CERNER CORP /MO/
Form 4
June 02, 2010

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
BISBEE GERALD E JR

(Last) (First) (Middle)

2800 ROCKCREEK PARKWAY

(Street)

NORTH KANSAS CITY, MO 64117

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CERNER CORP /MO/ [CERN]

3. Date of Earliest Transaction (Month/Day/Year)
05/28/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/27/2010		J	V	2,700 (1)	A	$ 56.52	31,600	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amou Underlying Secur (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am or Nur of Sha
Common Stock (Restricted)	$ 56.52	05/27/2010		J	V		2,700	05/27/2010	05/27/2010	Common Stock	2,7 (
Common Stock (Restricted)	$ 83.75	05/28/2010		J		2,000		05/26/2011	05/26/2011	Common Stock	2,0 (

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BISBEE GERALD E JR 2800 ROCKCREEK PARKWAY NORTH KANSAS CITY, MO 64117	X			

Signatures

/s/Crystal Spoor, by Power of Attorney	06/02/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Vesting and conversion of the Restricted Common Stock; not a two-day Form 4 reportable transaction.

(2) Issuance of Restricted Stock Grant

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. party thereto, and other lender parties thereto

8-K

3/21/2018

10.2*

Form of Compensation and Benefits Assurance Agreement for Executives

10-Q

2/20/2008

10.2.1*

Form of Revised Compensation and Benefits Assurance Agreement for certain officers

10-Q

5/17/2012

10.2.2*

Form of Revised Compensation and Benefits Assurance Agreement for certain officers, dated May 8, 2014

10-K

11/21/2014

10.2.3*

Agreement to Provide Conditional Bonus Payment to Qdoba Brand President, dated August 3, 2017

10-K

11/30/2017

10.2.4*

Compensation and Benefits Assurance Agreement for Qdoba Brand President, dated October 10, 2017

10-K

11/30/2017

10.2.6*

Jack in the Box Inc. Chief Financial Officer Offer Letter, dated January 11, 2018

8-K

1/16/2018

10.2.7*

Jack in the Box Inc. Vice President, Chief Operating Officer Offer Letter, dated January 22, 2018

8-K

1/26/2018

10.2.8*

Retention Agreement with Iwona Alter, dated March 29, 2018

10-Q

5/17/2018

10.2.9*

Summary of Severance Benefits for Ray Pepper, General Counsel, dated August 8, 2018

10-K

Filed herewith

10.3*

Amended and Restated Supplemental Executive Retirement Plan

10-Q

2/18/2009

10.3.1 *

First Amendment to Jack in the Box Inc. Supplemental Executive Retirement Plan, As Amended and Restated Effective January 1, 2009

8-K

9/22/2015

10.4*

Amended and Restated Executive Deferred Compensation Plan

10-Q

2/18/2009

10.4.1 *

Jack in the Box Inc. Executive Deferred Compensation Plan, As Amended and Restated Effective January 1, 2016

8-K

9/22/2015

10.5*

Amended and Restated Deferred Compensation Plan for Non-Management Directors

10-K

11/22/2006

10.8*

Jack in the Box Inc. 2004 Stock Incentive Plan, Amended and Restated Effective February 17, 2012

DEF 14A

1/25/2017

10.8.1*

Form of Restricted Stock Award for officers and certain members of management under the 2004 Stock Incentive Plan

10-Q

8/5/2009

10.8.3*

Jack in the Box Inc. Non-Employee Director Stock Option Award Agreement under the 2004 Stock Incentive Plan

8-K

11/15/2005

10.8.4*

Form of Restricted Stock Unit Award Agreement for Non-Employee Director under the 2004 Stock Incentive Plan

10-K

11/20/2009

10.8.6*

Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors under the 2004 Stock Incentive Plan

10-Q

5/14/2015

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Number	Description	Form	Filed with SEC
10.8.9*	Form of Stock Option and Performance Share Awards Agreement under the 2004 Stock Incentive Plan	10-K	11/22/2013
10.8.10*	Form of Time-Vested Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-K	11/22/2013
10.8.11*	Form of Time-Vesting Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/19/2015
10.8.12*	Form of Stock Option and Performance Share Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/19/2015
10.8.13*	Form of Time-Vesting Restricted Stock Unit Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/18/2016
10.8.14*	Form of Stock Option and Performance Share Award Agreement under the 2004 Stock Incentive Plan	10-Q	2/18/2016
10.8.15*	Form of Restricted Stock Unit Grant Agreement for Non-Employee Directors under the 2004 Stock Incentive Plan	10-Q	5/12/2016
10.10.2*	Jack in the Box Inc. Performance Incentive Plan, Effective February 13, 2016	DEF 14A	1/11/2016
10.11*	Form of Amended and Restated Indemnification Agreement between the registrant and individual directors, officers and key employees	10-Q	8/10/2012
21.1	Subsidiaries of the Registrant	_____	Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm	_____	Filed herewith
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	_____	Filed herewith
31.2	Certification of 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.

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

ITEM 15(c) All schedules have been omitted as the required information is inapplicable, immaterial or the information is presented in the consolidated financial statements or related notes.

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SIGNATURES

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

JACK IN THE BOX INC.

By:/s/ LANCE TUCKER

Lance Tucker

Executive Vice President and Chief Financial Officer (principal financial officer)

November 20, 2018

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

Each person whose signature appears below constitutes and appoints Leonard A. Comma and Lance Tucker, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ LEONARD A. COMMA Leonard A. Comma	Chairman of the Board and Chief Executive Officer (principal executive officer)	November 20, 2018
/s/ LANCE TUCKER Lance Tucker	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	November 20, 2018
/s/ DAVID L. GOEBEL David L. Goebel	Director	November 20, 2018
/s/ SHARON P. JOHN Sharon P. John	Director	November 20, 2018
/s/ MADELEINE A. KLEINER Madeleine A. Kleiner	Director	November 20, 2018
/s/ MICHAEL W. MURPHY Michael W. Murphy	Director	November 20, 2018
/s/ JAMES M. MYERS James M. Myers	Director	November 20, 2018
/s/ DAVID M. TEHLE David M. Tehle	Director	November 20, 2018

/s/ JOHN T. WYATT John T. Wyatt	Director	November 20, 2018
/s/ VIVIEN M. YEUNG Vivien M. Yeung	Director	November 20, 2018

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

Report of Independent Registered Public Accounting Firm
To the Stockholders and Board of Directors
Jack in the Box Inc.:
Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheets of Jack in the Box Inc. and subsidiaries (the Company) as of September 30, 2018 and October 1, 2017, the related consolidated statements of earnings, comprehensive income, stockholders' (deficit) equity, and cash flows for the fifty-two weeks ended September 30, 2018, October 1, 2017, and the fifty-three weeks ended October 2, 2016, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2018 and October 1, 2017, and the results of its operations and its cash flows for the fifty-two weeks ended September 30, 2018, October 1, 2017, and the fifty-three weeks ended October 2, 2016, in conformity with U.S. generally accepted accounting principles.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated November 20, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.
Basis for Opinion
These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1986.
San Diego, California
November 20, 2018

JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2018	October 1, 2017
ASSETS		
Current assets:		
Cash	$ 2,705	$4,467
Accounts and other receivables, net	57,422	59,609
Inventories	1,858	3,445
Prepaid expenses	14,443	27,532
Current assets held for sale	13,947	42,732
Other current assets	4,598	1,493
Total current assets	94,973	139,278
Property and equipment, at cost:		
Land	105,155	112,509
Buildings	934,360	958,841
Restaurant and other equipment	129,701	173,980
Construction in progress	20,815	16,787
	1,190,031	1,262,117
Less accumulated depreciation and amortization	(770,362)	(777,841)
Property and equipment, net	419,669	484,276
Other assets:		
Intangible assets, net	600	1,413
Goodwill	46,749	51,412
Non-current assets held for sale	—	280,796
Other assets, net	261,406	277,570
Total other assets	308,755	611,191
	$ 823,397	$1,234,745
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 31,828	$64,225
Accounts payable	44,970	28,366
Accrued liabilities	106,922	135,054
Current liabilities held for sale	—	34,345
Total current liabilities	183,720	261,990
Long-term liabilities:		
Long-term debt, net of current maturities	1,037,927	1,079,982
Non-current liabilities held for sale	—	32,078
Other long-term liabilities	193,449	248,825
Total long-term liabilities	1,231,376	1,360,885
Stockholders' deficit:		
Preferred stock $0.01 par value, 15,000,000 shares authorized, none issued	—	—
Common stock $0.01 par value, 175,000,000 shares authorized, 82,061,661 and 81,843,483 issued, respectively	821	818
Capital in excess of par value	470,826	453,432
Retained earnings	1,561,353	1,485,820
Accumulated other comprehensive loss	(94,260)	(137,761)

Treasury stock, at cost, 56,325,632 and 52,411,407 shares, respectively	(2,530,439)	(2,190,439)
Total stockholders' deficit	(591,699)	(388,130)
	$ 823,397	$ 1,234,745

See accompanying notes to consolidated financial statements.

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

	Fiscal Year		
	2018	2017	2016
Revenues:			
Company restaurant sales	$448,058	$715,921	$789,040
Franchise rental revenues	259,047	231,578	232,794
Franchise royalties and other	162,585	149,792	140,424
	869,690	1,097,291	1,162,258
Operating costs and expenses, net:			
Company restaurant costs (excluding depreciation and amortization):			
Food and packaging	128,947	206,653	235,538
Payroll and employee benefits	129,089	211,611	223,019
Occupancy and other	71,803	124,367	129,763
Total company restaurant costs	329,839	542,631	588,320
Franchise occupancy expenses (excluding depreciation and amortization)	158,319	140,623	137,706
Franchise support and other costs	11,593	8,811	11,107
Selling, general, and administrative expenses	106,649	120,640	152,147
Depreciation and amortization	59,422	67,398	72,786
Impairment and other charges, net	18,418	13,169	9,929
Gains on the sale of company-operated restaurants	(46,164)	(38,034)	(1,230)
	638,076	855,238	970,765
Earnings from operations	231,614	242,053	191,493
Interest expense, net	45,547	38,148	24,280
Earnings from continuing operations and before income taxes	186,067	203,905	167,213
Income taxes	81,728	75,332	60,740
Earnings from continuing operations	104,339	128,573	106,473
Earnings from discontinued operations, net of income taxes	17,032	6,759	17,600
Net earnings	$121,371	$135,332	$124,073
Net earnings per share — basic:			
Earnings from continuing operations	$3.66	$4.20	$3.16
Earnings from discontinued operations	0.60	0.22	0.52
Net earnings per share (1)	$4.26	$4.42	$3.68
Net earnings per share — diluted:			
Earnings from continuing operations	$3.62	$4.16	$3.12
Earnings from discontinued operations	0.59	0.22	0.52
Net earnings per share (1)	$4.21	$4.38	$3.63
Weighted-average shares outstanding:			
Basic	28,499	30,630	33,735
Diluted	28,807	30,914	34,146
Cash dividends declared per common share	$1.60	$1.60	$1.20

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

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Fiscal Year 2018	2017	2016
Net earnings	$121,371	$135,332	$124,073
Cash flow hedges:			
Net change in fair value of derivatives	18,769	19,768	(25,439)
Net loss reclassified to earnings	3,455	5,070	4,048
	22,224	24,838	(21,391)
Tax effect	(5,725)	(9,592)	8,281
	16,499	15,246	(13,110)
Unrecognized periodic benefit costs:			
Actuarial gains (losses) arising during the period	31,478	49,025	(71,971)
Actuarial losses and prior service cost reclassified to earnings	4,988	6,429	4,546
	36,466	55,454	(67,425)
Tax effect	(9,544)	(21,418)	26,087
	26,922	34,036	(41,338)
Other:			
Foreign currency translation adjustments	6	(35)	(70)
Tax effect	(2)	13	27
Derecognition of foreign currency translation adjustments due to sale	76	—	—
	80	(22)	(43)
Other comprehensive income (loss), net of taxes	43,501	49,260	(54,491)
Comprehensive income	$164,872	$184,592	$69,582

See accompanying notes to consolidated financial statements.

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JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year		
	2018	2017	2016
Cash flows from operating activities:			
Net earnings	$121,371	$135,332	$124,073
Earnings from discontinued operations	17,032	6,759	17,600
Earnings from continuing operations	104,339	128,573	106,473
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	59,422	67,398	72,786
Franchise tenant improvement allowance amortization	862	121	3
Deferred finance cost amortization	2,803	3,487	2,736
Excess tax benefits from share-based compensation arrangements	(2,031)	(4,232)	(7,461)
Deferred income taxes	25,352	(16,074)	33,293
Share-based compensation expense	9,146	10,637	11,327
Pension and postretirement expense	2,324	4,215	13,484
Gains on cash surrender value of company-owned life insurance	(2,280)	(2,424)	(5,365)
Gains on the sale of company-operated restaurants	(46,164)	(38,034)	(1,230)
Losses on the disposition of property and equipment	1,627	2,891	2,280
Impairment charges and other	2,505	1,815	1,543
Changes in assets and liabilities, excluding acquisitions and dispositions:			
Accounts and other receivables	24,220	(1,868)	(9,723)
Inventories	1,587	1,839	(181)
Prepaid expenses and other current assets	(9,432)	12,718	(13,966)
Accounts payable	4,890	(3,359)	2,739
Accrued liabilities	(38,329)	(16,654)	4,877
Pension and postretirement contributions	(5,467)	(5,363)	(101,052)
Franchise tenant improvement allowance disbursements	(14,893)	—	—
Other	(16,426)	(11,997)	(8,151)
Cash flows provided by operating activities	104,055	133,689	104,412
Cash flows from investing activities:			
Purchases of property and equipment	(32,345)	(33,284)	(43,261)
Purchases of assets intended for sale and leaseback	(5,497)	(5,686)	(9,500)
Proceeds from the sale and leaseback of assets	9,336	6,057	15,461
Proceeds from the sale of company-operated restaurants	26,486	99,591	1,439
Collections on notes receivable	54,453	1,500	3,433
Proceeds from the sale of property and equipment	10,259	2,921	850
Other	2,969	(3,729)	(922)
Cash flows provided by (used in) investing activities	65,661	67,370	(32,500)
Cash flows from financing activities:			
Borrowings on revolving credit facilities	757,100	747,900	705,000
Repayments of borrowings on revolving credit facilities	(523,700)	(533,300)	(817,578)
Proceeds from issuance of debt	—	—	417,578
Principal repayments on debt	(304,607)	(57,266)	(26,109)
Debt issuance costs	(1,366)	—	(2,385)
Dividends paid on common stock	(45,412)	(48,925)	(40,295)
Proceeds from issuance of common stock	7,959	5,165	10,564

Repurchases of common stock	(325,634)	(334,361)	(284,645)
Excess tax benefits from share-based compensation arrangements	—	4,232	7,461
Payroll tax payments for equity award issuances	(7,719)	(9,240)	(13,182)
Change in book overdraft	(2,150)	2,151	—
Cash flows used in financing activities	(445,529)	(223,644)	(43,591)
Cash flows used in (provided by) continuing operations	(275,813)	(22,585)	28,321
Net cash provided by operating activities of discontinued operations	4,823	47,388	42,951
Net cash provided by (used in) investing activities of discontinued operations	266,125	(34,031)	(71,897)
Net cash used in financing activities of discontinued operations	(78)	(138)	(45)
Net cash provided by (used in) discontinued operations	270,870	13,219	(28,991)
Effect of exchange rate changes on cash	6	(22)	(43)
Cash at beginning of year, including discontinued operations cash	7,642	17,030	17,743
Cash at end of year, including discontinued operations cash	$2,705	$7,642	$17,030

See accompanying notes to consolidated financial statements.

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JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands)

	Number of Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at September 27, 2015	81,096,156	$ 811	$402,986	$1,316,119	$ (132,530)	$(1,571,433)	$15,953
Shares issued under stock plans, including tax benefit	502,368	5	18,020	—	—	—	18,025
Share-based compensation	—	—	11,455	—	—	—	11,455
Dividends declared	—	—	103	(40,471)	—	—	(40,368)
Purchases of treasury stock	—	—	—	—	—	(291,853)	(291,853)
Net earnings	—	—	—	124,073	—	—	124,073
Foreign currency translation adjustment	—	—	—	—	(43)	—	(43)
Effect of interest rate swaps, net	—	—	—	—	(13,110)	—	(13,110)
Effect of actuarial losses and prior service cost, net	—	—	—	—	(41,338)	—	(41,338)
Balance at October 2, 2016	81,598,524	816	432,564	1,399,721	(187,021)	(1,863,286)	(217,206)
Shares issued under stock plans, including tax benefit	244,959	2	9,395	—	—	—	9,397
Share-based compensation	—	—	11,416	—	—	—	11,416
Dividends declared	—	—	155	(49,233)	—	—	(49,078)
Purchases of treasury stock	—	—	—	—	—	(327,153)	(327,153)
Net earnings	—	—	—	135,332	—	—	135,332
Foreign currency translation adjustment	—	—	—	—	(22)	—	(22)
Effect of interest rate swaps, net	—	—	—	—	15,246	—	15,246
Effect of actuarial gains and prior service cost, net	—	—	—	—	34,036	—	34,036
Other	—	—	(98)	—	—	—	(98)
Balance at October 1, 2017	81,843,483	818	453,432	1,485,820	(137,761)	(2,190,439)	(388,130)
Shares issued under stock plans, including tax benefit	218,178	3	8,204	—	—	—	8,207
Share-based compensation	—	—	9,017		—	—	9,017
Dividends declared	—	—	173	(45,687)	—	—	(45,514)
Purchases of treasury stock	—	—	—	—	—	(340,000)	(340,000)
Net earnings	—	—	—	121,371	—	—	121,371
Foreign currency translation adjustment	—	—	—	—	80	—	80
Effect of interest rate swaps, net	—	—	—	—	16,499	—	16,499
	—	—	—	—	26,922	—	26,922

Effect of actuarial gains and prior service cost, net							
Other	—	—	—	(151)	—	—	(151)
Balance at September 30, 2018	82,061,661	$ 821	$470,826	$1,561,353	$ (94,260)	$(2,530,439)	$(591,699)

See accompanying notes to consolidated financial statements.

JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations — Founded in 1951, Jack in the Box Inc. (the "Company") operates and franchises Jack in the® Box quick-service restaurants. The following table summarizes the number of restaurants as of the end of each fiscal year:

	2018	2017	2016
Company-operated	137	276	417
Franchise	2,100	1,975	1,838
Total system	2,237	2,251	2,255

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

Basis of presentation — The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

On December 19, 2017, we entered into a definitive agreement to sell Qdoba Restaurant Corporation ("Qdoba"), a wholly owned subsidiary of the Company that operates and franchises more than 700 Qdoba Mexican Eats®fast-casual restaurants, to certain funds managed by affiliates of Apollo Global Management, LLC (together with its consolidated subsidiaries, the "Buyer"). The sale was completed on March 21, 2018. For all periods presented in our consolidated statements of earnings, all sales, costs, expenses, and income taxes attributable to Qdoba, except as related to the impact of the decrease in the federal statutory tax rate (see Note 10, Income Taxes), have been aggregated under the caption "earnings from discontinued operations, net of income taxes." Cash flows used in or provided by Qdoba operations have been aggregated in the consolidated statements of cash flows as part of discontinued operations. Prior year results have been recast to conform with the current presentation. Refer to Note 2, Discontinued Operations, for additional information.

Unless otherwise noted, amounts and disclosures throughout these notes to consolidated financial statements relate to our continuing operations.

Segment reporting — As a result of our sale of Qdoba, which has been classified as discontinued operations, we now have one reporting segment.

Reclassifications and adjustments — Certain prior year amounts in the consolidated financial statements have been reclassified due to the sale of Qdoba. See Note 2, Discontinued Operations, for further information regarding this sale and the resulting prior year reclassifications. We recorded certain adjustments in 2018 upon the adoption of a new accounting pronouncement; see details regarding the effects of the adoption on our consolidated financial statements below under the heading "Effect of new accounting pronouncements adopted in fiscal 2018." Further, in 2018, we began presenting depreciation and amortization as a separate line item on our consolidated statements of earnings to better align with similar presentation made by many of our peers and to provide additional disclosure that is meaningful for our investors. The prior years consolidated statements of earnings were adjusted to conform with this new presentation. Depreciation and amortization were previously presented within company restaurant costs, franchise occupancy expenses, selling, general, and administrative expenses, and impairment and other charges, net, on our consolidated statements of earnings.

Fiscal year — Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Comparisons throughout these notes to the consolidated financial statements refer to the 52-week periods ended September 30, 2018 and October 1, 2017 for fiscal years 2018 and 2017, respectively, and 53-week period ended October 2, 2016 for fiscal year 2016.

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

The Financial Accounting Standards Board ("FASB") authoritative guidance on consolidation requires the primary beneficiary of a VIE to consolidate that entity. The primary beneficiary of a VIE is an enterprise that has a controlling financial interest in the VIE. Controlling financial interest exists when an enterprise has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

JACK IN THE BOX INC. AND SUBSIDIARIES
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The primary entities in which we possess a variable interest are franchise entities, which operate our franchise restaurants. We do not possess any ownership interests in franchise entities. We have reviewed these franchise entities and determined that we are not the primary beneficiary of the entities and therefore, these entities have not been consolidated. We hold and consolidate a variable interest in a subsidiary formed for the purpose of operating a franchisee lending program. The financial results and position of our VIE are immaterial to our consolidated financial statements.

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

Accounts and other receivables, net, is primarily comprised of receivables from franchisees, tenants, and credit card processors. Franchisee receivables primarily include rents, royalties, and marketing fees associated with lease and franchise agreements and notes issued in connection with refranchising transactions. Tenant receivables relate to subleased properties where we are on the master lease agreement. We accrue interest on notes receivable based on the contractual terms. The allowance for doubtful accounts is based on historical experience and a review of existing receivables. Changes in accounts and other receivables are classified as an operating activity in the consolidated statements of cash flows, except for changes in notes related to refranchising transactions, which are classified as an investing activity.

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

Assets held for sale typically represent the costs for new sites and existing sites that we plan to sell and lease back within the next year. Gains or losses realized on sale-leaseback transactions are deferred and amortized over the lease terms. Assets held for sale also periodically includes the net book value of property and equipment we plan to sell within the next year. If the determination is made that we no longer expect to sell an asset within the next year, the asset is reclassified out of assets held for sale. Assets held for sale consisted of the following at each fiscal year-end (in thousands):

	2018	2017
Assets held for sale and leaseback	$2,591	$10,152
Other property and equipment held for sale	11,356	8,315
Qdoba current assets held for sale	—	24,265
Assets held for sale	$13,947	$42,732

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

Buildings, equipment and leasehold improvements are generally depreciated using the straight-line method based on the estimated useful lives of the assets, over the initial lease term for certain assets acquired in conjunction with the lease commencement for leased properties, or the remaining lease term for certain assets acquired after the commencement of the lease for leased properties. In certain situations, one or more option periods may be used in determining the depreciable life of assets related to leased properties if we deem that an economic penalty would be incurred otherwise. In either circumstance, our policy requires lease term consistency when calculating the depreciation period, in classifying the lease and in computing straight-line rent expense. Building, leasehold improvement assets and equipment are assigned lives that range from 1 to 35 years. Depreciation expense related to property and equipment was $59.4 million, $67.4 million, and $72.8 million in fiscal year 2018, 2017, and 2016, respectively.

JACK IN THE BOX INC. AND SUBSIDIARIES
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Impairment of long-lived assets — We evaluate our long-lived assets, such as property and equipment, for impairment on an annual basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. This review generally includes a restaurant-level analysis, except when we are actively selling a group of restaurants in which case we perform our impairment evaluations at the group level. Impairment evaluations for individual restaurants may take into consideration a restaurant's operating cash flows, the period of time since a restaurant has been opened or remodeled, refranchising expectations, if any, and the maturity of the related market, which are all significant unobservable inputs ("Level 3 Inputs"). Impairment evaluations for a group of restaurants take into consideration the group's expected future cash flows and sales proceeds from bids received, if any, or fair market value based on, among other considerations, the specific sales and cash flows of those restaurants. If the assets of a restaurant or group of restaurants subject to our impairment evaluation are not recoverable based upon the forecasted, undiscounted cash flows, we recognize an impairment loss by the amount that the carrying value of the assets exceeds fair value. Refer to Note 9, Impairment and Other Charges, Net, for additional information. Long-lived assets that meet the held for sale criteria, which excludes assets intended to be sold and leased back, are held for sale and reported at the lower of their carrying value or fair value, less estimated costs to sell.

Goodwill and intangible assets — Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired, if any. We generally record goodwill in connection with the acquisition of restaurants from franchisees. Likewise, upon the sale of restaurants to franchisees, goodwill is decremented. The amount of goodwill written-off is determined as the fair value of the business disposed of as a percentage of the fair value of the reporting unit retained. If the business disposed of was never fully integrated into the reporting unit after its acquisition, and thus the benefits of the acquired goodwill were never realized, the current carrying amount of the acquired goodwill is written off. Goodwill and our other indefinite-lived intangible assets are evaluated for impairment annually, or more frequently if indicators of impairment are present. We first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit or indefinite-lived asset is less than its carrying amount. If the qualitative factors indicate that it is more likely than not that the fair value is less than the carrying amount, we perform a single-step impairment test. To perform our impairment analysis, we estimate the fair value of the reporting unit or indefinite-lived asset using Level 3 Inputs and compare it to the carrying value. If the carrying value exceeds the fair value, an impairment loss is recognized equal to the excess.

Lease acquisition costs primarily represent the fair values of acquired lease contracts having contractual rents lower than fair market rents and are amortized on a straight-line basis over the remaining initial lease term. Reacquired franchise rights are recorded in connection with our acquisition of franchised restaurants and are amortized over the remaining contractual period of the franchise contract in which the right was granted.

Refer to Note 4, Goodwill and Intangible Assets, Net, for additional information.

Company-owned life insurance — We have purchased company-owned life insurance ("COLI") policies to support our non-qualified benefit plans. The cash surrender values of these policies were $109.9 million and $110.1 million as of September 30, 2018 and October 1, 2017, respectively, and are included in other assets, net, in the accompanying consolidated balance sheets. Changes in cash surrender values are included in selling, general and administrative expenses in the accompanying consolidated statements of earnings. These policies reside in an umbrella trust for use only to pay plan benefits to participants or to pay creditors if the Company becomes insolvent.

Leases — We review all leases for capital or operating classification at their inception under the FASB authoritative guidance for leases. Our operations are primarily conducted under operating leases. Within the provisions of certain leases, there are rent holidays and escalations in payments over the base lease term, as well as renewal periods. The effects of the holidays and escalations have been reflected in rent expense on a straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed are recorded as deferred rent. The lease term commences on the date when we have the right to control the use of the leased property. Certain leases also include contingent rent provisions based on sales levels, which are accrued at the point in time we determine that it is probable such sales levels will be achieved. Refer to Note 8, Leases, for additional information.

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

Our franchise arrangements generally provide for franchise fees and continuing fees based upon a percentage of sales (“royalties”). In order to renew a franchise agreement upon expiration, a franchisee must obtain the Company’s approval and pay then current fees. Franchise development and license fees are recorded as deferred revenue until we have substantially performed all of our contractual obligations and the restaurant has opened for business. Franchise royalties are recorded in revenues on an accrual basis. Among other things, a franchisee may be provided the use of land and building, generally for a period of 20 years, and is required to pay negotiated rent, property taxes, insurance, and maintenance. Franchise rents based on fixed rental payments are recognized as revenue over the term of the lease. Certain franchise rents, which are contingent upon sales levels, are recognized in the period in which the contingency is met.

JACK IN THE BOX INC. AND SUBSIDIARIES
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Gift cards — We sell gift cards to our customers in our restaurants and through selected third parties. The gift cards sold to our customers have no stated expiration dates and are subject to actual or potential escheatment rights in several of the jurisdictions in which we operate. We recognize income from gift cards when redeemed by the customer.
While we will continue to honor all gift cards presented for payment, we may determine the likelihood of redemption to be remote for certain card balances due to, among other things, long periods of inactivity. In these circumstances, to the extent we determine there is no requirement for remitting balances to government agencies under unclaimed property laws, card balances may be recognized as a reduction to selling, general and administrative expenses in the accompanying consolidated statements of earnings.
Amounts recognized on unredeemed gift card balances was $0.6 million, $0.5 million, and $0.4 million in fiscal 2018, 2017, and 2016, respectively.
Pre-opening costs associated with the opening of a new restaurant consist primarily of property rent and employee training costs. Pre-opening costs associated with the opening of a restaurant that was closed upon acquisition consist primarily of labor costs, maintenance and repair costs, and property rent. Pre-opening costs are expensed as incurred in selling, general and administrative expenses in the accompanying consolidated statements of earnings.
Restaurant closure costs — All costs associated with exit or disposal activities are recognized when they are incurred. Restaurant closure costs, which are included in impairment and other charges, net, and gains on the sale of company-operated restaurants in the accompanying consolidated statements of earnings, primarily consist of future lease commitments, net, of anticipated sublease rentals, and expected ancillary costs.
Self-insurance — We are self-insured for a portion of our workers' compensation, general liability, employee medical and dental, and automotive claims. We utilize a paid-loss plan for our workers' compensation, general liability, and automotive programs, which have predetermined loss limits per occurrence and in the aggregate. We establish our insurance liability (undiscounted) and reserves using independent actuarial estimates of expected losses for determining reported claims and as the basis for estimating claims incurred, but not reported. As of September 30, 2018 and October 1, 2017, our estimated liability for general liability and workers' compensation claims exceeded our self-insurance retention limits by $3.7 million and $3.9 million, respectively, which we expect our insurance providers to pay on our behalf in accordance with the contractual terms of our insurance policies.
Advertising costs — We administer a marketing fund that includes contractual contributions. In fiscal 2018, 2017, and 2016 the marketing funds at franchise and company-operated restaurants were approximately 5.0% of gross revenues, and the Company made incremental contributions to the marketing fund of $6.2 million, $0.5 million, and $1.1 million, respectively. To the extent contributions exceed marketing fund expenditures, the excess contributions are recorded as a liability in accrued liabilities on our consolidated balance sheet. To the extent expenditures temporarily exceed contributions, the difference is recorded as a receivable of the fund in accounts and other receivable, net, on our consolidated balance sheet. The contributions to the marketing fund are designated for sales driving and marketing-related initiatives and advertising, and we act as an agent for the franchisees with regard to these contributions. Therefore, we do not reflect franchisee contributions to the funds in our consolidated statements of earnings.
Production costs of commercials, programming, and other marketing activities are charged to the marketing funds when the advertising is first used for its intended purpose, and the costs of advertising are charged to operations as incurred. Total contributions and other marketing expenses are included in selling, general, and administrative expenses in the accompanying consolidated statements of earnings. In fiscal 2018, 2017, and 2016 advertising costs were $28.8 million, $36.5 million, and $41.2 million, respectively.
Share-based compensation — We account for our share-based compensation under the FASB authoritative guidance on stock compensation, which generally requires, among other things, that all employee share-based compensation be measured using a fair value method and that the resulting compensation cost be recognized in the financial statements. Compensation expense for our share-based compensation awards is generally recognized on a straight-line basis over the shorter of the vesting period or the period from the date of grant to the date the employee becomes eligible to

retire. Refer to Note 12, Share-based Employee Compensation, for additional information.

Income taxes — Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize interest and, when applicable, penalties related to unrecognized tax benefits as a component of our income tax provision.

Authoritative guidance issued by the FASB prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Refer to Note 10, Income Taxes, for additional information.

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Derivative instruments — From time to time, we use interest rate swap agreements to manage interest rate exposure. We do not speculate using derivative instruments. We purchase derivative instruments only for the purpose of risk management.

All derivatives are recognized on the consolidated balance sheets at fair value based upon quoted market prices. Changes in the fair values of derivatives are recorded in earnings or other comprehensive income ("OCI"), based on whether or not the instrument is designated as a hedge transaction. Gains or losses on derivative instruments that qualify for hedge designation are reported in OCI and are reclassified to earnings in the period the hedged item affects earnings. If the underlying hedge transaction ceases to exist, any associated amounts reported in OCI are reclassified to earnings at that time. Any ineffectiveness is recognized in earnings in the current period. Refer to Note 5, Fair Value Measurements, and Note 6, Derivative Instruments, for additional information regarding our derivative instruments.

Contingencies — We recognize liabilities for contingencies when we have an exposure that indicates it is probable that an asset has been impaired or that a liability has been incurred and the amount of impairment or loss can be reasonably estimated. Our ultimate legal and financial liability with respect to such matters cannot be estimated with certainty and requires the use of estimates. When the reasonable estimate is a range, the recorded loss will be the best estimate within the range. We record legal settlement costs when those costs are probable and reasonably estimable. Refer to Note 15, Commitments, Contingencies and Legal Matters, for additional information.

Effect of new accounting pronouncements adopted in fiscal 2018 — In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. This standard is intended to simplify various aspects of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures.We adopted this standard in the first quarter of fiscal 2018. Due to the adoption of the standard, in fiscal 2018 we prospectively reclassified excess tax benefits from share-based compensation arrangements of $2.0 million, as a discrete item within income tax expense on the consolidated statements of earnings. This also impacted the related classification on our consolidated statements of cash flows, as excess tax benefits from share-based compensation arrangements is only reported in cash flows from operating activities on a prospective basis, rather than as previously reported in cash flows from operating activities and cash flows used in financing activities. Upon adoption of the standard, we also began reporting cash paid to a taxing authority on an employee's behalf when we directly withhold equivalent shares for taxes as cash flows used in financing activities, with the related tax withholding classified as a change in accounts and other receivables in cash flows from operating activities on our consolidated statements of cash flows. We retrospectively applied this new reporting of tax payments for equity award issuances on our consolidated statements of cash flows. The standard also impacted our earnings per share calculation on a prospective basis as the estimate of dilutive common share equivalents under the treasury stock method no longer assumes that the estimated tax benefits realized when an award is settled are used to repurchase shares. Lastly, the Company elected to account for forfeitures as they occur, and a cumulative-effect adjustment was made in the amount of $0.2 million and recorded in retained earnings as of October 2, 2017 on the consolidated balance sheet.

Effect of new accounting pronouncements to be adopted in future periods — In May 2014, the FASB issued ASU 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 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. We will adopt these standards in the first quarter of fiscal 2019 applying the modified retrospective method upon adoption.

The new revenue recognition standard will not impact our recognition of restaurant sales, rental revenues, or royalty fees from franchisees. The new pronouncement will change the way initial fees from franchisees for new restaurant openings or new franchise terms are recognized. Our current accounting policy is to recognize initial franchise fees when a new restaurant opens or at the start of a new franchise term. In accordance with the new guidance, the initial franchise services are not distinct from the continuing rights and services offered during the term of the franchise agreement, and will therefore be treated as a single performance obligation together with the continuing rights and services. As such, initial fees received will be recognized over the franchise term and any unamortized portion will be recorded as deferred revenue in the consolidated balance sheet. If the new guidance had been in effect for 2018 and 2017, the impact on our franchise fee revenues would have been as follows (in thousands):

	2018	2017
Franchise fees recognized under the current accounting standard	$6,416	$8,042
Franchise fee amortization that would have been recognized under the new standard	4,867	4,291
Net impact on revenue from franchise fees	$(1,549)	$(3,751)

Upon adoption of the new guidance, we expect to record approximately $50.0 million as deferred revenue on our October 1, 2018 consolidated balance sheet for previously recognized franchise fees with an offsetting adjustment to opening retained earnings.

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The standard will also have an impact on transactions currently presented net and not included in our revenues and expenses such as franchisee contributions to and expenditures from our advertising fund, and sourcing and technology fee contributions from franchisees and the related expenses. We have determined that we are the principal in these arrangements, and as such we will record contributions to and expenditures from the advertising fund, and sourcing and technology fees and expenditures on a gross basis within our consolidated statements of earnings. While this change will materially impact our gross amount of reported revenues and expenses, the impact will be largely offsetting and we do not expect there to be a material impact on our reported net earnings. If the new guidance had been in effect for 2018 and 2017, our consolidated revenues and expenses would have increased by approximately $160 million and $150 million, respectively.

We are continuing to evaluate the impact that this pronouncement will have on our related disclosures. We are also implementing internal controls related to the recognition and presentation of revenues under the new guidance.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires a lessee to recognize assets and liabilities on the balance sheet for those leases classified as operating leases under previous guidance. In January 2018, the FASB issued ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842, which affects the guidance in ASU 2016-02. The standard permits the election of an optional transition practical expedient to not evaluate land easements that exist or expired before the adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842 (Leases), and ASU 2018-11, Leases (Topic 842), Targeted Improvements, which provide (i) narrow amendments to clarify how to apply certain aspects of the new lease standard, (ii) entities with an additional transition method to adopt the new standard, and (ii) lessors with a practical expedient for separating components of a contract. Based on a preliminary assessment, we expect that most of our operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption, resulting in a significant increase in the assets and liabilities on our consolidated balance sheets. We will be required to adopt these standards in the first quarter of fiscal 2020 and are required to adopt using a modified retrospective transition approach. We are continuing our evaluation, which may identify additional impacts this standard and its amendments will have on our consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This standard requires the presentation of the service cost component of net benefit cost to be in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. All other components of net benefit cost should be presented separately from the service cost component and outside of a subtotal of earnings from operations, or separately disclosed. We will be adopting this standard in the first quarter of fiscal 2019. Upon adoption of this standard, we will separately present the components of net periodic benefit cost, excluding the service cost component, outside of earnings from operations. In 2018, net periodic benefit cost, excluding the service cost component, was approximately $0.1 million.

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 fiscal 2013, we completed the transition of our distribution centers. The operations and cash flows of the business have been eliminated and the results are reported as discontinued operations for all periods presented. In 2018, 2017, and 2016 the results of discontinued operations related to our distribution business were immaterial to our consolidated results of operations.

Qdoba — On December 19, 2017, we entered into a stock purchase agreement (the “Qdoba Purchase Agreement”) with the Buyer to sell all issued and outstanding shares of Qdoba (the “Shares”). The Buyer completed the acquisition of Qdoba on March 21, 2018 (the “Qdoba Sale”) for an aggregate purchase price of approximately $298.5 million.

We also entered into a Transition Services Agreement with the Buyer pursuant to which the Buyer is receiving certain services (the “Services”) to enable it to operate the Qdoba business after the closing of the Qdoba Sale. The Services include information technology, finance and accounting, human resources, supply chain, and other corporate support services. Under the Transition Services Agreement, the Services are being provided at cost for a period of up to 12 months, with two 3-month extensions available for certain services. In fiscal 2018 we recorded $7.9 million related to the Services in 2018 as a reduction of selling, general, and administrative expenses in the consolidated statements of earnings.

JACK IN THE BOX INC. AND SUBSIDIARIES
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Further, we entered into an Employee Agreement with the Buyer pursuant to which we will continue to employ all Qdoba employees who work for the Buyer (the "Qdoba Employees") from the date of closing of the Qdoba Sale through the earlier of: (a) following 30 days written notice from the Buyer of termination of the Employee Agreement, or (b) nine months following the closing of the Qdoba Sale. Upon termination of the Employee Agreement, the Qdoba Employees will become employees of the Buyer. During the term of the Employee Agreement, we will pay all wages and benefits of the Qdoba Employees and will receive reimbursement of these costs from the Buyer. During fiscal 2018, we paid $86.7 million of Qdoba wages and benefits pursuant to the Employee Agreement.

As the Qdoba Sale represents a strategic shift that will have a major effect on our operations and financial results, the Qdoba results are classified as discontinued operations in our consolidated statements of earnings and our consolidated statements of cash flows for all periods presented. Prior year results have been recast to conform with the current year presentation.

The following table summarizes the Qdoba results for each period (in thousands, except per share data):

	2018	2017	2016
Company restaurant sales	$192,620	$436,558	$415,495
Franchise revenues	9,337	20,065	21,578
Company restaurant costs (excluding depreciation and amortization)	(166,122)	(357,370)	(321,997)
Franchise costs (excluding depreciation and amortization)	(2,338)	(4,993)	(4,478)
Selling, general and administrative expenses	(19,286)	(36,706)	(43,063)
Depreciation and amortization	(5,012)	(21,500)	(19,965)
Impairment and other charges, net	(2,305)	(15,061)	(11,648)
Interest expense, net	(4,787)	(9,025)	(7,448)
Operating earnings from discontinued operations before income taxes	2,107	11,968	28,474
Gain on Qdoba Sale	30,717	—	—
Earnings from discontinued operations before income taxes	32,824	11,968	28,474
Income taxes	(15,726)	(4,518)	(10,605)
Earnings from discontinued operations, net of income taxes	$17,098	$7,450	$17,869
Net earnings per share from discontinued operations:			
Basic	$0.60	$0.24	$0.53
Diluted	$0.59	$0.24	$0.52

Selling, general and administrative expenses presented in the table above include corporate costs directly in support of Qdoba operations. All other corporate costs were classified in results of continuing operations. Our credit facility required us to make a mandatory prepayment ("Qdoba Prepayment") on our term loan upon the closing of the Qdoba Sale, which was $260.0 million. Interest expense associated with our credit facility was allocated to discontinued operations based on our estimate of the mandatory prepayment that was made upon closing of the Qdoba Sale. See Note 7, Indebtedness, of the notes to consolidated financial statements for additional information regarding the mandatory prepayment.

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Assets sold and liabilities assumed by the Buyer in the Qdoba Sale included substantially all assets and liabilities associated with Qdoba, and were classified as held for sale on our consolidated balance sheets as of October 1, 2017. Prior year balances in our consolidated financial statements have been recast to conform with the current presentation. Upon classification of the Qdoba assets as held for sale, in accordance with the FASB authoritative guidance on financial statement presentation, the assets were no longer depreciated. The following table summarizes the major categories of assets and liabilities classified as held for sale in our consolidated balance sheet as of October 1, 2017 and acquired in the Qdoba Sale (in thousands):

	October 1, 2017
Cash	$3,175
Accounts receivable, net	9,086
Inventories	3,202
Prepaid expenses and other current assets	8,802
Property and equipment, net	148,715
Intangible assets, net	12,660
Goodwill	117,636
Other assets, net	1,785
Total assets classified as held for sale (1)	$305,061
Accounts payable	$8,936
Accrued liabilities	25,251
Current maturities of long-term debt	158
Straight-line rent accrual	13,347
Deferred income tax liability (2)	6,421
Other long-term liabilities	12,310
Total liabilities classified as held for sale	$66,423

(1) Current assets held for sale as of October 1, 2017 include Jack in the Box assets held for sale of $18.5 million.

(2) Prior to held for sale presentation, Qdoba's deferred income tax liability as of January 22, 2017 was netted against the Jack in the Box deferred income tax assets in other assets, net, on our condensed consolidated balance sheet.

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The following is a reconciliation of the gain recorded for the Qdoba Sale (in thousands):

Net proceeds received from the Qdoba Sale (1)	$298,474
Qdoba assets:	
Cash	3,113
Accounts receivable, net	9,461
Inventories	3,112
Prepaid expenses and other current assets	5,007
Property and equipment, net	164,075
Intangible assets, net	12,518
Goodwill	117,636
Other assets, net	2,604
Total Qdoba assets	317,526
Qdoba liabilities:	
Accounts payable	7,847
Accrued liabilities	19,891
Current maturities of long-term debt	180
Straight-line rent accrual	14,595
Deferred income tax liability	8,676
Other long-term liabilities	11,144
Total Qdoba liabilities	62,333
Other costs incurred as part of the Qdoba Sale (2)	12,564
Gain on Qdoba Sale before income taxes	$30,717

(1) The proceeds received from the Qdoba Sale are net of the finalized working capital adjustment outlined in the Qdoba Purchase Agreement totaling $6.9 million, and the derecognition of foreign currency translation adjustments recorded in accumulated other comprehensive income of $0.1 million.

(2) Costs directly incurred as a result of the Qdoba Sale, including investment bank fees, legal fees, professional fees, employee transaction awards, transfer taxes, and other costs.

Proceeds from the Qdoba Sale have been presented in the consolidated statement of cash flows within cash provided by discontinued operations in investing activities.

Lease guarantees — While all operating leases held in the name of Qdoba were part of the Qdoba Sale, some of the leases remain guaranteed by the Company pursuant to one or more written guarantees (the “Guarantees”). In the event Qdoba fails to meet its payment and performance obligations under such guaranteed leases, we may be required to make rent and other payments to the landlord under the requirements of the Guarantees. Should we, as guarantor of the lease obligations, be required to make any lease payments due for the remaining term of the subject lease(s) subsequent to March 21, 2018, the maximum amount we may be required to pay is approximately $38.7 million as of September 30, 2018. The lease terms extend for a maximum of approximately 17 more years as of September 30, 2018, and we would remain a guarantor of the leases in the event the leases are extended for any established renewal periods. In the event that we are obligated to make payments under the Guarantees, we believe the exposure is limited due to contractual protections and recourse available in the lease agreements, as well as the Qdoba Purchase Agreement, including a requirement of the landlord to mitigate damages by re-letting the properties in default, and indemnity from the Buyer. Qdoba continues to meet its obligations under these leases and there have not been any events that would indicate that Qdoba will not continue to meet the obligations of the leases. As such, we have not recorded a liability for the Guarantees as of September 30, 2018 as the likelihood of Qdoba defaulting on the assigned agreements was deemed to be less than probable.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF REFRANCHISINGS, FRANCHISEE DEVELOPMENT AND ACQUISITIONS

Refranchisings and franchisee development — The following table summarizes the number of restaurants sold to franchisees, the number of restaurants developed by franchisees, and the related fees and gains recognized in each fiscal year (dollars in thousands):

	2018	2017	2016
Restaurants sold to franchisees	135	178	1
New restaurants opened by franchisees	11	18	12
Initial franchise fees	$5,890	$7,752	$553
Proceeds from the sale of company-operated restaurants:			
Cash (1)	$26,486	$99,591	$1,439
Notes receivable (2)	70,461	—	—
	$96,947	$99,591	$1,439
Net assets sold (primarily property and equipment)	$(21,329)	$(30,597)	$(195)
Lease commitment charges (3)	—	(11,737)	—
Goodwill related to the sale of company-operated restaurants	(4,663)	(10,062)	(15)
Other (4)	(24,791)	(9,161)	1
Gains on the sale of company-operated restaurants	$46,164	$38,034	$1,230

(1) Amounts in 2018, 2017, and 2016 include additional proceeds of $1.4 million, $0.2 million, and $1.4 million related to the extension of the underlying franchise and lease agreements from the sale of restaurants in prior years.

(2) During 2018, we collected payments of $53.7 million related to notes due from franchisees in connection with refranchising transactions.

(3) Charges are for operating restaurant leases with lease commitments in excess of our sublease rental income.

(4) Amounts in 2018 primarily represent $9.2 million of costs related to franchise remodel incentives, $8.7 million reduction of gains related to the modification of certain 2017 refranchising transactions, $2.3 million of maintenance and repair expenses and $3.7 million of other miscellaneous non-capital charges. Amounts in 2017 represent impairment of $4.6 million and equipment write-offs of $1.4 million related to restaurants closed in connection with the sale of the related markets, maintenance and repair charges, and other miscellaneous non-capital charges.

Franchise acquisitions — In 2018 we did not acquire any franchise restaurants. In fiscal 2017 we acquired 50 franchise restaurants. Of the 50 restaurants acquired, we took over 31 restaurants as a result of an agreement with an underperforming franchisee who was in violation of franchise and lease agreements with the Company. Under this agreement, the franchisee voluntarily agreed to turn over the restaurants. The acquisition of the additional 19 restaurants in 2017 was the result of a legal action filed in September 2013 against a franchisee, from which legal action we obtained a judgment in January 2017 granting us possession of the restaurants. Of the 50 restaurants acquired in 2017, we closed eight and sold 42 to franchisees. Refer to Note 9, Impairment and Other Charges, Net, for additional information regarding impairment charges related to the restaurants closed subsequent to acquisition. In 2016 we acquired one franchise restaurant. The acquisition had an immaterial impact on our consolidated financial statements.

We account for the acquisition of franchised restaurants using the acquisition method of accounting for business combinations. The purchase price allocations were based on fair value estimates determined using significant unobservable inputs (Level 3). The goodwill recorded primarily relates to the sales growth potential of the markets acquired and is expected to be deductible for income tax purposes.

The following table provides detail of the combined acquisitions in 2017 (dollars in thousands):

Restaurants acquired from franchisees	50
Goodwill	$13,059
Property and equipment	2,470
Intangible assets	1,260
Inventory	189
Liabilities assumed	(1,116)
Total consideration	$15,862

Of the total consideration, $13.8 million was non-cash consideration and is comprised of $9.9 million of receivables that were eliminated in acquisition accounting and $3.9 million of accounts payable that was recorded in acquisition accounting. The accounts payable recorded was primarily due to third parties to waive their liens and security interests on certain assets acquired.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. GOODWILL AND INTANGIBLE ASSETS, NET

The changes in the carrying amount of goodwill during fiscal 2018 and 2017 were as follows (in thousands):

Balance at October 2, 2016	$48,415
Acquisition of franchise-operated restaurants	13,059
Sale of company-operated restaurants to franchisees	(10,062)
Balance at October 1, 2017	51,412
Sale of company-operated restaurants to franchisees	(4,663)
Balance at September 30, 2018	$46,749

Intangible assets, net, consist of the following as of the end of each fiscal year (in thousands):

	2018	2017
Gross carrying amount	$6,751	$7,463
Less accumulated amortization	(6,151)	(6,050)
Net carrying amount	$600	$1,413

Amortized intangible assets include lease acquisition costs and reacquired franchise rights. Total amortization expense related to intangible assets was $0.2 million in fiscal 2018, 2017, and 2016.

The following table summarizes, as of September 30, 2018, the estimated amortization expense for each of the next five fiscal years (in thousands):

2019	$113
2020	$103
2021	$91
2022	$33
2023	$16

5. FAIR VALUE MEASUREMENTS

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

	Total	Quoted Prices in Active Markets for Identical Assets (3) (Level 1)	Significant Other Observable Inputs (3) (Level 2)	Significant Unobservable Inputs (3) (Level 3)
Fair value measurements as of September 30, 2018:				
Non-qualified deferred compensation plan (1)	$37,447	$ 37,447	$ —	$ —
Interest rate swaps (Note 6) (2)	703	—	703	—
Total assets and liabilities at fair value	$38,150	$ 37,447	$ 703	$ —
Fair value measurements as of October 1, 2017:				
Non-qualified deferred compensation plan (1)	$37,219	$ 37,219	$ —	$ —
Interest rate swaps (Note 6) (2)	22,927	—	22,927	—
Total liabilities at fair value	$60,146	$ 37,219	$ 22,927	$ —

(1) We maintain an unfunded defined contribution plan for key executives and other members of management. The fair value of this obligation is based on the closing market prices of the participants' elected investments. The obligation is included in accrued liabilities and other long-term liabilities on our condensed consolidated balance sheets.

(2) We entered into interest rate swaps to reduce our exposure to rising interest rates on our variable rate debt. The fair values of our interest rate swaps are based upon Level 2 inputs, which include valuation models as reported by our counterparties. These valuation models use a discounted cash flow analysis on the cash flows of each derivative. The key inputs for the valuation models are quoted market prices, discount rates, and forward yield curves. The Company also considers its own nonperformance risk and the respective counter-party’s nonperformance risk in the fair value measurements.

(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 September 30, 2018, 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 September 30, 2018.

JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, whenever events or changes in circumstances indicate that their carrying value may not be recoverable, non-financial instruments are assessed for impairment. If the carrying values are not fully recoverable, they are written down to fair value.

In connection with our impairment reviews performed during 2018, we recorded $0.8 million of impairment charges resulting from the closure of ten franchise restaurants and one company-operated restaurant, $0.4 million resulting from changes in the market value of closed restaurant properties held for sale, and $0.2 million related to our landlord's sale of a restaurant property to a franchisee. Refer to Note 9, Impairment and Other Charges, Net, for additional information regarding impairment charges.

6. DERIVATIVE INSTRUMENTS

Objectives and strategies — We are exposed to interest rate volatility with regard to our variable rate debt. In April 2014, to reduce our exposure to rising interest rates, we entered into nine forward-starting interest rate swap agreements that effectively converted $300.0 million of our variable rate borrowings to a fixed-rate basis from October 2014 through October 2018. Additionally, 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.

These agreements have been designated as cash flow hedges under the terms 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 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 variable rate debt.

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

	Balance Sheet Location	Fair Value 2018	Fair Value 2017
Derivatives designated as hedging instruments:			
Interest rate swaps	Accrued liabilities	$(26)	$(4,777)
Interest rate swaps	Other long-term liabilities	(1,266)	(18,150)
Interest rate swaps	Other assets, net	589	—
Total derivatives (Note 5)		$(703)	$(22,927)

Financial performance — The following table summarizes the accumulated OCI activity related to our interest rate swap derivative instruments in each fiscal year (in thousands):

	Location in Income	2018	2017	2016
Gain (loss) recognized in OCI	N/A	$18,769	$19,768	$(25,439)
Loss reclassified from accumulated OCI into net earnings	Interest expense, net	$3,455	$5,070	$4,048

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

7. INDEBTEDNESS

The detail of our long-term debt at the end of each fiscal year is as follows (in thousands):

	2018	2017
Revolver, variable interest rate based on an applicable margin plus LIBOR, 4.50% at September 30, 2018	$730,422	$497,022
	336,360	639,385

Term loan, variable interest rate based on an applicable margin plus LIBOR, 4.35% at September 30, 2018		
Capital lease obligations, 3.60% weighted-average interest rate at September 30, 2018	4,403	9,940
	1,071,185	1,146,347
Less current maturities of long-term debt, net of $1,008 and $1,502 of term loan debt issuance costs, respectively	(31,828)	(64,225)
Less term loan debt issuance costs	(1,430)	(2,140)
	$1,037,927	$1,079,982

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amended credit facility — On March 21, 2018, we amended our credit facility. The amendment extends the maturity date of both our term loan and revolving credit facility from March 19, 2019 to March 19, 2020. The interest rate range on our credit facility did not change as a result of the amendment and continues to be based on our leverage ratio. This interest rate can range from the London Interbank Offered Rate ("LIBOR") plus 1.25% to 2.25% with a 0% floor on the LIBOR. As a result of the amendment, the initial interest rate was reset to LIBOR plus 2.00%. As of September 30, 2018 the interest rate increased to 2.25%. As part of the credit facility we can 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. As of September 30, 2018, we had outstanding letters of credit of $31.4 million and an unused borrowing capacity of $138.2 million.

Collateral — Under the amendment, we and certain of our subsidiaries reaffirmed our guarantees and the security interests in substantially all of our tangible and intangible property, with certain exceptions (including deposit accounts), to secure our obligations under the credit facility.

Covenants — 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, and dividend payments, and requirements to maintain certain financial ratios defined in the credit agreement. The amendment raised the maximum leverage ratio from 4.0 times to 4.5 times, and permits unlimited cash dividends and share repurchases if pro forma leverage is less than 4.0 times, subject also to pro forma fixed charge covenant compliance.

Future cash payments — Our credit facility requires us to make certain mandatory prepayments under certain circumstances and we have the option to make certain prepayments without premium or penalty. The credit facility includes events of default (and related remedies, including acceleration and increased interest rates following an event of default) that are customary for facilities and transactions of this type. Pursuant to the credit facility and amendment, we repaid $260.0 million on the term loan facility upon closing of the Qdoba Sale. Refer to Note 2, Discontinued Operations, for additional information regarding the Qdoba Sale and related prepayment. The payment schedule for the term loan facility was amended to reflect this payment and the extended maturity. The amended term loan facility requires amortization in the form of quarterly installments of $10.7 million from June 2018 through December 2019 with the remainder due at the expiration of the term loan agreement in March 2020.

Scheduled principal payments on our long-term debt outstanding at September 30, 2018 for each of the next five fiscal years and thereafter are as follows (in thousands):

2019	$32,837
2020	1,035,548
2021	793
2022	819
2023	846
Thereafter	342
	$1,071,185

8. LEASES

As lessee — We lease restaurants and other facilities, which generally have renewal clauses of 1 to 20 years exercisable at our option. In some instances, these leases have provisions for contingent rentals based upon a percentage of defined revenues. Many of our restaurant and other facility leases also have rent escalation clauses and require the payment of property taxes, insurance, and maintenance costs. We also lease certain restaurant and office equipment. Minimum rental obligations are accounted for on a straight-line basis over the term of the initial lease, plus lease option terms for certain locations.

The components of rent expense were as follows in each fiscal year (in thousands):

	2018	2017	2016
Minimum rentals	$184,106	$185,696	$188,486
Contingent rentals	2,221	2,419	2,199

Total rent expense	186,327	188,115	190,685
Less rental expense on subleased properties	(162,640)	(145,728)	(145,119)
Net rent expense	$23,687	$42,387	$45,566

JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents as of September 30, 2018, future minimum lease payments under capital and operating leases, including leases recorded as lease obligations relating to continuing and discontinued operations (in thousands):

Fiscal Year	Capital Leases	Operating Leases
2019	$955	$193,439
2020	876	173,953
2021	876	163,038
2022	876	124,357
2023	863	96,047
Thereafter	437	388,150
Total minimum lease payments	4,883	$1,138,984
Less amount representing interest, 3.60% weighted-average interest rate	(480)	
Present value of obligations under capital leases	4,403	
Less current portion	(834)	
Long-term capital lease obligations	$3,569	

Total future minimum lease payments of approximately $1.5 billion included in the table above are expected to be recovered under our non-cancelable operating subleases.

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

	2018	2017
Buildings	$3,217	$7,301
Equipment	5,519	10,617
Less accumulated amortization	(4,621)	(8,753)
	$4,115	$9,165

Amortization of assets under capital leases is included in depreciation and amortization expense in the consolidated statements of earnings.

As lessor — We lease or sublease restaurants to certain franchisees and others under agreements that generally provide for the payment of percentage rentals in excess of stipulated minimum rentals, usually for a period up to 20 years. Most of our leases have rent escalation clauses and renewal clauses of 5 to 20 years. The following table summarizes rents received under these agreements in each fiscal year (in thousands):

	2018	2017	2016
Total rental income (1)	$264,432	$237,004	$238,228
Contingent rentals	$35,148	$33,168	$31,632

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(1) Includes contingent rentals.

The minimum rents receivable expected to be received under these non-cancelable operating leases and subleases, including leases recorded as lease obligations relating to continuing and discontinuing operations, and excluding contingent rentals, as of September 30, 2018 are as follows (in thousands):

Fiscal Year	
2019	$239,015
2020	236,136
2021	251,835
2022	228,089
2023	221,261
Thereafter	1,359,302

Total minimum future rent receivable $2,535,638

JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2018	2017
Land	$89,256	$88,647
Buildings	824,964	759,003
Equipment	611	342
	914,831	847,992
Less accumulated depreciation	(607,900)	(540,851)
	$306,931	$307,141

9. IMPAIRMENT AND OTHER CHARGES, NET

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

	2018	2017	2016
Restructuring costs	$10,647	$3,631	$3,531
Costs of closed restaurants and other	4,803	5,736	2,457
Losses on disposition of property and equipment, net	1,627	2,891	2,398
Accelerated depreciation	1,130	911	1,543
Operating restaurant impairment charges (1)	211	—	—
	$18,418	$13,169	$9,929

(1) In 2018, impairment charges relate to our landlord’s sale of a restaurant property to a franchisee.

Restructuring costs — Restructuring costs include charges resulting from a plan that management initiated in fiscal 2016 to reduce our general and administrative costs. This plan includes cost saving initiatives from workforce reductions and refranchising initiatives. Restructuring charges in 2018 also include costs related to the evaluation of potential alternatives with respect to the Qdoba brand (the “Qdoba Evaluation”), which resulted in the Qdoba Sale. Refer to Note 2, Discounted Operations, for information regarding the Qdoba Sale.

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

	2018	2017	2016
Employee severance and related costs	$7,845	$724	$3,513
Qdoba Evaluation (1)	2,211	2,592	18
Other	591	315	—
	$10,647	$3,631	$3,531

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

We currently expect to recognize severance and related costs of approximately $4.5 million in fiscal 2019 related to positions that have been identified for elimination. At this time, we are unable to estimate any additional charges to be incurred related to additional positions that may be identified for elimination or our other restructuring activities.

Total accrued severance costs related to our restructuring activities are included in accrued liabilities and changed as follows during fiscal 2018 (in thousands):

Balance as of October 1, 2017	$648
Additions/adjustments	7,845
Cash payments	(3,184)
Balance as of September 30, 2018	$5,309

Costs of closed restaurants and other — Costs of closed restaurants in all years include future lease commitment charges and expected ancillary costs, net of anticipated sublease rentals. Costs in 2018 also include $0.8 million of impairment charges resulting from the closure of ten franchise and one company restaurant, and $0.4 million of charges resulting from changes in the market value of closed properties held for sale. Costs in 2017 also include $0.5 million in property and equipment impairment charges and $0.5 million in future lease commitment charges related to the closure of four underperforming restaurants.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accrued restaurant closing costs included in accrued liabilities and other long-term liabilities changed as follows during fiscal 2018 (in thousands):

Balance as of October 1, 2017	$6,175
Interest expense	135
Adjustments (1)	675
Additions	1,639
Cash payments	(5,090)
Balance as of September 30, 2018 (2) (3)	$3,534

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(1) Adjustments relate primarily to revisions of certain sublease and cost assumptions. Our estimates 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.

(2) The weighted-average remaining lease term related to these commitments is approximately four years.

(3) This balance excludes $2.3 million of restaurant closing costs that are included in accrued liabilities and other long-term liabilities, which were initially recorded as losses on the sale of company-operated restaurants to franchisees in prior years.

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 fiscal 2018, accelerated depreciation was primarily related to the replacement of computer hardware, restaurant remodels, and exterior enhancements at our company-operated restaurants. In fiscal 2017, accelerated depreciation primarily related to restaurant remodels and the anticipated closure of three company-owned restaurants. In fiscal 2016, accelerated depreciation primarily relates to expenses at our company-operated restaurants for exterior facility enhancements and the replacement of technology equipment.

10. INCOME TAXES

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

	2018	2017	2016
Current:			
Federal	$51,454	$79,038	$23,768
State	4,922	12,368	3,679
	56,376	91,406	27,447
Deferred:			
Federal	23,462	(13,176)	28,455
State	1,890	(2,898)	4,838
	25,352	(16,074)	33,293
Income tax expense from continuing operations	$81,728	$75,332	$60,740
Income tax expense (benefit) from discontinued operations	$15,700	$(4,119)	$10,453

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

	2018	2017	2016
Computed at federal statutory rate	24.5 %	35.0 %	35.0 %
Non-cash impact of the Tax Act	17.5 %	— %	— %
State income taxes, net of federal tax benefit	4.7 %	3.8 %	3.7 %
Stock compensation excess tax benefit	(1.1)%	— %	— %
Benefit of jobs tax credits, net of valuation allowance	(0.4)%	(0.4)%	(1.0)%

Benefit related to COLIs	(0.4)%	(1.1)%	(1.5)%
Other, net	(0.9)%	(0.4)%	0.1 %
	43.9 %	36.9 %	36.3 %

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2018	2017
Deferred tax assets:		
Accrued defined benefit pension and postretirement benefits	$34,776	$67,334
Impairment	11,388	18,697
Accrued insurance	8,994	14,701
Tax loss and tax credit carryforwards	7,458	11,841
Share-based compensation	4,936	9,715
Lease commitments related to closed or refranchised locations	4,696	9,382
Accrued incentive compensation	2,055	628
Accrued vacation pay expense	2,034	1,560
Deferred income	1,535	2,289
Other reserves and allowances	851	1,386
Interest rate swaps	181	8,855
Other, net	2,206	2,960
Total gross deferred tax assets	81,110	149,348
Valuation allowance	(3,554)	(8,507)
Total net deferred tax assets	77,556	140,841
Deferred tax liabilities:		
Intangible assets	(10,492)	(15,995)
Leasing transactions	(2,790)	(758)
Property and equipment, principally due to differences in depreciation	(1,855)	(18,406)
Other	(279)	(564)
Total gross deferred tax liabilities	(15,416)	(35,723)
Net deferred tax assets	$62,140	$105,118

The Tax Act was enacted into law on December 22, 2017. The Tax Act included a reduction in the U.S. federal statutory corporate income tax rate (the "Tax Rate") from 35% to 21% and introduced new limitations on certain business deductions. As a result, we recognized a non-cash tax provision expense impact of $32.5 million, primarily related to the re-measurement of our deferred tax assets and liabilities due to the reduced tax rate.

Deferred tax assets as of September 30, 2018 include state net operating loss carry-forwards of approximately $43.5 million expiring at various times between 2019 and 2037. At September 30, 2018, we recorded a valuation allowance of $3.6 million which decreased from the $8.5 million at October 1, 2017 primarily due to the release of the valuation allowance on state tax credits and net operating losses. We believe that it is more likely than not that the remaining net operating loss and credit carry-forwards will not be realized and that all other deferred tax assets will be realized through future taxable income or alternative tax strategies.

The major jurisdictions in which the Company files income tax returns include the United States and states in which we operate that impose an income tax. The federal statutes of limitations have not expired for fiscal years 2015 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 2014 and forward and 2013 and forward, respectively.

11. RETIREMENT PLANS

We sponsor programs that provide retirement benefits to our employees. These programs include defined contribution plans, defined benefit pension plans, and postretirement healthcare plans.

Defined contribution plans — We maintain a qualified savings plan pursuant to Section 401(k) of the Internal Revenue Code ("IRC"). Effective January 1, 2016, the plan was amended and restated to incorporate Safe Harbor Plan design features that include changes to participant eligibility and company contribution amounts and vesting. The plan allows all employees who have satisfied the service requirements and reached age 21 to defer a percentage of their pay on a pre-tax basis. Beginning January 1, 2016, we match 100% of the first 4% of compensation deferred by the participant. Prior to January 1, 2016, we matched 50% of the first 4% of compensation deferred by the participant. A participant's right to Company contributions vest immediately. Our contributions under this plan were $2.2 million in fiscal 2018, and $1.9 million and $3.2 million in fiscal 2017 and 2016, respectively.

JACK IN THE BOX INC. AND SUBSIDIARIES
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We also maintain an unfunded, non-qualified deferred compensation plan for key executives and other members of management whose compensation deferrals or company matching contributions to the qualified savings plan are limited due to IRC rules. Effective January 1, 2016, this non-qualified plan was amended to replace the company matching contribution with an annual restoration match that is intended to "restore" up to the full 4% match for participants whose elective deferrals (and related company matching contributions) to the qualified savings plan were limited due to IRC rules. A participant's right to the Company restoration match vests immediately. Prior to January 1, 2016, we matched 100% of the first 3% contributed by the participant. This plan allows participants to defer up to 50% of their salary and 85% of their bonus, on a pre-tax basis. In addition, to compensate executives who were hired or promoted into an eligible position prior to May 7, 2015 and who may no longer participate in our supplemental defined benefit pension plan, we also contribute a supplemental amount equal to 4% of an eligible employee's salary and bonus for a period of 10 years in such eligible position. Our contributions under the non-qualified deferred compensation plan were \$0.2 million in fiscal 2018, and \$0.5 million, and \$0.3 million in fiscal 2017 and 2016, respectively. Prior to January 1, 2016, a participant's right to Company contributions vested at a rate of 25% per year of service.

Defined benefit pension plans — We sponsor two defined benefit pension plans, a "Qualified Plan" covering substantially all full-time employees hired prior to January 1, 2011, and an unfunded supplemental executive retirement plan ("SERP") that provides certain employees additional pension benefits and was closed to new participants effective January 1, 2007. In fiscal 2011, the Board of Directors approved changes to our Qualified Plan whereby participants will no longer accrue benefits effective December 31, 2015. This change was accounted for as a plan "curtailment" in accordance with FASB authoritative guidance. 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.

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Obligations and funded status — The following table provides a reconciliation of the changes in benefit obligations, plan assets, and funded status of our retirement plans for each fiscal year (in thousands):

	Qualified Plan		SERP		Postretirement Health Plans	
	2018	2017	2018	2017	2018	2017
Change in benefit obligation:						
Obligation at beginning of year	$493,767	$522,459	$78,401	$81,450	$ 25,660	$ 28,214
Service cost	1,743	1,331	490	855	—	—
Interest cost	19,463	19,889	2,894	2,850	955	1,003
Participant contributions	—	—	—	—	115	118
Actuarial gain	(37,872)	(20,081)	(4,686)	(2,296)	(1,720)	(2,652)
Benefits paid	(10,949)	(10,425)	(4,032)	(4,458)	(1,563)	(1,168)
Settlements	(9,043)	(19,406)	—	—	—	—
Other	—	—	—	—	14	145
Obligation at end of year	$457,109	$493,767	$73,067	$78,401	$ 23,461	$ 25,660
Change in plan assets:						
Fair value at beginning of year	$460,709	$438,402	$—	$—	$ —	$ —
Actual return on plan assets	15,410	52,138	—	—	—	—
Participant contributions	—	—	—	—	115	118
Employer contributions	—	—	4,032	4,458	1,435	905
Benefits paid	(10,949)	(10,425)	(4,032)	(4,458)	(1,563)	(1,168)
Settlements	(9,043)	(19,406)	—	—	—	—
Other	—	—	—	—	13	145
Fair value at end of year	$456,127	$460,709	$—	$—	$ —	$ —
Funded status at end of year	$(982)	$(33,058)	$(73,067)	$(78,401)	$ (23,461)	$ (25,660)
Amounts recognized on the balance sheet:						
Current liabilities	$—	$—	$(5,037)	$(4,448)	$ (1,352)	$ (1,308)
Noncurrent liabilities	(982)	(33,058)	(68,030)	(73,953)	(22,108)	(24,352)
Total liability recognized	$(982)	$(33,058)	$(73,067)	$(78,401)	$ (23,460)	$ (25,660)
Amounts in AOCI not yet reflected in net periodic benefit cost:						
Unamortized actuarial loss (gain), net	$139,195	$167,598	$27,239	$33,462	$ (2,267)	$ (574)
Unamortized prior service cost	—	—	271	418	—	—
Total	$139,195	$167,598	$27,510	$33,880	$ (2,267)	$ (574)
Other changes in plan assets and benefit obligations recognized in OCI:						
Net actuarial gain	$(25,072)	$(44,077)	$(4,686)	$(2,296)	$ (1,720)	$ (2,652)
Amortization of actuarial loss (gain)	(3,331)	(4,455)	(1,538)	(1,659)	27	(162)
Amortization of prior service cost	—	—	(146)	(153)	—	—
Total recognized in OCI	(28,403)	(48,532)	(6,370)	(4,108)	(1,693)	(2,814)
Net periodic benefit (credit) cost and other losses	(3,673)	(2,467)	5,068	5,517	928	1,165
Total recognized in comprehensive income	$(32,076)	$(50,999)	$(1,302)	$1,409	$ (765)	$ (1,649)
Amounts in AOCI expected to be amortized in fiscal 2019 net periodic benefit cost:						
Net actuarial loss (gain)	$2,754		$1,207		$ (159)	
Prior service cost	—		115		—	

Total	$2,754	$1,322	$(159)

Additional year-end pension plan information — The projected benefit obligation ("PBO") is the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases. The accumulated benefit obligation ("ABO") also reflects the actuarial present value of benefits attributable to employee service rendered to date but does not include the effects of estimated future pay increases. Therefore, the ABO as compared to plan assets is an indication of the assets currently available to fund vested and nonvested benefits accrued through the end of the fiscal year. The funded status is measured as the difference between the fair value of a plan's assets and its PBO.

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As of September 30, 2018 and October 1, 2017, the Qualified Plan's ABO exceeded the fair value of its plan assets. The SERP is an unfunded plan and, as such, had no plan assets as of September 30, 2018 and October 1, 2017. The following sets forth the PBO, ABO, and fair value of plan assets of our pension plans as of the measurement date in each fiscal year (in thousands):

	2018	2017
Qualified Plan:		
Projected benefit obligation	$457,109	$493,767
Accumulated benefit obligation	$457,109	$493,767
Fair value of plan assets	$456,127	$460,709
SERP:		
Projected benefit obligation	$73,067	$78,401
Accumulated benefit obligation	$73,067	$78,401
Fair value of plan assets	$—	$—

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

	2018	2017	2016
Qualified Plan:			
Service cost	$1,743	$1,331	$4,479
Interest cost	19,463	19,889	20,926
Expected return on plan assets	(28,210)	(28,142)	(21,756)
Actuarial loss	3,331	4,455	2,828
Net periodic benefit (credit) cost	$(3,673)	$(2,467)	$6,477
SERP:			
Service cost	$490	$855	$773
Interest cost	2,894	2,850	3,253
Actuarial loss	1,538	1,659	1,259
Amortization of unrecognized prior service cost	146	153	240
Net periodic benefit cost	$5,068	$5,517	$5,525
Postretirement health plans:			
Interest cost	$955	$1,003	$1,263
Actuarial loss	(27)	162	219
Net periodic benefit cost	$928	$1,165	$1,482

Prior service costs are amortized on a straight-line basis from date of participation to full eligibility. Unrecognized gains or losses are amortized using the "corridor approach" under which the net gain or loss in excess of 10% of the greater of the PBO or the market-related value of the assets, if applicable, is amortized. For our Qualified Plan, actuarial losses are amortized over the average future expected lifetime of all participants expected to receive benefits. For our SERP, actuarial losses are amortized over the expected remaining future lifetime for inactive participants, and for our postretirement health plans, actuarial losses are amortized over the expected remaining future lifetime of inactive participants expected to receive benefits.

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Assumptions — We determine our actuarial assumptions on an annual basis. In determining the present values of our benefit obligations and net periodic benefit costs as of and for the fiscal years ended September 30, 2018, October 1, 2017, and October 2, 2016, we used the following weighted-average assumptions:

	2018	2017	2016
Assumptions used to determine benefit obligations (1):			
Qualified Plan:			
Discount rate	4.40%	3.99%	3.85%
Rate of future pay increases	—%	—%	—%
SERP:			
Discount rate	4.37%	3.80%	3.60%
Rate of future pay increases	3.50%	3.50%	3.50%
Postretirement health plans:			
Discount rate	4.38%	3.82%	3.64%
Assumptions used to determine net periodic benefit cost (2):			
Qualified Plan:			
Discount rate	3.99%	3.85%	4.79%
Long-term rate of return on assets	6.20%	6.50%	6.50%
Rate of future pay increases	—%	—%	3.50%
SERP:			
Discount rate	3.80%	3.60%	4.45%
Rate of future pay increases	3.50%	3.50%	3.50%
Postretirement health plans:			
Discount rate	3.82%	3.64%	4.47%

(1) Determined as of end of year.
(2) Determined as of beginning of year.

The assumed discount rates were determined by considering the average of pension yield curves constructed of a population of high-quality bonds with a Moody’s or Standard and Poor’s rating of “AA” or better whose cash flow from coupons and maturities match the year-by-year projected benefit payments from the plans. As benefit payments typically extend beyond the date of the longest maturing bond, cash flows beyond 30 years were discounted back to the 30th year and then matched like any other payment.

The assumed expected long-term rate of return on assets is the weighted-average rate of earnings expected on the funds invested or to be invested to provide for the pension obligations. The long-term rate of return on assets was determined taking into consideration our projected asset allocation and economic forecasts prepared with the assistance of our actuarial consultants.

The assumed discount rate and expected long-term rate of return on assets have a significant effect on amounts reported for our pension and postretirement plans. A quarter percentage point decrease in the discount rate and long-term rate of return used would have decreased fiscal 2018 earnings before income taxes by $0.5 million and $1.1 million, respectively.

The assumed average rate of compensation increase is the average annual compensation increase expected over the remaining employment periods for the participating employees. For our Qualified Plan, no future pay increases were included in our benefit obligation assumptions as, effective December 31, 2015, our plan participants no longer accrue benefits.

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

	2018	2017	2016

Healthcare cost trend rate for next year:			
Participants under age 65	7.25%	7.50%	7.75%
Participants age 65 or older	6.75%	7.00%	7.25%
Rate to which the cost trend rate is assumed to decline:			
Participants under age 65	4.50%	4.50%	4.50%
Participants age 65 or older	4.50%	4.50%	4.50%
Year the rate reaches the ultimate trend rate:			
Participants under age 65	2030	2030	2030
Participants age 65 or older	2028	2028	2028

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The assumed healthcare cost trend rate represents our estimate of the annual rates of change in the costs of the healthcare benefits currently provided by our postretirement plans. The healthcare cost trend rate implicitly considers estimates of healthcare inflation, changes in healthcare utilization and delivery patterns, technological advances and changes in the health status of the plan participants. The healthcare cost trend rate assumption has a significant effect on the amounts reported. For example, a 1.0% change in the assumed healthcare cost trend rate would have the following effect on the fiscal 2018 net periodic benefit cost and end of year PBO (in thousands):

	1% Point Increase	1% Point Decrease
Total interest and service cost	$ 111	$ (95)
Postretirement benefit obligation	$ 2,422	$ (2,098)

Plan assets — Our investment philosophy is to (1) protect the corpus of the fund; (2) establish investment objectives that will allow the market value to exceed the present value of the vested and unvested liabilities over time; while (3) obtaining adequate investment returns to protect benefits promised to the participants and their beneficiaries. Our asset allocation strategy utilizes multiple investment managers in order to maximize the plan's return while minimizing risk. We regularly monitor our asset allocation, and senior financial management and the Finance Committee of the Board of Directors review performance results quarterly. We continually review our target asset allocation for our Qualified Plan and when changes are made, we reallocate our plan assets over a period of time, as deemed appropriate by senior financial management, to achieve our target asset allocation. Our plan asset allocation at the end of fiscal 2018 and target allocations were as follows:

	2018	Target	Minimum	Maximum
Cash & cash equivalents	1%	—%	—	—%
Domestic Equities	23%	23%	12%	32%
International equity	22%	22%	12%	32%
Core fixed funds	35%	32%	27%	37%
High yield	3%	4%	—%	8%
Alternative investments	8%	8%	—%	8%
Real estate	8%	7%	2%	12%
Real return bonds	—%	4%	—%	8%
	100%	100%		

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The Company measures its defined benefit plan assets and obligations as of the month-end date closest to its fiscal year end, which is a practical expedient under FASB authoritative guidance. The fair values of the Qualified Plan's assets by asset category are as follows (in thousands):

		Total	Quoted Prices in Active Markets for Identical (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Items Measured at Fair Value at September 30, 2018:					
Asset Category:					
Cash and cash equivalents	(1)	$2,901	$ —	$ 2,901	$ —
Equity:					
U.S	(2)	104,424	104,424	—	—
International	(3), (4)	100,340	49,857	—	—
Fixed income:					
Investment grade	(5)	160,106	—	160,106	—
High yield	(6)	14,384	14,384	—	—
Alternatives	(4),(7)	35,964	—	—	—
Real estate	(4),(8)	38,008	—	—	—
		$456,127	$ 168,665	$ 163,007	$ —
Items Measured at Fair Value at September 30, 2017:					
Asset Category:					
Cash and cash equivalents	(1)	$3,245	$ —	$ 3,245	$ —
Equity:					
U.S	(2)	108,241	108,241	—	—
International	(3), (4)	121,130	52,013	—	—
Fixed income:					
Investment grade	(5)	133,737	—	133,737	—
High yield	(6)	19,889	19,889	—	—
Alternatives	(7)	38,933	—	—	—
Real estate	(4),(8)	35,534	—	—	—
		$460,709	$ 180,143	$ 136,982	$ —

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

(2) U.S. equity securities are comprised of investments in common stock of U.S. companies for total return purposes. These investments are valued by the trustee at closing prices from national exchanges on the valuation date.

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

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

position.

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

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

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

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

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Future cash flows — Our policy is to fund our plans at or above the minimum required by law. As of the date of our last actuarial funding valuation, there was no minimum requirement. We do not anticipate making any contributions to our Qualified Plan in fiscal 2019. Contributions expected to be paid in the next fiscal year, the projected benefit payments for each of the next five fiscal years, and the total aggregate amount for the subsequent five fiscal years are as follows (in thousands):

	Defined Benefit Pension Plans	Postretirement Health Plans
Estimated net contributions during fiscal 2019	$ 5,038	$ 1,382
Estimated future year benefit payments during fiscal years:		
2019	$ 17,077	$ 1,382
2020	$ 17,721	$ 1,430
2021	$ 18,376	$ 1,526
2022	$ 19,206	$ 1,569
2023	$ 20,438	$ 1,581
2024-2028	$ 121,677	$ 8,169

We will continue to evaluate contributions to our Qualified Plan based on changes in pension assets as a result of asset performance in the current market and economic environment. Expected benefit payments are based on the same assumptions used to measure our benefit obligations at September 30, 2018 and include estimated future employee service, if applicable.

12. SHARE-BASED EMPLOYEE COMPENSATION

Stock incentive plans — We offer share-based compensation plans to attract, retain, and motivate key officers, employees, and non-employee directors to work toward the financial success of the Company.

Our stock incentive plans are administered by the Compensation Committee of the Board of Directors and have been approved by the stockholders of the Company. The terms and conditions of our share-based awards are determined by the Compensation Committee for each award date and may include provisions for the exercise price, expirations, vesting, restriction on sales, and forfeitures, as applicable. We issue new shares to satisfy stock issuances under our stock incentive plans.

Our Amended and Restated 2004 Stock Incentive Plan authorizes the issuance of up to 11,600,000 common shares in connection with the granting of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, or performance units to key employees, directors, and other designated employees. There were 1,880,708 shares of common stock were available for future issuance under this plan as of September 30, 2018.

We also maintain a deferred compensation plan for non-management directors under which those who are eligible to receive fees or retainers may choose to defer receipt of their compensation. The deferred amounts are converted to stock equivalents. The plan requires settlement in shares of our common stock based on the number of stock equivalents and dividend equivalents at the time of a participant’s separation from the Board of Directors. This plan provides for the issuance of up to 350,000 shares of common stock in connection with the crediting of stock equivalents. There were 143,122 shares of common stock were available for future issuance under this plan as of September 30, 2018.

Compensation expense — The components of share-based compensation expense recognized in each fiscal year for continuing operations are as follows (in thousands):

	2018	2017	2016
Nonvested stock units	$5,737	$5,873	$5,168
Stock options	1,790	1,826	2,450
Performance share awards	1,236	2,580	3,351

Nonvested restricted stock awards	33	88	88
Non-management directors' deferred compensation	350	270	270
Total share-based compensation expense	$9,146	$10,637	$11,327

Nonvested restricted stock units — Nonvested restricted stock units ("RSUs") are generally issued to executives, non-management directors and certain other members of management and employees. Prior to fiscal 2011, RSUs were granted to certain Executive and Senior Vice Presidents pursuant to our share ownership guidelines. These awards vest upon retirement or termination based on years of service. There were 60,272 of such RSUs outstanding as of September 30, 2018.

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Beginning fiscal 2011, we replaced the ownership share grants with time-vested RSUs for certain Vice Presidents and Officers that vest ratably over four to five years and have a 50% or 100% holding requirement on settled shares, which must be held until termination. There were 121,541 of such RSUs outstanding as of September 30, 2018. RSUs issued to non-management directors vest 12 months from the date of grant, or upon termination of board service if the director elects to defer receipt, and totaled 59,386 units outstanding as of September 30, 2018. RSUs issued to certain other employees either cliff vest or vest ratably over three years and totaled 46,899 units outstanding as of September 30, 2018. These awards are amortized to compensation expense over the estimated vesting period based upon the fair value of our common stock on the award date discounted by the present value of the expected dividend stream over the vesting period.

The following is a summary of RSU activity for fiscal 2018:

	Shares	Weighted-Average Grant Date Fair Value
RSUs outstanding at October 1, 2017	304,232	$ 62.14
Granted	61,551	$ 94.93
Released	(58,978)	$ 75.21
Forfeited	(18,707)	$ 91.34
RSUs outstanding at September 30, 2018	288,098	$ 64.57

As of September 30, 2018, there was approximately $6.8 million of total unrecognized compensation cost related to RSUs, which is expected to be recognized over a weighted-average period of 2.4 years. The weighted-average grant date fair value of awards granted was $94.93, $102.42, and $72.06 in fiscal years 2018, 2017, and 2016, respectively. In fiscal years 2018, 2017, and 2016, the total fair value of RSUs that vested and were released was $4.4 million, $4.4 million, and $4.5 million, respectively.

Stock options — Option grants have contractual terms of seven years and employee options vest over a three-year period. Options may vest sooner for employees meeting certain age and years of service thresholds. All option grants provide for an option exercise price equal to the closing market value of the common stock on the date of grant.

The following is a summary of stock option activity for fiscal 2018:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at October 1, 2017	312,359	$ 80.15		
Granted	113,447	$ 90.06		
Exercised	(116,388)	$ 68.37		
Forfeited	(18,894)	$ 94.93		
Expired	(2,906)	$ 104.95		
Options outstanding at September 30, 2018	287,618	$ 87.61	4.98	$ 1,205
Options exercisable at September 30, 2018	111,178	$ 81.01	3.85	$ 1,007
Options exercisable and expected to vest at September 30, 2018	287,618	$ 87.61	4.98	$ 1,205

The aggregate intrinsic value in the table above is the amount by which the current market price of our stock on September 30, 2018 exceeds the weighted-average exercise price.

We use a valuation model to determine the fair value of options granted that requires the input of highly subjective assumptions, including the expected volatility of the stock price. The following table presents the weighted-average assumptions used for stock option grants in each fiscal year, along with the related weighted-average grant date fair value:

	2018	2017	2016
Risk-free interest rate	2.4%	1.4%	1.7%
Expected dividends yield	1.8%	1.5%	1.6%
Expected stock price volatility	28.8%	29.0%	26.7%
Expected life of options (in years)	3.40	3.50	4.90
Weighted-average grant date fair value	$18.49	$20.92	$16.21

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The risk-free interest rate was determined by a yield curve of risk-free rates based on published U.S. Treasury spot rates in effect at the time of grant and has a term equal to the expected life of the related options. The dividend yield assumption is based on the Company's history and expectations of dividend payouts at the grant date. The expected stock price volatility in all years represents the Company's historical volatility. The expected life of the options represents the period of time the options are expected to be outstanding and is based on historical trends.

As of September 30, 2018, there was approximately $1.6 million of total unrecognized compensation cost related to stock options grants that is expected to be recognized over a weighted-average period of 1.6 years. The total intrinsic value of stock options exercised was $2.3 million, $6.9 million, and $18.6 million in fiscal years 2018, 2017, and 2016, respectively.

Performance share awards — Performance share awards, granted in the form of stock units, represent a right to receive a certain number of shares of common stock based on the achievement of corporate performance goals and continued employment during the vesting period. Performance share awards issued to executives vest at the end of a three-year period and vested amounts may range from 0% to a maximum of 150% of targeted amounts depending on the achievement of performance measures at the end of a three-year period. The expected cost of the shares is based on the fair value of our stock on the date of grant and is reflected over the vesting period with a reduction for estimated forfeitures. These awards may be settled in cash or shares of common stock at the election of the Company on the date of grant. It is our intent to settle these awards with shares of common stock.

The following is a summary of performance share award activity for fiscal 2018:

	Shares	Weighted-Average Grant Date Fair Value
Performance share awards outstanding at October 1, 2017	92,135	$ 78.67
Granted	19,989	$ 97.02
Issued	(41,916)	$ 77.47
Forfeited	(10,097)	$ 83.27
Performance adjustments	(7,632)	$ 83.56
Performance share awards outstanding at September 30, 2018	52,479	$ 83.21

As of September 30, 2018, there was approximately $0.8 million of total unrecognized compensation cost related to performance share awards, which is expected to be recognized over a weighted-average period of 1.3 years. The weighted-average grant date fair value of awards granted was $97.02, $95.33, and $75.25 in fiscal years 2018, 2017, and 2016, respectively. The total fair value of awards that became fully vested during fiscal years 2018, 2017, and 2016 was $1.6 million, $3.2 million, and $3.5 million, respectively.

Nonvested stock awards — We previously issued nonvested stock awards ("RSAs") to certain executives under our share ownership guidelines. Effective fiscal 2009, we no longer issue RSA awards and have replaced them with grants of RSUs. The RSAs vest, subject to the discretion of our Board of Directors in certain circumstances, upon retirement or termination based upon years of service. These awards are amortized to compensation expense over the estimated vesting period based upon the fair value of our common stock on the award date. As of September 30, 2018, RSAs outstanding totaled 33,243 shares with a weighted-average grant date fair value of $26.47 per share.

In fiscal 2018, we released 62,572 shares with a weighted-average grant date fair value of $17.42 per share. As of September 30, 2018, compensation cost related to RSAs was fully recognized.

Non-management directors' deferred compensation — All awards outstanding under our directors' deferred compensation plan are accounted for as equity-based awards and deferred amounts are converted into stock equivalents based on a per share price equal to the average of the closing price of our common stock for the 10 trading days immediately preceding the date the deferred compensation is credited to the director's account. During fiscal years 2018, 2017, and 2016 no common stock was issued in connection with director retirements.

The following is a summary of the stock equivalent activity for fiscal 2018:

	Stock Equivalents	Weighted-Average Grant Date Fair Value
Stock equivalents outstanding at October 1, 2017	88,515	$ 32.85
Deferred directors’ compensation	3,953	$ 88.53
Dividend equivalents	1,922	$ 90.01
Stock equivalents outstanding at September 30, 2018	94,390	$ 36.35

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13. STOCKHOLDERS' EQUITY

Repurchases of common stock — As of September 30, 2018, there was approximately $41.0 million remaining under a Board-authorized stock buyback program, which expires in November 2019. During fiscal 2018, we repurchased 3.9 million shares at an aggregate cost of $340.0 million. Repurchases of common stock included in our consolidated statement of cash flows for fiscal 2018 and 2016 exclude $14.4 million and $7.2 million, respectively, related to repurchase transactions traded in the fiscal year that settled in the applicable fiscal year. Repurchases of common stock for fiscal 2017 includes $7.2 million related to repurchase transactions traded in the prior fiscal year that settled in fiscal year 2017.

Dividends — In fiscal 2018, the Board of Directors declared four cash dividends of $0.40 per share totaling $45.7 million. Future dividends are subject to approval by our Board of Directors.

14. AVERAGE SHARES OUTSTANDING

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

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

	2018	2017	2016
Weighted-average shares outstanding — basic	28,499	30,630	33,735
Effect of potentially dilutive securities:			
Nonvested stock awards and units	240	182	188
Stock options	40	59	150
Performance share awards	28	43	73
Weighted-average shares outstanding — diluted	28,807	30,914	34,146
Excluded from diluted weighted-average shares outstanding:			
Antidilutive	150	76	147
Performance conditions not satisfied at the end of the period	44	53	38

15. COMMITMENTS, CONTINGENCIES AND LEGAL MATTERS

Commitments — As of September 30, 2018, we had unconditional purchase obligations during the next five fiscal years as follows (in thousands):

2019	$756,800
2020	527,100
2021	353,700
2022	168,300
2023	156,300
Total	$1,962,200

These obligations primarily represent amounts payable under purchase contracts for goods related to system-wide restaurant operations.

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

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Gessele v. Jack in the Box Inc. — In August 2010, five former employees instituted litigation in federal court in Oregon alleging claims under the federal Fair Labor Standards Act and Oregon wage and hour laws. The plaintiffs alleged that the Company failed to pay non-exempt employees for certain meal breaks and improperly made payroll deductions for shoe purchases and for workers' compensation expenses, and later added additional claims relating to timing of final pay and related wage and hour claims involving employees of a franchisee. In 2016, the court dismissed the federal claims and those relating to franchise employees. In June 2017, the court granted class certification with respect to state law claims of improper deductions and late payment of final wages. In 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. In October 11, 2018, Plaintiff's counsel alleged that the total potential damages were approximately $62 million, without providing a specific basis for that amount. We continue to believe that no additional losses are probable beyond this accrual and we cannot estimate a possible loss contingency or range of reasonably possible loss contingencies beyond the accrual. 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 or current employees, customers, franchisees, vendors, landlords, shareholders or others. We intend to defend ourselves in any such matters. Some of these matters may be covered, at least in part, by insurance or other third party indemnity obligation. 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. We believe that the ultimate determination of liability in connection with legal claims pending against us, if any, in excess of amounts already provided for such matters in the consolidated financial statements, will not have a material adverse effect on our business, our annual results of operations, liquidity or financial position; however, it is possible that our business, results of operations, liquidity, or financial condition could be materially affected in a particular future reporting period by the unfavorable resolution of one or more matters or contingencies during such period.

Lease guarantees — While all operating leases held in the name of Qdoba were part of the Qdoba Sale, some of the leases remain guaranteed by the Company pursuant to one or more written guarantees. In the event Qdoba fails to meet its payment and performance obligations under such guaranteed leases, we may be required to make rent and other payments to the landlord under the requirements of the Guarantees. Qdoba continues to meet its obligations under these leases and there have not been any events that would indicate that Qdoba will not continue to meet the obligations of the leases. As such, we have not recorded a liability for the Guarantees as of September 30, 2018 as the likelihood of Qdoba defaulting on the assigned agreements was deemed to be less than probable. Refer to Note 2, Discontinued Operations, for additional information regarding the Guarantees.

16. SUPPLEMENTAL CONSOLIDATED CASH FLOW INFORMATION (in thousands)

	2018	2017	2016
Cash paid during the year for:			
Income tax payments	$56,183	$92,678	$33,406
Interest, net of amounts capitalized	$43,692	$33,857	$21,107
Increase (decrease) in obligations for treasury stock repurchases	$14,362	$(7,208)	$7,208
Increase (decrease) in obligations for purchases of property and equipment	$822	$766	$(1,412)
Non cash transactions:			
Increase in notes receivable from the sale of company operated restaurants	$70,461	$—	$—
Increase in accrued franchise tenant improvement allowances	$5,551	$1,659	$216
Increase in dividends accrued or converted to common stock equivalents	$276	$308	$176
Decrease in equipment capital lease obligations from the sale of company-operated	$3,617	$5,631	$—

restaurants, closure of stores, and termination of equipment leases			
Decrease in capital lease obligations from the termination of building leases	$271	$237	$—
Equipment capital lease obligations incurred	$98	$924	$273
Consideration for franchise acquisitions	$—	$13,809	$—

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17. SUPPLEMENTAL CONSOLIDATED FINANCIAL STATEMENT INFORMATION (in thousands)

	September 30, 2018	October 1, 2017
Accounts and other receivables, net:		
Trade	$ 35,877	$ 55,108
Notes receivable	11,480	988
Income tax receivable	5,637	3,273
Other	6,123	2,399
Allowance for doubtful accounts	(1,695)	(2,159)
	$ 57,422	$ 59,609
Prepaid expenses:		
Prepaid income taxes	$ 4,837	$ 16,928
Prepaid advertising	4,318	5,407
Other	5,288	5,197
	$ 14,443	$ 27,532
Other assets, net:		
Company-owned life insurance policies	$ 109,908	$ 110,057
Deferred tax assets	62,140	105,118
Deferred rent receivable	48,372	46,962
Other	40,986	15,433
	$ 261,406	$ 277,570
Accrued liabilities:		
Insurance	$ 35,405	$ 39,011
Payroll and related taxes	29,498	23,361
Sales and property taxes	4,555	7,275
Gift card liability	2,081	2,237
Deferred rent income	1,387	18,961
Advertising	952	18,493
Deferred franchise fees	375	450
Other	32,669	25,266
	$ 106,922	$ 135,054
Other long-term liabilities:		
Defined benefit pension plans	$ 69,012	$ 107,011
Straight-line rent accrual	31,762	33,749
Other	92,675	108,065
	$ 193,449	$ 248,825

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

	16 Weeks Ended	12 Weeks Ended		
Fiscal Year 2018	January 21, 2018	April 15, 2018	July 8, 2018	September 30, 2018
Revenues	$ 294,463	$ 209,772	$ 187,983	$ 177,472
Earnings from operations	$ 72,807	$ 46,820	$ 76,340	$ 35,647
Net earnings	$ 12,190	$ 47,605	$ 45,307	$ 16,269
Net earnings per share:				
Basic	$ 0.41	$ 1.64	$ 1.62	$ 0.61
Diluted	$ 0.41	$ 1.62	$ 1.60	$ 0.60

	16 Weeks Ended	12 Weeks Ended		
Fiscal Year 2017	January 22, 2017	April 16, 2017	July 9, 2017	October 1, 2017
Revenues	$ 353,181	$ 265,884	$ 246,101	$ 232,125
Earnings from operations	$ 66,789	$ 59,760	$ 55,438	$ 60,066
Net earnings	$ 35,929	$ 33,094	$ 36,351	$ 29,958
Net earnings per share:				
Basic	$ 1.12	$ 1.07	$ 1.23	$ 1.02
Diluted	$ 1.11	$ 1.06	$ 1.22	$ 1.01

19. SUBSEQUENT EVENTS

On November 15, 2018, the Board of Directors declared a cash dividend of $0.40 per share, to be paid on December 18, 2018 to shareholders of record as of the close of business on December 5, 2018. Future dividends will be subject to approval by our Board of Directors.

On November 15, 2018, the Board of Directors approved an additional $60.0 million stock-buyback program that expires in November 2019.

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