and percentage rent.

Franchise occupancy expenses, principally rents and depreciation on properties subleased or leased to franchisees, decreased $0.2 million in 2016 due to a decrease in depreciation expense as our building assets become fully depreciated.

Franchise support and other costs decreased $0.3 million in 2016 versus a year ago primarily due to a decrease in bad debt expense.

**Qdoba Brand**

***Company Restaurant Operations***

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

| | Sixteen Weeks Ended | | | |
|---|---|---|---|---|
| | January 17, 2016 | | January 18, 2015 | |
| Company restaurant sales | $ 116,942 | | $ 110,553 | |
| Company restaurant costs: | | | | |
| Food and packaging | 35,778 | 30.6% | 33,916 | 30.7% |
| Payroll and employee benefits | 32,218 | 27.6% | 28,936 | 26.2% |
| Occupancy and other | 29,528 | 25.3% | 26,400 | 23.9% |
| Total company restaurant costs | 97,524 | 83.4% | 89,252 | 80.7% |
| Restaurant margin | $ 19,418 | 16.6% | $ 21,301 | 19.3% |

Company restaurant sales increased $6.4 million in 2016 as compared with the prior year due primarily to an increase in the number of Qdoba company-operated restaurants, and to a lesser extent, growth in AUVs. The following table presents the approximate impact of these increases on company restaurant sales (*in thousands*):

| | |
|---|---|
| Increase in the average number of Qdoba company restaurants | $ 5,100 |
| Qdoba AUV increase | 1,300 |
| Total increase in company restaurant sales | $ 6,400 |

Same-store sales at Qdoba company-operated restaurants increased 1.5% in 2016 primarily driven by transaction growth and catering. The following table summarizes the change in company-operated same-store sales:

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Transactions | 1.3 % | 1.9% |
| Average check (1) | (0.8)% | 9.8% |
| Catering | 1.0 % | 1.2% |
| Change in same-store sales | 1.5 % | 12.9% |

____________________________

(1) Amounts in 2016 and 2015 include price increases of approximately 0.7% and 0.6%, respectively, year-to-date.

Food and packaging costs as a percentage of company restaurant sales decreased slightly to 30.6% in 2016 from 30.7% a year ago due to lower commodity costs which were partially offset by a higher frequency of guests choosing to add on extras like guacamole and queso at no additional charge. Commodity costs decreased 5.4% primarily due to lower beef and cheese costs, partially offset by higher costs for produce. In 2016, beef costs decreased by approximately 14%. For fiscal 2016, we currently expect commodity costs to decrease approximately 4% at our Qdoba restaurants compared with fiscal 2015.

Payroll and employee benefit costs as a percentage of company restaurant sales increased to 27.6% in 2016 from 26.2% in 2015 driven by increases in labor staffing and an increase in new restaurant openings, partially offset by lower levels of incentive compensation.

As a percentage of company restaurant sales, occupancy and other costs increased to 25.3% in 2016 from 23.9% a year ago primarily due to higher costs for uniforms and depreciation expense related to technology and kitchen equipment upgrades, as well as an increase in new restaurant openings.

***Franchise Operations***

The following table presents our Qdoba franchise revenues, costs and margin in each period and other information we believe is useful in analyzing the change in franchise operating results (*dollars in thousands*):

| | Sixteen Weeks Ended | |
|---|---|---|
| | **January 17, 2016** | **January 18, 2015** |
| Franchise rental revenues | $ 38 | $ 64 |
| | | |
| Royalties | 5,792 | 5,577 |
| Franchise fees and other | 468 | 476 |
| Franchise royalties and other | 6,260 | 6,053 |
| Total franchise revenues | 6,298 | 6,117 |
| | | |
| Rental expense (1) | 28 | 57 |
| Franchise support and other costs | 1,524 | 1,096 |
| Total franchise costs | 1,552 | 1,153 |
| Franchise margin | $ 4,746 | $ 4,964 |
| Franchise margin as a % of franchise revenues | 75.4% | 81.2% |
| | | |
| Average number of franchise restaurants | 342 | 331 |
| % increase | 3.3% | |
| Franchise restaurant AUVs | $ 344 | $ 336 |
| Increase in franchise-operated same-store sales | 2.1% | 15.1% |
| Royalties as a percentage of estimated franchise restaurant sales | 4.9% | 5.0% |

(1) Included in franchise occupancy expenses in the accompanying condensed consolidated statements of earnings.

Franchise royalties and other increased $0.2 million or 3.4%, in 2016, primarily reflecting an increase in the average number of franchise restaurants, and to a lesser extent, higher AUVs resulting in an increase in revenue from royalties.

Franchise support and other costs, increased $0.4 million in 2016 versus a year ago, primarily related to bad debt expense of $0.2 million recorded in 2016.

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

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

| | | Increase / (Decrease) |
|---|---|---|
| Advertising | $ | 1,945 |
| Pre-opening costs | | 1,129 |
| Qdoba brand conference | | 833 |
| Cash surrender value of COLI policies, net | | 813 |
| Consulting | | 512 |
| Incentive compensation (including share-based compensation and related payroll taxes) | | (1,202) |
| Pension and postretirement benefits | | (1,620) |
| Other | | 367 |
| | $ | 2,777 |

Advertising costs associated with our Qdoba brand were $2.1 million higher in 2016 versus a year ago due primarily to the timing of spending. Advertising costs at our Jack in the Box brand are primarily contributions to our marketing fund and determined as a percentage of gross restaurant sales. Jack in the Box advertising costs decreased $0.2 million compared to a year ago due to our refranchising strategy which resulted in a decrease in the number of company-operated restaurants.

Pre-opening costs increased in 2016 as compared to a year ago due to an increase in both the number of Qdoba restaurants opened, and under construction in the period.

In 2016, as part of its brand evolution, Qdoba held a conference to communicate the vision and direction of the brand strategy to key stakeholders, which resulted in an increase in 2016 SG&A expenses.

The cash surrender value of our COLI policies, net of changes in our non-qualified deferred compensation obligations supported by these policies, are subject to market fluctuations. The changes in market values had a negative impact of $1.0 million in 2016, compared with $0.2 million a year ago.

Incentive compensation decreased $1.2 million compared with a year ago due primarily to a decrease in costs related to our annual incentive compensation plans and a reduction in payroll taxes associated with our stock compensation awards.

Pension and postretirement benefit costs decreased $1.6 million primarily due to the sunsetting of our qualified pension plan on December 31, 2015 resulting in a decrease in the service cost component of our expense and a change in the amortization period for actuarial gains and losses from the average remaining service period to the average future lifetime of all participants. To a lesser extent, an increase in our discount rate also contributed to the decrease.

**Impairment and Other Charges, Net**

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

| | Sixteen Weeks Ended | | | |
|---|---|---|---|---|
| | January 17, 2016 | | January 18, 2015 | |
| Losses on the disposition of property and equipment, net | $ | 651 | $ | 621 |
| Costs of closed restaurants (primarily lease obligations) and other | | 560 | | 786 |
| Accelerated depreciation | | 446 | | 752 |
| Restaurant impairment charges | | — | | 14 |
| Restructuring costs | | — | | 7 |
| | $ | 1,657 | $ | 2,180 |

Impairment and other charges, net decreased $0.5 million in 2016 versus a year ago primarily related to decreases in accelerated depreciation and costs of closed restaurants and other. Accelerated depreciation related to Jack in the Box restaurant closures and technology upgrades decreased versus a year ago and was partially offset by an increase associated with exterior lighting upgrades at our Jack in the Box restaurants. Costs of closed restaurants and other decreased primarily due to decreases in charges for future lease commitments, partially offset by income of $0.6 million recognized in 2015 related to an eminent domain matter. Refer to Note 6, *Impairment and Other Charges, Net* of the notes to the condensed consolidated financial statements for additional information regarding these costs.

**Gains on the Sale of Company-Operated Restaurants**

Gains on the sale of company-operated restaurants were $0.8 million and $0.9 million in 2016 and 2015, respectively. We sold one Jack in the Box restaurant in each year. Gains are impacted by the number of restaurants sold and changes in average gains or losses recognized, which relate to the specific sales and cash flows of those restaurants. In 2016 and 2015, gains on the sale of company-operated restaurants include additional gains of $1.0 million and $0.1 million, respectively, recognized upon the extension of the underlying franchise and lease agreements related to Jack in the Box restaurants sold in previous years. Refer to Note 3, *Summary of Refranchisings, Franchisee Development and Acquisitions*, of the notes to the condensed consolidated financial statements for additional information regarding these gains.

**Interest Expense, Net**

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Interest expense | $ 8,231 | $ 5,404 |
| Interest income | (56) | (191) |
| Interest expense, net | $ 8,175 | $ 5,213 |

Interest expense, net increased $3.0 million during 2016 compared with a year ago due primarily to higher average borrowings.

**Income Taxes**

The tax rate in 2016 was 37.6%, compared with 36.1% a year ago. The major components of the year-over-year change in tax rates were a decrease in operating earnings before income taxes, an increase in the Company's state tax rate, and a decrease in the market performance of insurance products used to fund certain non-qualified retirement plans which are excluded from taxable income. The Company recognized a benefit from the retroactive reenactment of the Work Opportunity Tax Credit for calendar year 2015 during the first quarter of 2016. Similarly, a retroactive reenactment occurred for calendar year 2014 during the first quarter of 2015. We expect the fiscal year tax rate to be approximately 38%. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual 2016 rate could differ from our current estimates.

**Losses from Discontinued Operations, Net**

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

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Distribution business | $ 21 | $ (36) |
| 2013 Qdoba Closures | (697) | (1,227) |
| | $ (676) | $ (1,263) |

In 2016 and 2015, losses from discontinued operations incurred in connection with the 2013 Qdoba Closures primarily relate to unfavorable lease commitment adjustments.

Losses from discontinued operations reduced diluted earnings per share by the following in each period (earnings per share may not add due to rounding):

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Distribution business | $ — | $ — |
| 2013 Qdoba Closures | (0.02) | (0.03) |
| | $ (0.02) | $ (0.03) |

## LIQUIDITY AND CAPITAL RESOURCES

### General

Our primary sources of short-term and long-term liquidity are expected to be cash flows from operations and our revolving bank credit facility.

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

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

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

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

### Cash Flows

The table below summarizes our cash flows from operating, investing and financing activities (*in thousands*):

| | Sixteen Weeks Ended | |
|---|---|---|
| | January 17, 2016 | January 18, 2015 |
| Total cash provided by (used in): | | |
| Operating activities | $ 44,909 | $ 47,347 |
| Investing activities | (27,256) | (13,639) |
| Financing activities | (28,264) | (35,481) |
| Effect of exchange rate changes | (32) | 3 |
| Net decrease in cash and cash equivalents | $ (10,643) | $ (1,770) |

**Operating Activities**. Operating cash flows decreased $2.4 million compared with a year ago primarily due to a $16.0 million income tax payment in 2016, an increase in 2016 receivables due to the timing of property tax and other miscellaneous billings to franchisees, and a decrease in net earnings in 2016, partially offset by a reduction in tax benefits associated with stock-based compensation and an increase in accounts payable related to timing of disbursements.

**Investing Activities**. Cash used in investing activities increased $13.6 million compared with a year ago due primarily to an increase in capital expenditures and a decrease in collections on notes receivable, partially offset by an increase in proceeds from assets held for sale and leaseback.

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

| | Sixteen Weeks Ended | |
|---|---|---|
| | **January 17, 2016** | **January 18, 2015** |
| **Jack in the Box:** | | |
| Restaurant facility expenditures | $ 10,113 | $ 6,135 |
| New restaurants | 3,059 | 2,771 |
| Other, including information technology | 706 | 1,959 |
| | 13,878 | 10,865 |
| **Qdoba:** | | |
| New restaurants | 14,394 | 4,173 |
| Restaurant facility expenditures | 1,127 | 1,772 |
| Other, including information technology | 757 | — |
| | 16,278 | 5,945 |
| **Shared Services:** | | |
| Information technology | 1,239 | 1,765 |
| Other, including facility improvements | 148 | 1,310 |
| | 1,387 | 3,075 |
| | | |
| Consolidated capital expenditures | $ 31,543 | $ 19,885 |

Our capital expenditure program includes, among other things, investments in new locations and equipment, restaurant remodeling, and information technology enhancements. Capital expenditures increased $11.7 million compared to a year ago as a result of an increase in spending related building new Qdoba restaurants, exterior enhancements at our Jack in the Box restaurants, and information technology infrastructure at Qdoba. We expect fiscal 2016 capital expenditures to be approximately $100 -$120 million. In 2016, we plan to open 50 to 60 Qdoba restaurants, of which approximately half are expected to be company-operated locations. Additionally, we plan to open approximately 20 Jack in the Box franchise and company-operated restaurants in fiscal 2016, of which four are expected to be company-operated locations.

***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. Proceeds received in 2016 of $1.0 million are primarily related to the extension of the underlying franchise and lease agreements related to Jack in the Box restaurants sold in previous years. In 2015, proceeds of $1.2 million are primarily related to the sale of a company-operated restaurant. For additional information, refer to Note 3, *Summary of Refranchisings, Franchisee Development and Acquisitions*, of the notes to the condensed consolidated financial statements.

***Assets Held for Sale and Leaseback*** — We use sale and leaseback financing to lower the initial cash investment in our restaurants to the cost of the equipment, whenever possible. In 2016, we exercised our right of first refusal related to two leased properties which we intend to sell and leaseback within the next 12 months. We did not have any sale and leaseback transactions in 2015. The following table summarizes the cash flow activity related to our 2016 sale and leaseback transactions (*dollars in thousands*):

| | |
|---|---|
| Number of restaurants sold and leased back | 3 |
| | |
| Proceeds from sale and leaseback transactions | $ 5,803 |
| Purchases of assets intended for sale and leaseback | $ (3,274) |

As of January 17, 2016, we had investments of $19.1 million relating to eight restaurant properties that we expect to sell and leaseback during the next 12 months.

**Financing Activities**. Cash flows used in financing activities decreased $7.2 million compared with a year ago primarily due to an increase in our borrowings on our credit facility and a decrease in cash used to repurchase shares of our common stock, partially offset by a decrease in excess tax benefits from share based compensation arrangements and a decrease in proceeds from issuance of our common stock.

***Credit Facility*** — Our credit facility consists of (i) a $900.0 million revolving credit agreement and (ii) a $300.0 million term loan. Both the revolving credit agreement and the term loan have maturity dates of March 19, 2019. As part of the credit agreement, we may also request the issuance of up to $75.0 million in letters of credit, the outstanding amount of which reduces our net borrowing capacity under the agreement. At January 17, 2016, we had $292.2 million outstanding under the term loan, borrowings under the revolving credit agreement of $474.0 million and letters of credit outstanding of $25.2 million.

The interest rate on the credit facility is based on our leverage ratio and can range from London Interbank Offered Rate ("LIBOR") plus 1.25% to 2.00% with no floor. The current interest rate is LIBOR plus 1.75%.

We are subject to a number of customary covenants under our credit facility, including limitations on additional borrowings, acquisitions, loans to franchisees, lease commitments, stock repurchases, dividend payments and requirements to maintain certain financial ratios. We were in compliance with all covenants as of January 17, 2016.

***Interest Rate Swaps*** — To reduce our exposure to rising interest rates under our credit facility, we consider interest rate swaps. In April 2014, we entered into nine forward-starting interest rate swap agreements that effectively convert $300.0 million of our variable rate borrowings to a fixed rate basis from October 2014 through October 2018. In June 2015, we entered into eleven forward-starting interest rate swap agreements that effectively convert an additional $200.0 million of our variable rate borrowings and future expected variable rate borrowings to a fixed rate from October 2015 through October 2018, and $500.0 million from October 2018 through October 2022. For additional information, refer to Note 5, *Derivative Instruments*, of the notes to the condensed consolidated financial statements and Item 3, *Quantitative and Qualitative Disclosures About Market Risk*, of this Report.

***Repurchases of Common Stock*** — During 2016, we repurchased 1.3 million shares at an aggregate cost of $100.0 million, compared with 1.3 million shares at an aggregate cost of $101.6 million in 2015. As of January 17, 2016, there was $100.0 million remaining under a stock-buyback program which expires in November 2017.

***Dividends*** — In 2016, a quarterly cash dividend of $0.30 per share was declared totaling $10.6 million. Future dividends are subject to approval by our Board of Directors.

**Off-Balance Sheet Arrangements**

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

## DISCUSSION OF CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those the Company believes are most important for the portrayal of the Company's financial condition and results and that require management's most subjective and complex judgments. Judgments and uncertainties regarding the application of these policies may result in materially different amounts being reported under various conditions or using different assumptions. There have been no material changes to the critical accounting estimates previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended September 27, 2015.

## NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 1, *Basis of Presentation*, of the notes to the condensed consolidated financial statements.

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities laws. Any statements contained herein that are not historical facts may be deemed to be forward-looking statements. Forward-looking statements may be identified by words such as "anticipate," "assume," "believe," "estimate," "expect," "forecast," "goals," "guidance," "intend," "plan," "project," "may," "will," "would", "should" and similar expressions. These statements are based on management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate. These estimates and assumptions involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. Factors that may cause our actual results to differ materially from any forward-looking statements include, but are not limited to:

- Food service businesses such as ours may be materially and adversely affected by changes in consumer preferences or dining habits, and economic, political and socioeconomic conditions. Adverse economic conditions such as unemployment and decreased discretionary spending may result in reduced restaurant traffic and sales and impose practical limits on pricing. We are also subject to geographic concentration risks, with nearly 70% of system Jack in the Box restaurants located in California and Texas.

- Our profitability depends in part on food and commodity costs and availability, including animal feed costs and fuel costs and other supply and distribution costs. The risks of increased commodities costs and volatility in costs could adversely affect our profitability and results of operations.
- The success of our business strategy depends on the value and relevance of our brands. Multi-unit food service businesses such as ours can be materially and adversely affected by widespread negative publicity of any type, particularly regarding food quality, food safety or public health issues. Negative publicity regarding our brands or the restaurant industry in general could cause a decline in system restaurant sales and could have a material adverse effect on our financial condition and results of operations.
- We are reliant on third party suppliers and distributors, and any shortages or interruptions in supply could adversely affect the availability, quality and cost of ingredients.
- Our business can be materially and adversely affected by severe weather conditions or natural disasters, which can result in lost restaurant sales, supply chain interruptions and increased costs.
- Growth and new restaurant development involve substantial risks, including risks associated with unavailability of suitable franchisees, limited financing availability, cost overruns and the inability to secure suitable sites on acceptable terms. In addition, our growth strategy includes opening restaurants in new or existing markets where we cannot assure that we will be able to successfully expand or acquire critical market presence, attract customers or otherwise operate profitably.
- There are risks associated with our franchise business model, including the demand for our franchises, the selection of appropriate franchisees and whether our franchisees and new restaurant developers will have the capabilities to be effective operators and remain aligned with us on operating, promotional and capital-intensive initiatives, in an ever-changing competitive environment. Additionally, our franchisees and operators could experience operational, financial or other challenges that could affect payments to us of rents and/or royalties, or could damage our brands and reputation.
- The restaurant and take-away food industry is highly competitive with respect to price, service, location, brand identification and menu quality and innovation. We cannot assure that we will be able to effectively respond to aggressive competitors (including competitors with significantly greater financial resources); or that our competitive strategies will increase our same-store sales and AUVs; or that our new products, service initiatives, overall strategies or execution of those strategies will be successful.
- Should our advertising and promotions be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition.
- The cost-saving initiatives planned or taken in recent years, including the outsourcing of our distribution business and integration of the Jack in the Box and Qdoba technology systems, are subject to risks and uncertainties, and we cannot assure that these activities, or any other activities we undertake in the future, will achieve the desired savings and efficiencies.
- The loss of key personnel could have a material adverse effect on our business.
- The costs of compliance with government regulations, including those resulting in increased labor costs, could negatively affect our results of operations and financial condition.
- A material failure or interruption of service or a breach in security of our information technology systems or databases could cause reduced efficiency in operations, loss or misappropriation of data or business interruptions, which in turn could affect cash flows or our operating results. In addition, the costs of information security, regulatory compliance, investment in technology and risk mitigation measures may negatively affect our margins or financial results.
- We maintain a documented system of internal controls, which is reviewed and monitored by an Internal Controls Committee and tested by the Company's full-time internal audit department. 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 our reporting obligations.
- We are subject to risks of owning, operating and leasing property, including but not limited to environmental risks, which 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 a significant amount of indebtedness, which could adversely affect our business and our ability to meet our obligations. Our ability to repay expected borrowings under our credit facility and to meet our other debt or contractual obligations 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.

- Changes in accounting standards, policies or related interpretations by accountants or regulatory entities may negatively impact our results.
- We are subject to litigation which is inherently unpredictable and can result in unfavorable resolutions where the amount of ultimate loss may exceed our estimated loss contingencies, impose other costs related to defense of claims, or distract management from our operations.

These and other factors are identified and described in more detail in our filings with the Securities and Exchange Commission, including, but not limited to: the "Discussion of Critical Accounting Estimates" and other sections in this Form 10-Q and the "Risk Factors" section of our most recent Annual Report on Form 10-K for the fiscal year ended September 27, 2015 ("Form 10-K"). These documents may be read free of charge on the SEC's website at www.sec.gov. Potential investors are urged to consider these factors, more fully described in our Form 10-K, carefully in evaluating any forward-looking statements, and are cautioned not to place undue reliance on the forward-looking statements. All forward-looking statements are made only as of the date issued, and we do not undertake any obligation to update any forward-looking statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to risks relating to our financial instruments is changes in interest rates. Our credit facility is comprised of a revolving credit facility and a term loan, bearing interest at an annual rate equal to the prime rate of LIBOR plus an applicable margin based on a financial leverage ratio. As of January 17, 2016, the applicable margin for the LIBOR-based revolving loans and term loan was set at 1.75%.

We use interest rate swap agreements to reduce exposure to interest rate fluctuations. In April 2014, we entered into nine forward-starting interest rate swap agreements that effectively convert $300.0 million of our variable rate borrowings to a fixed rate basis from October 2014 through October 2018. In June 2015, we entered into eleven forward-starting interest rate swap agreements that effectively convert an additional $200.0 million of our variable rate borrowings to a fixed rate from October 2015 through October 2018, and $500.0 million from October 2018 through October 2022. Based on the applicable margin in effect as of January 17, 2016, these twenty interest rate swaps would yield average fixed rates of 2.93%, 3.65%, 4.16%, 4.37%, 4.64%, 4.82%, 4.92% in years two through eight, respectively. For additional information related to our interest rate swaps, refer to Note 5, *Derivative Instruments*, of the notes to the condensed consolidated financial statements.

We are also exposed to the impact of commodity and utility price fluctuations. Many of the ingredients we use are commodities or ingredients that are affected by the price of other commodities, weather, seasonality, production, availability and various other factors outside our control. In order to minimize the impact of fluctuations in price and availability, we monitor the primary commodities we purchase and may enter into purchasing contracts and pricing arrangements when considered to be advantageous. However, certain commodities remain subject to price fluctuations. We are exposed to the impact of utility price fluctuations related to unpredictable factors such as weather and various other market conditions outside our control. Our ability to recover increased costs for commodities and utilities through higher prices is limited by the competitive environment in which we operate.

## ITEM 4. 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 13a - 15 and 15d - 15 of the Securities Exchange Act of 1934, as amended), as of the end of the Company's quarter ended January 17, 2016, 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 changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended January 17, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

# PART II. OTHER INFORMATION

There is no information required to be reported for any items under Part II, except as follows:

## ITEM 1. LEGAL PROCEEDINGS

See Note 12, *Contingencies and Legal Matters*, of the notes to the unaudited condensed consolidated financial statements for a discussion of our contingencies and legal matters.

ITEM 1A. RISK FACTORS

When evaluating our business and our prospects, you should consider the risks and uncertainties described under Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended September 27, 2015, which we filed with the SEC on November 19, 2015. You should also consider the risks and uncertainties discussed under the heading "Cautionary Statements Regarding Forward-Looking Statements" in Item 2 of this Quarterly Report on Form 10-Q. You should also refer to the other information set forth in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 27, 2015, including our financial statements and the related notes. There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended September 27, 2015. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the risks or uncertainties actually occurs, our business and financial results could be harmed. In that case, the market price of our common stock could decline.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Our credit agreement provides 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*** — During fiscal 2016, we repurchased 1.3 million shares at an aggregate cost of $100.0 million. As of January 17, 2016, there was $100.0 million remaining under a stock-buyback program which expires in November 2017.

The following table summarizes shares repurchased during the quarter ended January 17, 2016. The average price paid per share in column (b) below does not include the cost of brokerage fees.

| | (a) Total number of shares purchased | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced programs | (d) Maximum dollar value that may yet be purchased under these programs |
|---|---|---|---|---|
| | | | | $ 200,025,468 |
| September 28, 2015 - October 25, 2015 | — | $ — | — | $ 200,025,468 |
| October 26, 2015 - November 22, 2015 | — | $ — | — | $ 200,025,468 |
| November 23, 2015 - December 20, 2015 | 1,274,158 | $ 78.46 | 99,999,916 | $ 100,025,552 |
| December 21, 2015 - January 17, 2016 | — | $ — | — | $ 100,025,552 |
| Total | 1,274,158 | $ 78.46 | 99,999,916 | |

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| Number | Description | Form | Filed with SEC |
|---|---|---|---|
| 3.1 | Restated Certificate of Incorporation, as amended, dated September 21, 2007 | 10-K | 11/20/2009 |
| 3.1.1 | Certificate of Amendment of Restated Certificate of Incorporation, dated September 21, 2007 | 8-K | 9/24/2007 |
| 3.2 | Amended and Restated Bylaws, dated August 7, 2013 | 10-Q | 8/8/2013 |
| 10.8.13* | Form of Time-Vested Restricted Stock Unit Awards Agreement under the 2004 Stock Incentive Plan | 10-Q | Filed herewith |
| 10.8.14* | Form of Stock Option and Performance Unit Awards Agreement under the 2004 Stock Incentive Plan | 10-Q | Filed herewith |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | — | Filed herewith |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | — | Filed herewith |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | — | Filed herewith |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | — | Filed herewith |
| 101.INS | XBRL Instance Document | | |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | |

* Management contract or compensatory plan.

SIGNATURE

Pursuant to the requirements 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: February 18, 2016

**Exhibit 10.8.13**

**JACK IN THE BOX INC.**
**TIME-VESTING RESTRICTED STOCK UNIT AWARD AGREEMENT**
**UNDER THE 2004 STOCK INCENTIVE PLAN**

This Time-Vesting Restricted Stock Unit Award Agreement (the “Agreement”) is made and entered into effective as of **[Month Day, Year]** (the “Grant Date”) by and between Jack in the Box Inc., a Delaware corporation (the “Company”), and **[First Name Last Name]** (the “Awardee”).

**RECITALS**

The Compensation Committee (the “Committee”) of the Board of Directors of the Company (the “Board”) which administers the Company’s 2004 Stock Incentive Plan, as amended from time to time (the “Plan”), has granted to the Awardee as of the Grant Date this award of Time-Vesting Restricted Stock Units (the “RSU Award”), on the terms and conditions set forth herein.

**AGREEMENT**

In consideration of the foregoing and of the mutual covenants set forth herein and other good and valuable consideration, the parties hereto agree as follows:

**1. CONSIDERATION.** The RSU Award has been granted in consideration of the Awardee’s continued employment with the Company or a Subsidiary Corporation and acceptance by the Awardee of the terms and conditions set forth below and in the Plan.

**2. TIME-VESTING RESTRICTED STOCK UNIT AWARD**

(a) RSU AWARD**.** The Committee hereby grants to the Awardee as of the Grant Date, pursuant to the terms of the Plan and this Agreement, an award (the “Award”) of [**Total # Units Granted]** RSUs representing the right to receive an equal number of shares of the Company’s Common Stock (“Stock”) upon vesting over a period of years. All of the RSUs are nonvested and forfeitable as of the Grant Date.

(b) TIME-BASED VESTING**.** The RSUs will be subject to vesting over 4 years, subject to the provisions of this Agreement, and may be rounded in each case to avoid fractional shares:

**<<Number of Units>>** RSUs shall vest on **[Month Day, Year – 1 year from grant date]**
**<<Number of Units>>** RSUs shall vest on **[Month Day, Year – 2 years from grant date]**
**<<Number of Units>>** RSUs shall vest on **[Month Day, Year – 3 years from grant date]**
**<<Number of Units>>** RSUs shall vest on **[Month Day, Year – 4 years from grant date]**

Each such date on which vesting is scheduled to occur shall be referred to as a “Vesting Date.” Vesting shall be contingent on the Awardee’s continued employment with the Company or a Subsidiary Corporation from the Grant Date through the applicable Vesting Date.

**3. TERMINATION OF EMPLOYMENT**.

(a) General. Except as set forth in paragraph (b) below, if the Awardee ceases to provide Service to the Company or a Subsidiary Corporation prior to the date that the RSUs vest in full, then the unvested RSUs as of the date of such cessation will be forfeited to the Company immediately and automatically upon such cessation without payment of any consideration for the RSUs, and the Awardee will have no further right, title or interest in or to such RSUs or the underlying shares of Stock.

(b) Termination due to Death, Disability, or Retirement. If the Awardee ceases to provide Service to the Company or a Subsidiary Corporation prior to the date that the RSUs vest in full due to the Awardee's death, Disability, or Retirement, then all unvested RSUs shall become 100% vested on the date of such cessation. For purposes of this Agreement: (i) "Disability" means a physical or mental condition that results in a total and permanent disability to such extent that the Awardee is eligible for disability benefits under the federal Social Security Act, and (ii) "Retirement" means the Awardee's termination of employment other than "for cause" (as determined by the Board in its sole discretion) due to retirement at age 55 or older with 10 or more full years of continuous Service with the Company or a Subsidiary Corporation. Accelerated vesting in accordance with the foregoing will only occur if the Awardee's cessation of employment is also a "separation from service" as defined in Section 409A of the Code.

**4. SETTLEMENT OF RSUs**.

(a) Subject to the provisions of this Agreement, including Sections 11 and 20(g), and the six-month delay of payment described in paragraph (b) below, the Company shall deliver to the Awardee through a Company-designated brokerage firm, within 30 days following the applicable RSU vesting date, a number of shares of Stock equal to the number of RSUs that became vested on such vesting date (the "Award Shares"), net of any tax withholding.

(b) If the Awardee is, on the date of the Awardee's cessation of employment, a "specified employee," as described in Section 409A of the Code and determined by the Company, then payment of the RSUs that become vested in accordance with Section 3 due to Awardee's cessation of employment due to Disability or Retirement will be made within 30 days after the six-month anniversary of the Awardee's cessation of employment.

**5. TAXES AND WITHHOLDING**.

(a) Any income taxes, FICA, state disability insurance or other similar payroll and withholding taxes ("Withholding Obligation") arising from the receipt of Award Shares is the sole responsibility of the Awardee. The Company, to the extent permitted by law, may deduct any Withholding Obligation arising from the receipt or vesting of the Award from any payment of any kind due to the Awardee, including the Award, and the net balance will be settled in whole shares of Stock of the Company ("Award Shares"). If withheld in shares, such shares shall be valued at Fair Market Value, as defined in the Plan, on the applicable date for such purposes and shall not exceed in amount the minimum statutory tax Withholding Obligation. In no event shall the Company be required to deliver a fractional share of Stock in settlement of the Award.

(b) By accepting this Award, Awardee hereby elects, effective on the date Awardee accepts this Award, to sell shares of Stock issued in respect of the Award in an amount determined in accordance with this Section, and to allow the Agent, as defined below, to remit the cash proceeds of such sales to the Company as more specifically set forth below (a "Sell to Cover") to permit Awardee to satisfy the Withholding Obligation to the extent the Withholding Obligation is not otherwise satisfied pursuant to the provisions of Section 5(c) below and further acknowledges and agrees to the following provisions:

(i) Awardee hereby irrevocably appoints the Company's designated broker E*Trade, or such other registered broker-dealer that is a member of the Financial Industry Regulatory Authority as the Company may select, as Awardee's agent (the "*Agent*"), and authorizes and directs the Agent to:

(1) Sell on the open market at the then prevailing market price(s), on Awardee's behalf, as soon as practicable on or after the date on which the shares of Stock are delivered to Awardee pursuant to Section 4 hereof in connection with the vesting of the RSUs, the number (rounded up to the next whole number) of shares of Stock sufficient to generate proceeds to cover (A) the satisfaction of the Withholding Obligation arising from the vesting of those RSUs and the related issuance of shares of Stock to Awardee that is not otherwise satisfied pursuant to Section 5(c) hereof and (B) all applicable fees and commissions due to, or required to be collected by, the Agent with respect thereto;

(2) Remit directly to the Company and/or any Affiliate the proceeds necessary to satisfy the Withholding Obligation;

(3) Retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Agent, relating directly to the sale; and

(4) Deposit any remaining funds in Awardee's account.

(ii) Awardee acknowledges that Awardee's election to Sell to Cover and the corresponding authorization and instruction to the Agent set forth in this Section is intended to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act and to be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act (Awardee's election to Sell to Cover and the provisions of this Section, collectively, the "10b5-1 Plan"). Awardee acknowledges that by accepting this Award, he or she is adopting the 10b5-1 Plan to permit Awardee to satisfy the Withholding Obligation. Awardee hereby authorizes the Company and the Agent to cooperate and communicate with one another to determine the number of shares of Stock that must be sold pursuant to this Section to satisfy Awardee's obligations hereunder.

(iii) Awardee acknowledges that the Agent is under no obligation to arrange for the sale of Stock at any particular price under this 10b5-1 Plan and that the Agent may effect sales as provided in this 10b5-1 Plan in one or more sales and that the average price for executions resulting from bunched orders may be assigned to Awardee's account. In addition, Awardee acknowledges that it may not be possible to sell shares of Stock as provided for in this 10b5-1 Plan and in the event of the Agent's inability to sell shares of Stock, Awardee will continue to be responsible for the timely payment to the Company of all federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld.

(iv) Awardee hereby agrees to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of this 10b5-1 Plan. The Agent is a third-party beneficiary of this Section and the terms of this 10b5-1 Plan.

(v) Awardee's election to Sell to Cover and to enter into this 10b5-1 Plan is irrevocable. This 10b5-1 Plan shall terminate not later than the date on which the Withholding Obligation arising from the vesting of the RSUs and the related issuance of shares of Stock has been satisfied.

(c) Alternatively, or in addition to or in combination with the Sell to Cover provided for under Section 5(b), Awardee authorizes the Company, at its discretion, to satisfy the Withholding Obligation by the following means (or by a combination of the following means):

(i) Requiring Awardee to pay to the Company any portion of the Withholding Obligation in cash;

(ii) Withholding from any compensation otherwise payable to Awardee by the Company; and/or

(iii) Withholding shares of Stock from the shares of Stock issued or otherwise issuable to Awardee in connection with the Award with a Fair Market Value (measured as of the date shares of Stock are issued pursuant to Section 4) equal to the amount of the Withholding Obligation; provided, however, that the number of such shares of Stock so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income.

(d) Unless the Withholding Obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to Awardee any Stock.

**6. HOLDING PERIOD REQUIREMENT.** As a condition to receipt of this Award, Awardee hereby acknowledges and agrees to be bound by applicable stock holding requirements that could require that the Awardee hold and not transfer under any circumstance until the Awardee's termination of employment with the Company or Subsidiary Corporation: **50%** (rounded to the nearest whole share) of the total shares of Stock issued to Awardee pursuant to vesting of the RSU award (such percentage applying to Award Shares, net of any portion withheld to satisfy the Withholding Obligation).

**7. AWARD AS COMPENSATION.** No amount attributable to this Award shall be considered as compensation for the purposes of any other Company sponsored plan.

**8. LEGALITY.** The Company is not required to issue any shares of Stock subject to this Award unless and until all applicable requirements of the Securities and Exchange Commission (the "SEC"), the California Department of Corporations or other regulatory agencies having jurisdiction with respect to such issuance, and any exchanges upon which the Stock may be listed, shall have been fully complied with. If shares of Stock subject to this Award are being distributed subject to restrictions or if the rules and interpretations of the SEC so require, such shares may be issued only if the Awardee represents and warrants in writing to the Company that the shares are being acquired for investment and not with a view to the distribution thereof, and any certificates issued upon distribution of the shares shall bear appropriate legends setting forth the restrictions on transfer of such shares. Such legends may not be removed until the Company so requests, based on the opinion of the Company's Counsel that the restrictions are no longer applicable.

**9. ADJUSTMENTS IN STOCK; DISSOLUTION OR LIQUIDATION.** Subject to the provisions of the Plan, if the outstanding shares of the Company Stock of the class subject to this Award are increased or decreased, or are changed into or exchanged for a different number or kind of shares or securities as a result of one or more reorganizations, recapitalizations, stock splits, reverse stock splits, stock dividends and the like, appropriate adjustments, to be conclusively determined by the Committee, shall be made in the number and/or type of shares or securities subject to this Award and any fractional shares resulting from adjustments will be rounded down to the nearest whole number. Upon the dissolution or liquidation of the Company, the Award will terminate in full for no consideration.

**10. NONTRANSFERABILITY.** Except as otherwise provided in this Paragraph, this Award is not transferable other than by will or the laws of descent and distribution. This Award shall not be otherwise transferred, assigned, pledged, hypothecated or disposed of in any way, whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Upon any attempt to transfer this Award otherwise than by will or the laws of descent and distribution or to assign, pledge, hypothecate or otherwise dispose of this Award, other than as permitted herein, or upon the levy of any execution, attachment or similar process upon this Award, this Award shall immediately terminate and become null and void.

**11. EFFECT OF CHANGE IN CONTROL.**

(a) Treatment of RSU Award. Notwithstanding the terms set forth in the Plan, in the event of a Change in Control (as defined in the Plan), the Acquiring Corporation (as defined in the Plan) may assume the Company's rights and obligation under the RSU Award or substitute for the outstanding RSU Award substantially equivalent restricted stock units for the Acquiring Corporation's stock. In the event the Acquiring Corporation elects not to assume or substitute for the outstanding RSU Award in connection with a Change in Control, the RSU Award held by the Awardee whose Service has not terminated prior to such date shall become 100% vested and payable effective as of the date of the Change in Control (except as otherwise provided in this Agreement). For this purpose, the final value of the Award shall be based on the Fair Market Value of the Stock on the effective date of the Change in Control. Any acceleration with the foregoing shall be conditioned upon the consummation of the Change in Control. If the Acquiring Corporation assumes or substitutes for the outstanding RSU Award, the RSU Award, to the extent not vested, shall become 100% vested and payable effective upon the Awardee's Qualifying Termination (as defined below).

(i) "Qualifying Termination" means the Awardee's "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h) and without regard to any alternate definition thereunder) as a result of the occurrence of any of the following events during the twenty-four (24)-month period following a Change in Control of the Company: (1) the Company's involuntary termination of the Awardee's employment without Cause; or (2) Awardee's voluntary termination of employment for Good Reason. A Qualifying Termination shall not include a termination of Awardee's Service by reason of Awardee's death or disability (defined as a physical or mental condition that results in a total and permanent disability to such extent that the person is eligible for disability benefits under the federal Social Security Act).

(ii) "Cause" shall be determined by a committee designated by the Board, in the exercise of good faith and reasonable judgment, and shall [have the meaning ascribed to such term in any written agreement between the Awardee and the Company defining such term and, in the absence of such agreement, such term means] the occurrence of any of the following: (1) a demonstrably willful and deliberate act or failure to act by the Awardee (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of the Company, which causes actual material financial injury to the Company and which act or inaction, if remediable, is not remedied within fifteen (15) business days of written notice from the Company; or (2) the Awardee's conviction by a court of competent jurisdiction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude or causing material harm, financial or otherwise, to the Company.

(iii) "Good Reason" shall [have the meaning ascribed to such term in any written agreement between the Awardee and the Company defining such term and, in the absence of such agreement, such term means], without the Awardee's express written consent, the Awardee's resignation of Service upon the occurrence of any one or more of the following conditions, provided that the Awardee first provides the Company with written notice of the existence of the applicable condition described in clauses (1) through (5) below no later than ninety (90) days after the initial existence of such condition is known by the Awardee and the Company fails to remedy such condition within 30 days of the date of such written notice:

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

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

(3) a material reduction by the Company of the Awardee's regular annualized rate of pay as salary, excluding amounts (i) designated by the Company as payment toward reimbursement of expenses; or (ii) received under incentive or other bonus plans, regardless of whether or not the amounts are deferred;

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

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

(b) Internal Revenue Code Section 280G Excise Tax Provision.

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

(ii) The reduction of the Payments, if applicable, shall be made by applying any reduction in the following order: (A) first, any cash amounts payable to Awardee as a severance benefit (excluding the accelerated vesting set forth in Section 11 of this Agreement) or otherwise; (B) second, any amounts payable on behalf of Awardee for continued health insurance coverage; (C) third, any other cash amounts payable to or on behalf of Awardee, such as for outplacement benefits, or otherwise; (D) fourth, any payments or benefits under any nonqualified deferred compensation plan; (E) fifth, outstanding performance-based equity grants; and (F) finally, any time-vesting equity grants. In each case, Payments will be reduced beginning with Payments that would be made last in time.

(iii) All determinations required to be made under this Section 11 shall be made by the public accounting firm that is retained by the Company (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and Awardee within fifteen (15) business days of the receipt of notice from the Company or Awardee that there has been a Payment, or such earlier time as is requested by the Company. All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. The determination by the Accounting Firm shall be binding upon the Company and Awardee.

**12. NOTICES.** All notices and other communications made or given pursuant to this Agreement shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to the Awardee, five (5) days after deposit in the United States mail, postage prepaid, addressed to the Awardee at the last address the Awardee provided to the Company, or in the case of notices delivered to the Company by the Awardee, addressed to the Committee, care of the Company for the attention of its Secretary at its principal executive office or, in either case, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or to request the Awardee's consent to participate in the Plan or accept this Award by electronic means. The Awardee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

**13. PLAN CONTROLS.** The Award and all terms and conditions set forth in this Agreement are subject in all respects to the terms and conditions of the Plan, which is incorporated herein by reference, as may be amended from time to time, (but no amendment to the Plan shall adversely affect the Awardee's rights under this Award) and any rules and regulations promulgated by the Committee, which shall be controlling. All constructions, interpretations, rule determinations or other actions taken by the Committee shall be final, binding and conclusive on all interested parties, including the Company and its Subsidiary Corporations and all former, present and future employees of the Company or its Subsidiary Corporations. Capitalized terms that are not defined herein shall have the definition given to them in the Plan.

**14. EMPLOYMENT.** Nothing in the Plan or in this Agreement shall confer upon the Awardee any right to continue in the employment of the Company or any of its subsidiaries or interfere in any way with any right of the Company to terminate the Awardee's employment at any time.

**15. RIGHTS AS A SHAREHOLDER.** Nothing in the Plan or in this Agreement shall confer upon the Awardee any rights as a stockholder with respect to any Award Shares prior to the date of distribution of Award Shares to the Awardee.

**16. LAWS GOVERNING.** The Award and the Plan shall be construed and enforced in accordance with the laws of the State of Delaware without regard to the principles of conflicts of law.

**17. RECEIPT OF PROSPECTUS.** The Awardee hereby acknowledges that he or she has received a copy of the prospectus relating to the Award and the shares covered thereby and the Plan.

**18. GENERAL.** The Company shall at all times during the term of this Award reserve and keep available such numbers of shares of Stock as will be sufficient to satisfy the requirements of this Award, shall pay all fees and expenses necessarily incurred by the Company in connection therewith, and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

**19. ELECTRONIC DELIVERY OF DOCUMENTS.** By signing this Agreement, the Awardee (i) consents to the electronic delivery of this Agreement, all information with respect to the Plan and the Award, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledges that the Awardee may receive from the Company a paper copy of any documents delivered electronically at no cost to the Awardee by contacting the Company by telephone or in writing; (iii) further acknowledges that the Awardee may revoke the Awardee's consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledges that the Awardee understands that the Awardee is not required to consent to electronic delivery of documents.

**20. MISCELLANEOUS.**

(a) This writing constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except by a written agreement signed by Awardee and the Company, other than as provided in paragraph (g) below. Anything in this Agreement to the contrary notwithstanding, any modification or amendment of this Agreement by a written agreement signed by, or binding upon, Awardee shall be valid and binding upon any and all persons or entities who may, at any time, have or claim any rights under or pursuant to this Agreement (including all Awardees hereunder) in respect of the Award granted to the Awardee.

(b) No waiver of any breach or default hereunder shall be considered valid unless in writing and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature. Anything in this Agreement to the contrary notwithstanding, any waiver, consent or other instrument under or pursuant to this Agreement signed by, or binding upon, the Awardee shall be valid and binding upon any and all persons or entities (other than the Company) who may, at any time, have or claim any rights under or pursuant to this Agreement (including all Awardees hereunder) in respect of the Award originally granted to Awardee.

(c) Except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Awardee and his heirs, personal representatives, successors and assigns; provided, however, that nothing contained herein shall be construed as granting the Awardee the right to transfer any of his Award except in accordance with this Agreement. If the Award is settled after the death of the Awardee, the Award shall be considered transferred to the person or persons (the “Heir”) to whom the Awardee’s rights under the Award passed by will or by the applicable laws of descent and distribution, as to all shares of Stock granted under this Award. It shall be the responsibility of the Heir to notify the Company of any changes in address.

(d) If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

(e) The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said sections.

(f) Each party hereto shall cooperate and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by any other party in order to carry out the provisions and purposes of this Agreement.

(g) This Agreement is intended to be exempt from Section 409A of the Code. Should any provision of this Agreement be found to be contrary to this intent, it shall be modified and given effect, in the sole discretion of the Committee and without requiring the Awardee’s consent (notwithstanding anything herein to the contrary), in such manner as the Committee determines to be necessary or appropriate to effectuate an exemption from Section 409A of the Code or comply therewith. The Company has no duty or obligation to minimize the tax consequences to the Awardee of this Award and shall not be liable for any adverse tax consequences to the Awardee arising in connection with this Award.

(h) This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

By accepting this RSU Award, Awardee on this date hereby: (1) elects to conduct a Sell to Cover to satisfy the Withholding Obligation in accordance with Section 5 of the Agreement and (2) represents and warrants that (i) Awardee has carefully reviewed Section 5 of the Agreement, (ii) Awardee is not aware of any material, nonpublic information with respect to the Company or any securities of the Company, (iii) Awardee is not subject to any legal, regulatory or contractual restriction that would prevent the Agent (as defined in Section 5) from conducting sales and does not have, and will not attempt to exercise authority, influence or control over any sales of Stock effected by the Agent, and (iv) it is Awardee's intent that this election to Sell to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act and be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act.

**IN WITNESS WHEREOF**, the Company has caused this Award to be granted on its behalf by its CEO, President or one of its Vice Presidents and the Awardee has executed, effective on the Grant Date.

Jack in the Box Inc. Awardee

By: ______________________________ «Name»__________

Lenny Comma Name

Chairman and CEO

_________

Signature

[employee ID#]________

Employee ID

**Exhibit 10.8.14**

**JACK IN THE BOX INC.**
**STOCK OPTION AND PERFORMANCE SHARE AWARD AGREEMENT**
**UNDER THE 2004 STOCK INCENTIVE PLAN**

This Stock Option and Performance Share Award Agreement (the "Agreement") is made and entered into effective as of **[Month Day, Year]** (the "Grant Date") by and between Jack in the Box Inc., a Delaware corporation (the "Company"), and **[Name]** (the "Awardee").

**RECITALS**

The Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board") which administers the Company's 2004 Stock Incentive Plan, as amended from time to time (the "Plan"), has granted to the Awardee as of the Grant Date this award of Stock Options as defined in Section 2.1(s) of the Plan (the "Option") and Performance Shares as defined in Section 2.1(aa) of the Plan (the "PSU Award") (collectively, the "Award") on the terms and conditions set forth herein.

**AGREEMENT**

In consideration of the foregoing and of the mutual covenants set forth herein and other good and valuable consideration, the parties hereto agree as follows:

**1 CONSIDERATION.** The Option and PSU Award have been granted in consideration of the Awardee's continued employment with the Company or a Subsidiary Corporation and acceptance by the Awardee of the terms and conditions set forth below and in the Plan.

**OPTION AWARD**

**2.1 SHARES OPTIONED; OPTION PRICE.** The Awardee may purchase all or any part of an aggregate of **[Total_Shares]** shares of Stock, at the exercise price of **[Exercise Price]** per share (the "Option Exercise Price"), subject to the terms and conditions set forth herein.

**2.2 OPTION TERM; EXERCISABILITY.** The Option shall terminate and no portion of the Option may be exercised in whole or in part after the close of trading on the NASDAQ Stock Market on the seventh (7th) anniversary of the Grant Date, (the "Expiration Date").

Subject to the terms and conditions described in this Agreement, the Option shall become exercisable in accordance with the schedule below:

(a) One third on **[Month Day, Year – one year from grant date]**

(b) One third on **[Month Day, Year – two years from grant date]**

(c) One third on **[Month Day, Year – two years from grant date]**

**2.3 EXERCISE DATES.** Subject to the terms and conditions herein and in the Plan, the Option shall become exercisable, on each of the dates and to the extent provided on each date as provided in Section 2.2 above, subject to the Awardee being continuously employed by the Company or a Subsidiary

Corporation from the Grant Date through the applicable exercisability dates. No portion of the Option will become exercisable after the Awardee's employment ceases, except as provided below in the event that the Awardee's employment ceases due to Disability. Fractional shares may not be purchased or delivered hereunder. Once exercisable and until terminated, all or any portion of the exercisable Option may be exercised from time to time and at any time under procedures that the Company shall establish from time to time, including, without limitation, procedures regarding the frequency of exercise and the minimum number of shares of Stock which may be purchased at any time.

**2.4 EXERCISING THE OPTION.** This Option may be exercised only by the Awardee or his or her permitted transferees and only by the methods set forth herein. Subject to the terms and conditions of the Plan, the Awardee may exercise all or any portion of the Option by giving notice of exercise to the Company or its designee in the manner specified from time to time by the Company, accompanied by payment or instructions for payment in full of the Option Exercise Price for the shares being purchased together with any amount which the Company may withhold upon such exercise for applicable foreign, federal (including FICA), state and local taxes. Each such notice shall specify the number of shares of Stock to be purchased, the Option Exercise Price, the Grant Date, and such other matters as required by the Committee.

**2.5 PAYMENT OF EXERCISE PRICE.** The payment of the aggregate Option Exercise Price shall be made by means of a payment under an arrangement with the Company's designated broker where payment is made pursuant to an irrevocable commitment by the broker to deliver to the Company the proceeds from the sale of the Stock issuable upon exercise of the Option.

**2.6TERMINATION OF EMPLOYMENT.**

(a) Termination for Cause. If the Awardee ceases to provide Service to the Company or a Subsidiary Corporation because of the Awardee's discharge for cause, as determined by the Committee in its sole discretion, then this Option shall expire immediately upon such cessation of employment.

(b) Termination of Employment in General. If the Awardee ceases to be employed by the Company or a Subsidiary Corporation because of the Awardee's cessation of employment for any reason other than termination for cause, Retirement, death, or Disability, then the portion of this Option, if any, that is not then exercisable (including by reason of Section 2.8) shall terminate immediately and the portion of this Option, if any, that is then exercisable shall expire ninety days following such cessation of employment, but not later than the Expiration Date. During such period after the Awardee ceases to be an employee, this Option shall be exercisable only as to those shares, if any, with respect to which the Awardee could have exercised the Option as of the date of such cessation of employment (including by reason of Section 2.8).

(c) Retirement. If the Awardee ceases to be employed by the Company or any Subsidiary Corporation because of the Awardee's Retirement, then this Option shall be exercisable only as to those shares, if any, (i) with respect to which the Awardee could have exercised the Option as of the date of such cessation of employment, and (ii) for each twelve full months during which the Awardee was in the employ of the Company or a Subsidiary Corporation an additional 5% of the aggregate number of shares covered by the Option (total exercisable shares not to exceed original grant amount), and the balance of the Option shall terminate immediately; provided, however, that all rights under the exercisable portion of the Option shall expire, in any event, on the Expiration Date specified in Section 2.2 hereof. As used in this Agreement, "Retirement" means the Awardee's termination of employment other than for cause (as determined by the Committee in its sole discretion) due to retirement at age 55 or older with 10 or more full years of continuous employment with the Company or a Subsidiary Corporation.

(d) Death. If the Awardee shall die while in the employment of the Company or a Subsidiary Corporation, and such deceased Awardee shall not have suffered Disability (as defined below) within ninety days prior to death, then this Option shall be exercisable by the person or persons to whom the Awardee's rights under the Option shall have passed by will or by applicable laws of descent and distribution, as to all shares covered by the Option without regard to the exercisability schedule; provided, however, that all rights under the Option shall expire, in any event, on the Expiration Date specified in Section 2.2 hereof.

(e) Disability. If the Awardee shall suffer a Disability while in the employment of the Company or a Subsidiary Corporation, this Option shall continue to become exercisable in accordance with Section 2.2 hereof for twelve months following the Awardee's first day of absence from work with the Company or a Subsidiary Corporation due to Disability; provided, however, that all rights under the Option shall expire, in any event, on the Expiration Date specified in Section 2.2 hereof. As used in this Agreement, "Disability" means a physical or mental condition that results in a total and permanent disability to such extent that the person is eligible for disability benefits under the federal Social Security Act.

**2.7 BUY OUT OF OPTION GAINS.** At any time after an Option becomes exercisable, the Committee shall have the right to elect, in its sole discretion and without the consent of the holder thereof, to cancel such Option and to pay to the Awardee the excess of the fair market value of the shares of Stock covered by such Option over the Option Exercise Price of such Option at the date the Committee provides written notice (the "Buy Out Notice") of the intention to exercise such right. Buyouts pursuant to this provision shall be effected by the Company as promptly as possible after the date of the Buy Out Notice. Payments of buyout amounts may be made in cash, in shares of Stock, or partly in cash and partly in shares of Stock, as the Committee deems advisable. To the extent payment is made in Stock, the number of shares shall be determined by dividing the amount of the payment to be made by the fair market value of a share of Stock at the date of the Buy Out Notice. In no event shall the Company be required to deliver a fractional share of Stock in satisfaction of this buy out provision. Payments of any such buy out amounts shall be made net of any applicable foreign, federal (including FICA), state and local withholding taxes. For the purposes of this provision, fair market value shall be equal to the average of the high and low prices at which a share of Stock is traded on the NASDAQ Stock Market on the relevant date.

**2.8 EFFECT OF CHANGE IN CONTROL.** Subject to the provisions of the Plan, in the event of a Change in Control, the Acquiring Corporation may, without the consent of the Awardee, either assume the Company's rights and obligations under the outstanding Option or substitute for the outstanding Option substantially equivalent options for the Acquiring Corporation's stock. In the event that the Acquiring Corporation elects not to assume or substitute for the outstanding Option in connection with a Change in Control, the exercisability and vesting of each such outstanding Option and any shares acquired upon the exercise thereof held by an Awardee whose Service has not terminated prior to the date of the Change in

Control shall be accelerated, effective as of the date ten (10) days prior to the date of the Change in Control. The exercise or vesting of any Option in accordance with the foregoing shall be conditioned upon the consummation of the Change in Control. Any Option which is neither assumed or substituted for by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control. In the event the Acquiring Corporation assumes or substitutes the Awardee's outstanding Option, the exercisability and vesting of such outstanding Option and any shares acquired upon exercise thereof held by the Awardee shall be accelerated, effective upon the Awardee's Qualifying Termination (as defined in below).

(i) "Qualifying Termination" means the Awardee's "separation from service" (as defined under Treasury Regulation Section 1.409A-1(h) and without regard to any alternate definition thereunder) as a result of the occurrence of any of the following events during the twenty-four (24)-month period following a Change in Control of the Company: (1) the Company's involuntary termination of the Awardee's employment without Cause; or (2) Awardee's voluntary termination of employment for Good Reason. A Qualifying Termination shall not include a termination of Awardee's Service by reason of Awardee's death or disability (defined as a physical or mental condition that results in a total and permanent disability to such extent that the person is eligible for disability benefits under the federal Social Security Act).

(ii) "Cause" shall be determined by a committee designated by the Board, in the exercise of good faith and reasonable judgment, and shall have the meaning ascribed to such term in any written agreement between the Awardee and the Company defining such term and, in the absence of such agreement, such term means the occurrence of any of the following: (1) a demonstrably willful and deliberate act or failure to act by the Awardee (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of the Company, which causes actual material financial injury to the Company and which act or inaction, if remediable, is not remedied within fifteen (15) business days of written notice from the Company; or (2) the Awardee's conviction by a court of competent jurisdiction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude or causing material harm, financial or otherwise, to the Company.

(iii) "Good Reason" shall [have the meaning ascribed to such term in any written agreement between the Awardee and the Company defining such term and, in the absence of such agreement, such term means], the Awardee's resignation of Service, without the Awardee's express written consent, upon the occurrence of any one or more of the following conditions, provided that the Awardee first provides the Company with written notice of the existence of the applicable condition described in clauses (1) through (5) below no later than ninety (90) days after the initial existence of such condition is known by the Awardee and the Company fails to remedy such condition within 30 days of the date of such written notice:

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

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

(3) a material reduction by the Company of the Awardee's regular annualized rate of pay as salary, excluding amounts (i) designated by the Company as payment toward reimbursement of expenses; or (ii) received under incentive or other bonus plans, regardless of whether or not the amounts are deferred;

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

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

**2.9 RESPONSIBILITY FOR EXERCISE.** The Awardee hereby acknowledges that he or she is responsible for taking any and all actions as may be required to exercise this Option in a timely manner and for properly executing any such documents as may be required for exercise in accordance with such rules and procedures as may be established by the Committee from time to time. By signing this Agreement, the Awardee acknowledges that information regarding the procedures and requirements for exercise of the Option is available upon request. The Company shall have no duty or obligation to notify the Awardee of the date on which this Option will expire or otherwise terminate.

**PSU AWARD**

**3.1 PSU AWARD**. The Committee hereby grants **[PSU_Shares]** Performance Shares at "target" to the Awardee on the terms and conditions set forth herein. Each Performance Share represents an unfunded and unsecured promise of the Company to deliver a share of Stock to Awardee upon vesting, subject to the requirements set forth herein. The actual number of shares of Stock payable, if any, to the Awardee in settlement of the PSU Award will depend on whether and to the extent that performance goals established by the Committee are attained within the applicable Performance Period (as that term is defined in Section 3.3 herein) as described in Appendix I to this Award.

**3.2 VESTING.** The PSU Award shall become vested upon the achievement, if any, of Company Performance Goals ("Performance Goals") for the Performance Period (as that term is defined in Section 3.3 herein), as described in Appendix I to this Award, the achievement of which shall be determined by the Committee after the end of the three-year Performance Period. No portion of the PSU Award shall become vested at any time prior to the date the Committee certifies achievement of the Performance Goals for the Performance Period. Vesting shall also be contingent on the Awardee's continued employment with the Company or a Subsidiary Corporation continuously from the Grant Date through the last day of the

Performance Period, except as provided in Section 3.6 (Termination of Employment) of this Agreement. Settlement of shares resulting from vesting of the PSU Award shall be in accordance with Section 3.4.

**3.3 PERFORMANCE PERIOD.** The full Performance Period for the PSU Award shall be the period that begins on **[Month Day, Year and ends on Month Day, Year]**, (the "Performance Period"), notwithstanding that annual goals may be established at the beginning of each fiscal year in the Performance Period as specified in Appendix I.

**3.4 DISTRIBUTION, TAXES AND WITHOLDING.** Subject to the provisions of this Agreement, including Sections 3.7 and 16(g), the Company shall deliver to the Awardee (through a Company-designated brokerage firm) within 30 days following the applicable PSU Award vesting date, a number of shares of Stock equal to the number of Performance Shares that became vested on such vesting date, net of any tax withholding.

(a) Any income taxes, FICA, state disability insurance or other similar payroll and withholding taxes ("Withholding Obligation") arising from the receipt of Performance Shares is the sole responsibility of the Awardee. The Company, to the extent permitted by law, may deduct any Withholding Obligation arising from the receipt or vesting of the Award from any payment of any kind due to the Awardee, including the Award, and the net balance will be settled in whole shares of Stock. If withheld in shares, such shares shall be valued at Fair Market Value, as defined in the Plan, on the applicable date for such purposes and shall not exceed in amount the minimum statutory tax Withholding Obligation. In no event shall the Company be required to deliver a fractional share of Stock in settlement of the Award.

(b) By accepting this Award, Awardee hereby elects, effective on the date Awardee accepts this Award, to sell shares of Stock issued in respect of the Award in an amount determined in accordance with this Section, and to allow the Agent, as defined below, to remit the cash proceeds of such sales to the Company as more specifically set forth below (a "Sell to Cover") to permit Awardee to satisfy the Withholding Obligation to the extent the Withholding Obligation is not otherwise satisfied pursuant to the provisions of Section 3.4(c) below and further acknowledges and agrees to the following provisions:

i. Awardee hereby irrevocably appoints the Company's designated broker, or such other registered broker-dealer that is a member of the Financial Industry Regulatory Authority as the Company may select, as Awardee's agent (the "*Agent*"), and authorizes and directs the Agent to:

1) Sell on the open market at the then prevailing market price(s), on Awardee's behalf, as soon as practicable on or after the date on which the shares of Stock are delivered to Awardee pursuant to this Section, the number (rounded up to the next whole number) of shares of Stock sufficient to generate proceeds to cover (A) the satisfaction of the Withholding Obligation arising from the vesting and the related issuance of shares of Stock to Awardee that is not otherwise satisfied pursuant to Section 3.4(c) hereof and (B) all applicable fees and commissions due to, or required to be collected by, the Agent with respect thereto;

2) Remit directly to the Company and/or any Affiliate the proceeds necessary to satisfy the Withholding Obligation;

3) Retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Agent, relating directly to the sale; and

4) Deposit any remaining funds in Awardee's account.

ii. Awardee acknowledges that Awardee's election to Sell to Cover and the corresponding authorization and instruction to the Agent set forth in this Section is intended to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act and to be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act (Awardee's election to Sell to Cover and the provisions of this Section, collectively, the "10b5-1 Plan"). Awardee acknowledges that by accepting this Award, he or she is adopting the 10b5-1 Plan to permit Awardee to satisfy the Withholding Obligation. Awardee hereby authorizes the Company and the Agent to cooperate and communicate with one another to determine the number of shares of Stock that must be sold pursuant to this Section to satisfy Awardee's obligations hereunder.

iii. Awardee acknowledges that the Agent is under no obligation to arrange for the sale of Stock at any particular price under this 10b5-1 Plan and that the Agent may effect sales as provided in this 10b5-1 Plan in one or more sales and that the average price for executions resulting from bunched orders may be assigned to Awardee's account. In addition, Awardee acknowledges that it may not be possible to sell shares of Stock as provided for in this 10b5-1 Plan and in the event of the Agent's inability to sell shares of Stock, Awardee will continue to be responsible for the timely payment to the Company of all federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld.

iv. Awardee hereby agrees to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of this 10b5-1 Plan. The Agent is a third-party beneficiary of this Section and the terms of this 10b5-1 Plan.

v. Awardee's election to Sell to Cover and to enter into this 10b5-1 Plan is irrevocable. This 10b5-1 Plan shall terminate not later than the date on which the Withholding Obligation arising from the vesting of the RSUs and the related issuance of shares of Stock has been satisfied.

(c) Alternatively, or in addition to or in combination with the Sell to Cover provided for under this Section, Awardee authorizes the Company, at its discretion, to satisfy the Withholding Obligation by the following means (or by a combination of the following means):

i. Requiring Awardee to pay to the Company any portion of the Withholding Obligation in cash;

ii. Withholding from any compensation otherwise payable to Awardee by the Company; and/or

iii. Withholding shares of Stock from the shares of Stock issued or otherwise issuable to Awardee in connection with the Award with a Fair Market Value (measured as of the date shares of Stock are issued pursuant to Section 4) equal to the amount of the Withholding Obligation; provided, however, that the number of such shares of Stock so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal, state, local and foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income.

(d) Unless the Withholding Obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to deliver to Awardee any Stock.

**3.5 HOLDING PERIOD REQUIREMENT.** As a condition to receipt of this Award, Awardee hereby acknowledges and agrees to be bound by applicable stock holding requirements that could require that the Awardee hold and not transfer under any circumstance until the Awardee's termination of employment with the Company or Subsidiary Corporation: **50%** (rounded to the nearest whole share) of the total shares of Stock issued to Awardee pursuant to vesting of the PSU award (such percentage applying to Award Shares, net of any portion withheld to satisfy the Withholding Obligation.

**3.6TERMINATION OF EMPLOYMENT.**

(a) General. Except as set forth in paragraph (b) below, if the Awardee ceases to provide Service to the Company or any Subsidiary Corporation prior to the last day of the Performance Period for any reason other than termination for Retirement, Disability, or death, then the PSU Award will be forfeited to the Company immediately and automatically upon such cessation without payment of any consideration for the PSU Award, and the Awardee will have no further right, title or interest in or to the PSU Award, any Performance Shares, or any shares of Stock.

(b) Termination due to Retirement, Disability, or Death. If the Awardee ceases to provide Service to the Company or any Subsidiary Corporation prior to the last day of the Performance Period due to the Awardee's Retirement, Disability, or death, then provided that as of **[Month Day, Year – one year from grant date]**, the Awardee is still employed by the Company or a Subsidiary Corporation, and had been continuously employed by the Company or a Subsidiary Corporation since the Grant Date, this PSU Award shall become vested and payable at the end of the Performance Period as described in Section 3.4 solely based on the level of achievement of Company Performance Goals as determined by the Committee, multiplied by a fraction, the numerator of which is the number of full accounting periods the Awardee was continuously employed by the Company or a Subsidiary Corporation during the Performance Period, and the denominator of which is thirty-nine (39). (The Company divides each of its fiscal years into 13 "accounting periods" of four or five weeks each.)

**3.7 EFFECT OF CHANGE IN CONTROL.** Subject to the terms of the Plan, in the event of a Change in Control, the PSU Award held by the Awardee whose Service has not terminated prior to such date shall become payable effective as of the date of the Change in Control (except as otherwise provided in this Agreement). For this purpose, the final value of the PSU Award shall be determined by (a) with respect to any completed fiscal year periods during the Performance Period, the extent to which the applicable Performance Goals for such periods have been attained during such periods, if measurable and (b) with respect to fiscal year periods which have not been completed as of the date of the Change in Control (or fiscal year periods described in (a) for which performance is not measurable), the pre-established 100% level with respect to each Performance Target comprising the applicable Performance Goals for such period. Any acceleration of the PSU Award in accordance with the foregoing shall be conditioned upon the consummation of the Change in Control.

**3.8 CLAWBACK/RECOVERY.** This Award (and any compensation paid or shares of Common Stock issued under this Award) will be subject to recoupment in accordance with any clawback that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company.

**OPTION AND PSU AWARDS**

**4 AWARD AS COMPENSATION.** No amount attributable to this Award shall be considered as compensation for the purposes of any other Company sponsored plan.

**5 NON-TRANSFERABILITY.** Except as otherwise provided in this Paragraph, this Award is not transferable other than by will or the laws of descent and distribution. This Award shall not be otherwise transferred, assigned, pledged, hypothecated or disposed of in any way, whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Upon any attempt to transfer this Award otherwise than by will or the laws of descent and distribution or to assign, pledge, hypothecate or otherwise dispose of this Award, other than as permitted herein, or upon the levy of any execution, attachment or similar process upon this Award, this Award shall immediately terminate and become null and void. Notwithstanding the foregoing, with the approval of the Committee, the Option may be transferred to a trust for the benefit of the Awardee or the Awardee's "family member" as that term is defined in the General Instructions to Form S-8 Registration Statement under the Securities Act.

**6 LEGALITY.** The Company shall not be required to issue any shares of Stock subject to this Award unless and until all applicable requirements of the Securities and Exchange Commission (the "SEC"), the California Department of Corporations or other regulatory agencies having jurisdiction with respect to such issuance, and any exchanges upon which the Stock may be listed, shall have been fully complied with. If the shares of Stock subject to this Award are being distributed subject to restrictions or if the rules and interpretations of the SEC so require, such shares may be issued only if the Awardee represents and warrants in writing to the Company that the shares are being acquired for investment and not with a view to the distribution thereof, and any certificates issued upon distribution of the shares shall bear appropriate legends setting forth the restrictions on transfer of such shares. Such legends may not be removed until the Company so requests, based on the opinion of the Company's counsel that the restrictions are no longer applicable.

**7 ADJUSTMENTS IN STOCK; DISSOLUTION OR LIQUIDATION.** Subject to the provisions of the Plan, if the outstanding shares of the Company Stock of the class subject to this Award are increased or decreased, or are changed into or exchanged for a different number or kind of shares or securities as a result of one or more reorganizations, recapitalizations, stock splits, reverse stock splits, stock dividends and the like, appropriate adjustments, to be conclusively determined by the Committee, shall be made in the number and/or type of shares or securities subject to this Award and any fractional shares resulting from adjustments shall be rounded down to the nearest whole number. Upon the dissolution or liquidation of the Company, the Award will terminate in full for no consideration.

**8 EMPLOYMENT.** Nothing in the Plan or in this Agreement shall confer upon the Awardee any right to continue in the employment of the Company or any of its subsidiaries or interfere in any way with any right of the Company to terminate the Awardee's employment at any time.

**9 PLAN CONTROLS.** The Award and all terms and conditions set forth in this Agreement are subject in all respects to the terms and conditions of the Plan, which is incorporated herein by reference, as may be amended from time to time (but no amendment to the Plan shall adversely affect the Awardee's rights under this Award) and any rules and regulations promulgated by the Committee, which shall be controlling. All constructions, interpretations, rule determinations or other actions taken by the Committee shall be final, binding and conclusive on all interested parties, including the Company and its Subsidiary Corporations and all former, present and future employees of the Company or its Subsidiary Corporations. Capitalized terms that are not defined herein shall have the definition given to them in the Plan.

**10 ARBITRATION.** Any dispute or claim concerning any Awards granted (or not granted) pursuant to the Plan and this Agreement and any other disputes or claims relating to or arising out of the Plan and this Agreement shall be fully, finally and exclusively resolved by binding arbitration conducted in San Diego, California, by either (i) the American Arbitration Association in accordance with its rules and procedures, or (ii) by any party mutually agreed upon by the Committee and the claimant. BY ACCEPTING AN AWARD, THE AWARDEE AND THE COMPANY WAIVE THEIR RESPECTIVE RIGHTS TO HAVE ANY DISPUTES OR CLAIMS TRIED BY A JUDGE OR JURY.

**11 LAWS GOVERNING.** The Award and the Plan shall be construed and enforced in accordance with the laws of the State of Delaware without regard to the principles of conflicts of law.

**12 RECEIPT OF PROSPECTUS.** The Awardee hereby acknowledges that he or she has received a copy of the prospectus relating to the Award and the shares covered thereby and the Plan.

**13 AWARD AGREEMENT.** This Agreement has no cash value or other legal significance and the entitlement of any rights here under shall be governed by the terms of the Plan and the books and records maintained by the Company.

**14 ELECTRONIC DELIVERY OF DOCUMENTS.** By signing this Agreement, the Awardee (i) consents to the electronic delivery of this Agreement, all information with respect to the Plan and the Award, and any reports of the Company provided generally to the Company's stockholders; (ii) acknowledges that the Awardee may receive from the Company a paper copy of any documents delivered electronically at no cost to the Awardee by contacting the Company by telephone or in writing; (iii) further acknowledges that the Awardee may revoke the Awardee's consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledges that the Awardee understands that the Awardee is not required to consent to electronic delivery of documents.

**15INTERNAL REVENUE CODE SECTION 280G EXCISE TAX PROVISION.**

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

(b) The reduction of the Payments, if applicable, shall be made by applying any reduction in the following order: (A) first, any cash amounts payable to Awardee as a severance benefit (excluding the accelerated vesting set forth in Sections 2.8 and 3.7 of this Agreement) or otherwise; (B) second, any amounts payable on behalf of Awardee for continued health insurance coverage; (C) third, any other cash amounts payable to or on behalf of Awardee, such as for outplacement benefits, or otherwise; (D) fourth, any payments or benefits under any nonqualified deferred compensation plan; (E) fifth, outstanding performance-based equity grants; and (F) finally, any time-vesting equity grants. In each case, Payments will be reduced beginning with Payments that would be made last in time.

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

**16 MISCELLANEOUS.**

(a) This writing constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except by a written agreement signed by the Awardee and the Company other than as provided in paragraph (g) below. Anything in this Agreement to the contrary notwithstanding, any modification or amendment of this Agreement by a written agreement signed by, or binding upon, the Awardee shall be valid and binding upon any and all persons or entities who may, at any time, have or claim any rights under or pursuant to this Agreement (including all Awardees hereunder) in respect of the Award granted to the Awardee.

(b) No waiver of any breach or default hereunder shall be considered valid unless in writing and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature. Anything in this Agreement to the contrary notwithstanding, any waiver, consent or other instrument under or pursuant to this Agreement signed by, or binding upon, the Awardee shall be valid and binding upon any and all persons or entities (other than the Company) who may, at any time, have or claim any rights under or pursuant to this Agreement (including all Awardees hereunder) in respect of the Award originally granted to the Awardee.

(c) Except as otherwise expressly provided herein, this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Awardee and his heirs, personal representatives, successors and assigns; provided, however, that nothing contained herein shall be construed as granting the Awardee the right to transfer any of his Award except in accordance with this Agreement. If the Award is settled after the death of the Awardee, the Award shall be considered transferred to the person or persons (the "Heir") to whom the Awardee's rights under the Award passed by will or by the applicable laws of descent and distribution, as to all shares of Stock granted under this Award. It shall be the responsibility of the Heir to notify the Company of any changes in address.

(d) If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other severable provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

(e) The section headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said sections.

(f) Each party hereto shall cooperate and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by any other party in order to carry out the provisions and purposes of this Agreement.

(g) This Agreement is intended to be exempt from Section 409A of the Code. Should any provision of this Agreement be found to be contrary to this intent, it shall be modified and given effect, in the sole discretion of the Committee and without requiring the Awardee's consent (notwithstanding anything herein to the contrary), in such manner as the Committee determines to be necessary or appropriate to effectuate an exemption from Section 409A of the Code or comply therewith. The Company has no duty or obligation to minimize the tax consequences to the Awardee of this Award and shall not be liable for any adverse tax consequences to the Awardee arising in connection with this Award.

(h) This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

By accepting this PSU Award, Awardee on this date hereby: (1) elects to conduct a Sell to Cover to satisfy the Withholding Obligation in accordance with Section 3.4 of the Agreement and (2) represents and warrants that (i) Awardee has carefully reviewed Section 3.4 of the Agreement, (ii) Awardee is not aware of any material, nonpublic information with respect to the Company or any securities of the Company, (iii) Awardee is not subject to any legal, regulatory or contractual restriction that would prevent the Agent (as defined in Section 3.4) from conducting sales and does not have, and will not attempt to exercise, authority, influence or control over any sales of Stock effected by the Agent, and (iv) it is Awardee's intent that this election to Sell to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act and be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act.

IN WITNESS WHEREOF, the Company has caused this Award Agreement to be executed on its behalf by its CEO, President or one of its Vice Presidents and the Awardee has executed, effective on the Grant Date.

JACK IN THE BOX INC. AWARDEE

___________________________ _______

Lenny Comma Signature
Chairman and CEO

**<<Name>>**
Signature

**<<Employee_Number>>**
Employee ID

**Exhibit 31.1**

**CERTIFICATION**

I, Leonard A. Comma, certify that:

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

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

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

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

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

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Dated: February 18, 2016

/S/ LEONARD A. COMMA

Leonard A. Comma

Chief Executive Officer & Chairman of the Board

**Exhibit 31.2**

**CERTIFICATION**

I, Jerry P. Rebel, certify that:

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

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

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

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

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

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

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

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

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

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

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

Dated: February 18, 2016

/S/ JERRY P. REBEL

Jerry P. Rebel
Chief Financial Officer

**Exhibit 32.1**

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

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

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

Dated: February 18, 2016

/S/ LEONARD A. COMMA

Leonard A. Comma

Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

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

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

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

Date: February 18, 2016

/S/ JERRY P. REBEL

Jerry P. Rebel

Chief Financial Officer