JACK IN THE BOX INC /NEW/
Form 10-Q
May 13, 2010

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 11, 2010
Commission File Number: 1-9390

JACK IN THE BOX INC.

(Exact name of registrant as specified in its charter)

DELAWARE	95-2698708
(State of Incorporation)	(I.R.S. Employer Identification No.)
9330 BALBOA AVENUE, SAN DIEGO, CA	92123
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Yes o No þ

As of the close of business May 7, 2010, 55,038,468 shares of the registrant s common stock were outstanding.

JACK IN THE BOX INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JACK IN THE BOX INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

(Unaudited)

	April 11, 2010	September 27, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,461	$ 53,002
Accounts and other receivables, net	56,142	49,036
Inventories	37,768	37,675
Prepaid expenses	29,979	8,958
Deferred income taxes	44,614	44,614
Assets held for sale	92,687	99,612
Other current assets	5,193	7,152
Total current assets	278,844	300,049
Property and equipment, at cost	1,603,575	1,602,247
Less accumulated depreciation and amortization	(708,665)	(665,957)
Property and equipment, net	894,910	936,290
Other assets, net	226,728	219,571
	$ 1,400,482	$ 1,455,910
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 50,797	$ 67,977
Accounts payable	68,641	63,620
Accrued liabilities	165,312	206,100
Total current liabilities	284,750	337,697
Long-term debt, net of current maturities	348,419	357,270
Other long-term liabilities	233,609	234,190
Deferred income taxes	1,660	2,264

Stockholders equity:		
Preferred stock $.01 par value, 15,000,000 authorized, none issued		
Common stock $.01 par value, 175,000,000 authorized, 74,234,137 and 73,987,070 issued, respectively	742	740
Capital in excess of par value	178,217	169,440
Retained earnings	954,138	912,210
Accumulated other comprehensive loss, net	(76,594)	(83,442)
Treasury stock, at cost, 19,294,745 and 16,726,032 shares	(524,459)	(474,459)
Total stockholders equity	532,044	524,489
	$ 1,400,482	$ 1,455,910

See accompanying notes to condensed consolidated financial statements.

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

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Revenues:				
Restaurant sales	$ 388,301	$ 468,326	$ 900,395	$ 1,096,975
Distribution sales	90,762	67,460	195,380	158,983
Franchised restaurant revenues	50,643	42,625	115,249	99,126
	529,706	578,411	1,211,024	1,355,084
Operating costs and expenses:				
Food and packaging	122,316	150,654	284,643	364,328
Payroll and employee benefits	117,133	140,428	273,485	330,498
Occupancy and other	89,888	99,947	210,041	233,374
Company restaurant costs	329,337	391,029	768,169	928,200
Distribution costs of sales	90,910	67,035	196,279	157,614
Franchised restaurant costs	23,102	17,561	52,512	39,690
Selling, general and administrative expenses	58,194	66,910	131,550	157,689
Gains on the sale of company-operated restaurants, net	(2,987)	(17,234)	(12,367)	(35,595)
	498,556	525,301	1,136,143	1,247,598
Earnings from operations	31,150	53,110	74,881	107,486
Interest expense	4,125	4,979	9,897	13,180
Interest income	(252)	(406)	(589)	(880)
Interest expense, net	3,873	4,573	9,308	12,300
Earnings from continuing operations and before income taxes	27,277	48,537	65,573	95,186
Income taxes	9,597	18,951	23,645	37,633
Earnings from continuing operations	17,680	29,586	41,928	57,553
Earnings from discontinued operations, net		275		705

Net earnings	$ 17,680	$ 29,861	$ 41,928	$ 58,258
Net earnings per share basic:				
Earnings from continuing operations	$ 0.32	$ 0.52	$ 0.75	$ 1.02
Earnings from discontinued operations, net		0.01		0.01
Net earnings per share	$ 0.32	$ 0.53	$ 0.75	$ 1.03
Net earnings per share diluted:				
Earnings from continuing operations	$ 0.32	$ 0.51	$ 0.74	$ 1.00
Earnings from discontinued operations, net		0.01		0.01
Net earnings per share	$ 0.32	$ 0.52	$ 0.74	$ 1.01
Weighted-average shares outstanding:				
Basic	54,972	56,714	55,711	56,644
Diluted	55,797	57,704	56,499	57,554

See accompanying notes to condensed consolidated financial statements.

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

	Year-to-Date	
	April 11, 2010	April 12, 2009
Cash flows from operating activities:		
Net earnings	$ 41,928	$ 58,258
Earnings from discontinued operations, net		(705)
Net earnings from continuing operations	41,928	57,553
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,152	53,885
Deferred finance cost amortization	724	836
Deferred income taxes	(3,267)	(168)
Share-based compensation expense	5,500	4,962
Pension and postretirement expense	15,661	6,594
Losses (gains) on cash surrender value of company-owned life insurance	(6,026)	10,006
Gains on the sale of company-operated restaurants, net	(12,367)	(35,595)
Gains on the acquisition of franchise-operated restaurants		(958)
Losses on the disposition of property and equipment, net	2,360	5,784
Impairment charges	1,503	4,857
Changes in assets and liabilities, excluding acquisitions and dispositions:		
Receivables	(11,811)	(10,957)
Inventories	(93)	4,085
Prepaid expenses and other current assets	(19,833)	(5,609)
Accounts payable	(3,309)	(14,913)
Pension and postretirement contributions	(11,824)	(9,524)
Other	(26,652)	(5,670)
Cash flows provided by operating activities from continuing operations	26,646	65,168
Cash flows provided by (used in) operating activities from discontinued operations	(2,172)	2,173
Cash flows provided by operating activities	24,474	67,341
Cash flows from investing activities:		
Purchases of property and equipment	(42,632)	(91,171)
Proceeds from the sale of company-operated restaurants	19,093	40,429
Proceeds from (purchases of) assets held for sale and leaseback, net	8,889	(22,760)
Collections on notes receivable	7,675	21,356
Acquisition of franchise-operated restaurants		(6,760)
Other	1,031	(2,093)
Cash flows used in investing activities from continuing operations	(5,944)	(60,999)
Cash flows used in investing activities from discontinued operations		(849)

Cash flows used in investing activities	(5,944)	(61,848)
Cash flows from financing activities:		
Borrowings on revolving credit facility	313,000	246,000
Repayments of borrowings on revolving credit facility	(293,000)	(287,000)
Principal repayments on debt	(46,031)	(1,647)
Proceeds from issuance of common stock	2,445	2,136
Repurchase of common stock	(50,000)	
Excess tax benefits from share-based compensation arrangements	690	450
Change in book overdraft	13,825	(2,308)
Cash flows used in financing activities	(59,071)	(42,369)
Net decrease in cash and cash equivalents	(40,541)	(36,876)
Cash and cash equivalents at beginning of period	53,002	47,884
Cash and cash equivalents at end of period	$ 12,461	$ 11,008

See accompanying notes to condensed consolidated financial statements.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations Founded in 1951, Jack in the Box Inc. (the Company) operates and franchises Jack in the Box® quick-service restaurants and Qdoba Mexican Grill® (Qdoba) fast-casual restaurants in 45 states. References to the Company throughout these Notes to Condensed Consolidated Financial Statements are made using the first person notations of we, us and our.

Basis of presentation The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission (SEC). In our opinion, all adjustments considered necessary for a fair presentation of financial condition and results of operations for these interim periods have been included. Operating results for one interim period are not necessarily indicative of the results for any other interim period or for the full year.

These financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended September 27, 2009. The accounting policies used in preparing these condensed consolidated financial statements are the same as those described in our Form 10-K, with the exception of new accounting pronouncements adopted in fiscal 2010.

During fiscal 2009, we sold all of our Quick Stuff® convenience stores and fuel stations. These stores and their related activities have been presented as discontinued operations for all periods presented. Unless otherwise noted, amounts and disclosures throughout these Notes to Condensed Consolidated Financial Statements relate to our continuing operations.

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

Reclassifications and adjustments Certain prior year amounts in the condensed consolidated financial statements have been reclassified to conform to the fiscal 2010 presentation, including the separation of restaurant operating costs into two components; payroll and employee benefits, and occupancy and other. We believe the additional detail provided is useful when analyzing the operating results of our restaurants.

Fiscal year Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Fiscal year 2010 includes 53 weeks while 2009 includes 52 weeks. Our first quarter includes 16 weeks and all other quarters include 12 weeks, with the exception of the fourth quarter of fiscal 2010, which includes 13 weeks. All comparisons between 2010 and 2009 refer to the twelve (quarter) and twenty-eight (year-to-date) weeks ended April 11, 2010 and April 12, 2009, respectively, unless otherwise indicated.

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

Assets held for sale Assets held for sale typically represent the costs for new sites and existing sites that we plan to sell and lease back within the next year. Gains or losses realized on sale-leaseback transactions are deferred and amortized to income over the lease terms. Assets held for sale may also include the net book value of equipment we plan to sell to franchisees.

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 $76.0 million and $66.9 million as of April 11, 2010 and September 27, 2009, respectively, and are included in other assets, net in the accompanying condensed consolidated balance sheets. Changes in cash surrender values are included in selling, general and administrative expense in the accompanying condensed consolidated statements of earnings. These policies reside in an umbrella trust for use only to pay plan benefits to participants or to pay creditors if the Company becomes insolvent. As of April 11, 2010 and September 27, 2009, the trust also included cash of $0.2 million and $1.4 million, respectively.

Goodwill Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired. As of April 11, 2010 and September 27, 2009, other assets, net included goodwill of $85.4 million and $85.8 million, respectively. Refer to Note 2, *Franchise Arrangements*, for detail regarding the change in goodwill since the end of last fiscal year.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. FRANCHISE ARRANGEMENTS

Franchise agreements generally provide for franchise fees, which are included in franchised restaurant revenues in the accompanying condensed consolidated statements of earnings. We also recognize gains on the sale of company-operated restaurants to franchisees, which are recorded when the sales are consummated and certain other gain recognition criteria are met. The following is a summary of these transactions (*dollars in thousands*):

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Number of restaurants sold to franchisees	30	46	53	75
Number of restaurants opened by franchisees	7	12	19	31
Initial franchise fees received	$ 1,562	$ 2,233	$ 2,975	$ 4,188
Cash proceeds from the sale of company-operated restaurants	$ 7,518	$ 21,809	$ 19,093	$ 40,429
Notes receivable (1)		3,259	2,730	8,552
Total proceeds	7,518	25,068	21,823	48,981
Net assets sold (primarily equipment)	(4,375)	(7,289)	(9,012)	(12,330)
Goodwill related to the sale of company-operated restaurants	(156)	(545)	(444)	(1,056)
Gains on the sale of company-operated restaurants	$ 2,987	$ 17,234	$ 12,367	$ 35,595

(1) Temporary financing was provided to franchisees in connection with certain refranchising transactions.

3. FRANCHISE ACQUISITIONS

We account for the acquisition of franchised restaurants using the purchase method of accounting for business combinations. In 2009, we acquired 22 Qdoba restaurants from franchisees for net consideration of $6.8 million. The total purchase price was allocated to property and equipment, goodwill and other income (included in selling, general and administrative expenses in the accompanying condensed consolidated statement of earnings).

4. FAIR VALUE MEASUREMENTS

On September 29, 2008, we adopted the authoritative guidance issued by the Financial Accounting Standards Board (FASB), which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for our financial assets and liabilities. As permitted by the authoritative guidance, we elected to defer adoption of the fair value guidance for our non-financial assets and liabilities until the first quarter of fiscal 2010. The adoption did not have a material impact on our condensed consolidated financial statements.

Financial assets and liabilities The following table presents the financial assets and liabilities measured at fair value on a recurring basis as of April 11, 2010 (*in thousands*):

		Fair Value Measurements		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Non-qualified deferred compensation plan (1)	$ 36,931	$ 36,931	$	$

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

The fair values of each of our long-term debt instruments are based on quoted market values, where available, or on the amount of future cash flows associated with each instrument, discounted using our current borrowing rate for similar debt instruments of comparable maturity. At April 11, 2010, the fair value of our term loan approximated $362.4 million compared with its carrying value of $369.8 million. The estimated fair values of our capital lease obligations approximated their carrying values as of April 11, 2010.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Non-financial assets and liabilities The Company s non-financial instruments, which primarily consist of goodwill, intangible assets, and property and equipment are reported at carrying value and are not required to be measured at fair value on a recurring basis. However, on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable (at least annually for goodwill and semi-annually for property and equipment), non-financial instruments are assessed for impairment and, if applicable, written down to fair value.

The following table presents non-financial assets and liabilities measured at fair value on a non-recurring basis and remaining on our balance sheet as of April 11, 2010 (*in thousands*):

		Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses (Level 3)
Long-lived assets held and used	$ 77	$	$	$ 77	$ 531

In connection with our semi-annual property and equipment impairment review, long-lived assets held and used at eight Jack in the Box restaurants having a carrying value of $0.6 million were written down to their fair value of $0.1 million. The resulting impairment charge of $0.5 million was included in selling, general and administrative expenses in the accompanying condensed consolidated statement of earnings for the year-to-date period ended April 11, 2010.

5. DERIVATIVE INSTRUMENTS

Objectives and strategies We are exposed to interest rate volatility with regard to our variable rate debt. To reduce our exposure to rising interest rates, we entered into two interest rate swap agreements that effectively converted $200.0 million of our variable rate term loan borrowings to a fixed rate basis until April 1, 2010. These agreements were designated as cash flow hedges under the terms of the FASB authoritative guidance for derivative instruments and hedging with effectiveness assessed based on changes in the present value of the term loan interest payments.

We are also exposed to the impact of utility price fluctuations related to unpredictable factors such as weather and various other market conditions outside our control. Our ability to recover increased costs through higher prices is limited by the competitive environment in which we operate. Therefore, from time to time, we enter into futures and option contracts to manage these fluctuations. These contracts have not been designated as hedging instruments under the FASB authoritative guidance for derivative instruments and hedging.

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

	April 11, 2010		September 27, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated hedging instruments:				

Interest rate swaps	Accrued liabilities	$	Accrued liabilities	$	4,615

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Financial performance The following is a summary of the gains or losses recognized on our derivative instruments *(in thousands):*

	Amount of Gain/(Loss) Recognized in OCI			
	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Derivatives in cash flow hedging relationship:				
Interest rate swaps (Note 10)	$ 1,869	$ 1,919	$ 4,615	$ (2,434)

	Location of Gain/(Loss) Recognized in in Income	Amount of Gain/(Loss) Recognized in Income			
		Quarter		Year-to-Date	
		April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Derivatives not designated hedging instruments:					
Natural gas contracts	Occupancy and other	$ (40)	$	$ (99)	$ (544)

During 2010 and 2009, our interest rate swaps had no hedge ineffectiveness and no gains or losses were reclassified into net earnings.

6. IMPAIRMENT, DISPOSAL OF PROPERTY AND EQUIPMENT, AND RESTAURANT CLOSING COSTS

Impairment When events and circumstances indicate that our long-lived assets might be impaired and their carrying amount is greater than the undiscounted cash flows we expect to generate from such assets, we recognize an impairment loss as the amount by which the carrying value exceeds the fair value of the assets. We typically estimate fair value based on the estimated discounted cash flows of the related asset using market place participant assumptions. Impairment charges primarily relate to the write-down of the carrying value of certain Jack in the Box restaurants we continue to operate and restaurants we have closed .

Disposal of property and equipment We also recognize accelerated depreciation and other costs on the disposition of property and equipment. When we decide to dispose of a long-lived asset, depreciable lives are adjusted based on the estimated disposal date and accelerated depreciation is recorded. Other disposal costs primarily relate to gains or losses recognized upon the sale of closed restaurant properties and normal ongoing capital maintenance activities. The following impairment and disposal costs are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of earnings (*in thousands*):

	Year-to-Date	
	April 11, 2010	April 12, 2009
Impairment charges	$ 1,503	$ 4,857
Losses on the disposition of property and equipment, net	$ 2,360	$ 5,784

Restaurant closing costs consist of future lease commitments, net of anticipated sublease rentals, and expected ancillary costs, and are included in selling, general and administrative expenses. Total accrued restaurant closing costs, included in accrued liabilities and other long-term liabilities, changed as follows (*in thousands*):

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Balance at beginning of period	$ 4,358	$ 4,800	$ 4,234	$ 4,712
Additions and adjustments	1,204	2	1,624	479
Cash payments	(332)	(298)	(628)	(687)
Balance at end of period	$ 5,230	$ 4,504	$ 5,230	$ 4,504

Additions and adjustments primarily relate to revisions to certain sublease assumptions in 2010 and 2009, and in 2010, the closure of three Jack in the Box restaurants.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

7. INCOME TAXES

The income tax provisions reflect effective tax rates of 36.1% in 2010 and 39.5% in 2009. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual 2010 rate could differ from our current estimates.

At September 27, 2009, our gross unrecognized tax benefits associated with uncertain income tax positions were $0.6 million, which if recognized, would favorably affect the effective income tax rate. As of April 11, 2010, the gross unrecognized tax benefits remained unchanged.

It is reasonably possible that changes of approximately $0.6 million to the gross unrecognized tax benefits will be required within the next twelve months. These changes relate to the possible settlement of state tax audits and possible favorable settlement of an appeal with the Internal Revenue Service.

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 tax years 2006 and forward. The statutes of limitations for California and Texas, which constitute the Company s major state tax jurisdictions, have not expired for tax years 2000 and 2004, respectively, and forward. Generally, the statutes of limitations for the other state jurisdictions have not expired for tax years 2005 and forward.

8. RETIREMENT PLANS

Defined benefit pension plans We sponsor a defined benefit pension plan covering substantially all full-time employees. We also sponsor an unfunded supplemental executive retirement plan, which provides certain employees additional pension benefits and was closed to any new participants effective January 1, 2007. Benefits under all plans are based on the employees years of service and compensation over defined periods of employment.

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

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

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Defined benefit pension plans:				
Service cost	$ 2,897	$ 2,233	$ 6,760	$ 5,209
Interest cost	4,778	4,212	11,150	9,829
Expected return on plan assets	(4,087)	(4,035)	(9,538)	(9,415)
Actuarial loss	2,575	104	6,008	243
Amortization of unrecognized prior service cost	136	192	317	448
Net periodic benefit cost	$ 6,299	$ 2,706	$ 14,697	$ 6,314
Postretirement health plans:				
Service cost	$ 24	$ 23	$ 57	$ 54
Interest cost	331	277	773	646
Actuarial loss (gains)	43	(222)	100	(519)
Amortization of unrecognized prior service cost	15	42	34	99
Net periodic benefit cost	$ 413	$ 120	$ 964	$ 280

Cash flows Our policy is to fund our plans at or above the minimum required by law. Details regarding 2010 contributions are as follows (*in thousands*):

	Defined Benefit Pension Plans	Postretirement Health Plans(1)
Net contributions during the twenty-eight weeks ended April 11, 2010	$ 10,200	$ 1,624
Remaining estimated net contributions during fiscal 2010	$ 14,800	$ 300

(1) Net of Medicare Part D subsidy.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9. SHARE-BASED EMPLOYEE COMPENSATION

Compensation expense We offer share-based compensation plans to attract, retain, and motivate key officers, non-employee directors and employees to work toward the financial success of the Company. The components of share-based compensation expense recognized in each period are as follows (*in thousands*):

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Stock options	$ 1,667	$ 1,978	$ 3,743	$ 5,647
Performance-based stock awards	341	223	712	(1,259)
Nonvested stock awards	440	160	643	395
Nonvested stock units	59	32	123	32
Deferred compensation for non-management directors	188	79	279	147
Total share-based compensation expense	$ 2,695	$ 2,472	$ 5,500	$ 4,962

Share-based compensation awards are granted annually by the Company. Beginning fiscal 2010, stock awards granted to certain executives are comprised of stock options and performance awards whereas previously only stock options were granted.

Stock options In November 2009, we granted 550,000 stock options to certain executives at a grant date fair value of $6.54.

Performance-based stock awards In November 2009, we granted 225,440 performance-based stock awards to certain non-officer employees and executives at a grant date price of $19.26. These performance awards represent the right to receive shares of common stock at the end of a three-year service period based on the achievement of performance goals. In November 2009, we also issued 42,693 shares of common stock pursuant to performance awards, which vested at the end of fiscal 2009.

In November 2008, we modified the performance periods and goals of our outstanding performance-based stock awards to address challenges associated with establishing long-term performance measures. The modifications and changes to expectations regarding achievement levels resulted in a $2.2 million reduction in selling, general and administrative expense in fiscal 2009.

Nonvested stock awards In January 2010, we released 30,168 nonvested stock awards related to the retirement of an executive.

Nonvested stock units In February 2010, we granted 34,700 nonvested stock units at a grant date price of $21.24 to an executive.

10. STOCKHOLDERS EQUITY

Repurchases of common stock In November 2007, the Board approved a program to repurchase up to $200.0 million in shares of our common stock over three years expiring November 9, 2010. During 2010, we repurchased 2.6 million shares at an aggregate cost of $50.0 million. As of April 11, 2010, the aggregate remaining amount authorized and available under our credit agreement for repurchase was $47.4 million.

Comprehensive income Our total comprehensive income, net of taxes, was as follows (*in thousands*):

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Net earnings	$ 17,680	$ 29,861	$ 41,928	$ 58,258

Net unrealized gains (losses) related to cash flow hedges (Note 5)	1,869	1,919	4,615	(2,434)
Tax effect	(713)	(734)	(1,761)	932
	1,156	1,185	2,854	(1,502)
Effect of amortization of unrecognized net actuarial losses and prior service cost	2,769	116	6,459	271
Tax effect	(1,056)	(45)	(2,465)	(104)
	1,713	71	3,994	167
Total comprehensive income	$ 20,549	$ 31,117	$ 48,776	$ 56,923

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Accumulated other comprehensive loss The components of accumulated other comprehensive loss, net of taxes, were as follows at the end of each period (*in thousands*):

	April 11, 2010	September 27, 2009
Unrecognized periodic benefit costs, net of tax benefits of $47,285 and $49,750, respectively	$ (76,594)	$ (80,588)
Net unrealized losses related to cash flow hedges, net of tax benefits of $0 and $1,761, respectively		(2,854)
Accumulated other comprehensive loss	$ (76,594)	$ (83,442)

11. AVERAGE SHARES OUTSTANDING

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

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

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Weighted-average shares outstanding basic	54,972	56,714	55,711	56,644
Effect of potentially dilutive securities:				
Stock options	569	658	532	590
Nonvested stock awards	176	155	177	165
Nonvested stock units	2			
Performance-vested stock awards	78	177	79	155
Weighted-average shares outstanding diluted	55,797	57,704	56,499	57,554
Excluded from diluted weighted-average shares outstanding:				
Antidilutive	3,225	2,767	3,102	2,747
Performance conditions not satisfied at end of the period	244	115	244	138

12. VARIABLE INTEREST ENTITIES

The primary entities in which we possess a variable interest are franchise entities, which operate our franchised 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 use advertising funds for both our restaurant concepts to administer our advertising programs. These funds are consolidated into our financial statements as they are deemed variable interest entities (VIEs) for which we are the primary beneficiary. Consolidation of these funds had no impact on our condensed consolidated statements of earnings or cash flows. Contributions to these funds are designated for advertising, and we administer the funds contributions. The Company s maximum loss exposure for these funds is limited to its investment.

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The following table reflects the assets and liabilities of our advertising funds that were included in our condensed consolidated balance sheet at April 11, 2010 (*in thousands*):

	Jack in the Box	Qdoba
Cash	$	$ 156
Accounts receivable		98
Prepaid assets	4,488	43
Other		606
Total assets	$ 4,488	$ 903
Accounts payable	$	$ 869
Accrued liabilities	10,699	34
Total liabilities	$ 10,699	$ 903

13. CONTINGENCIES AND LEGAL MATTERS

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

14. SEGMENT REPORTING

We manage the Company as a two-branded restaurant operations business, and as such, our segments comprise results related to system restaurant operations for our Jack in the Box and Qdoba brands. This segment reporting structure reflects the Company s current management structure, internal reporting method, and financial information used in deciding how to allocate Company resources. Based upon certain quantitative thresholds, both operating segments are considered reportable segments.

We measure and evaluate our segments based on segment earnings from operations. Summarized financial information concerning our reportable segments is shown in the following table (*in thousands*):

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Revenues by segment:				
Jack in the Box restaurant operations	$ 403,361	$ 479,166	$ 934,610	$ 1,124,203
Qdoba restaurant operations	35,583	31,785	81,034	71,898
Distribution operations	90,762	67,460	195,380	158,983
Consolidated revenues	$ 529,706	$ 578,411	$ 1,211,024	$ 1,355,084
Earnings from operations by segment:				
Jack in the Box restaurant operations	$ 29,311	$ 51,062	$ 71,245	$ 101,132
Qdoba restaurant operations	1,992	1,463	4,507	4,583
Distribution operations	(153)	585	(871)	1,771
Consolidated earnings from operations	$ 31,150	$ 53,110	$ 74,881	$ 107,486

Interest income and expense and income taxes are not reported for our segments, in accordance with our method of internal reporting.

15. SUPPLEMENTAL CONSOLIDATED CASH FLOW INFORMATION

Additional information related to cash flows is as follows (*in thousands*):

	Year-to-Date	
	April 11, 2010	**April 12, 2009**
Cash paid during the year for:		
Interest, net of amounts capitalized	$ 12,299	$ 17,614
Income tax payments	$ 46,305	$ 35,084

16. FUTURE APPLICATION OF ACCOUNTING PRINCIPLES

In June 2009, the FASB issued authoritative guidance for consolidation, which changes the approach for

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

In December 2008, the FASB issued authoritative guidance, which expands the disclosure requirements about plan assets for pension plans, postretirement medical plans, and other funded postretirement plans. This guidance is effective for fiscal years ending after December 15, 2009. We are currently in the process of assessing the impact this guidance may have on the disclosures in our consolidated financial statements.

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

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

GENERAL

All comparisons between 2010 and 2009 refer to the 12-week (quarter) and 28-week (year-to-date) periods ended April 11, 2010 and April 12, 2009, respectively, unless otherwise indicated.

For an understanding of the significant factors that influenced our performance during the quarterly periods ended April 11, 2010 and April 12, 2009, we believe our Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes included in this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended September 27, 2009.

Our MD&A consists of the following sections:

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

Results of operations an analysis of our consolidated statements of earnings for the periods presented in our condensed consolidated financial statements.

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

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

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

Cautionary statements regarding forward-looking statements a discussion of the forward-looking statements used by management.

OVERVIEW

As of April 11, 2010, we operated and franchised 2,233 Jack in the Box quick-service restaurants (QSR), primarily in the western and southern United States, and 505 Qdoba Mexican Grill (Qdoba) fast-casual restaurants throughout the United States.

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

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

To address these challenges and others, management has a strategic plan focused on four key initiatives. The first initiative is a holistic reinvention of the Jack in the Box brand through menu innovation, upgrading guest service and a major re-imaging of the Jack in the Box restaurant facilities, including a complete redesign of the dining room and common areas, as well as other exterior enhancements. The second initiative is to expand franchising through new restaurant development and the sale of company-operated restaurants to franchisees, to create a business model that is less capital intensive and which we expect will generate greater free cash flows for the Company. The third strategic initiative is to improve our business model by focusing our entire organization on improving restaurant profitability and administrative efficiencies as we transition to becoming a predominantly franchised company. The fourth

initiative is a growth strategy that includes opening new restaurants and increasing sales at existing restaurants.

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The following summarizes the most significant events occurring in fiscal 2010 and certain trends compared to a year ago:

Restaurant Sales. The recessionary economy has negatively impacted our sales consistent with trends throughout the restaurant industry. California experienced continued stabilization and was our best performing market for the second quarter on both a one- and two-year basis. Sales at Jack in the Box company-operated restaurants open more than one year (same-store) decreased 8.6% in the quarter and 10.1% year-to-date. System same-store sales at Qdoba restaurants increased 3.1% in the quarter and 0.4% year-to-date.

Commodity Costs. Pressures from higher commodity costs impacted our business in fiscal 2009. However, as expected, overall commodity costs at our Jack in the Box restaurants have moderated and decreased approximately 4.5% year-to-date. We expect our overall commodity costs to decrease approximately 1.0% in fiscal 2010. Beef costs, which represent our largest single commodity expense, are rising and are expected to increase in the low double-digits in the third and fourth quarters of fiscal 2010.

Restaurant Growth. We continued to grow our brands with the opening of 38 new company-operated and franchised restaurants, including several Jack in the Box restaurants in our newer markets.

Franchising Program. We refranchised 53 Jack in the Box restaurants year-to-date, while Qdoba and Jack in the Box franchisees opened 19 restaurants year-to-date. We remain on track to achieve our goal to increase the percentage of franchise ownership in the Jack in the Box system to 70-80% by the end of fiscal year 2013, and expect to cross the 50% mark later this year.

RESULTS OF OPERATIONS

The following table sets forth, unless otherwise indicated, the percentage relationship to total revenues of certain items included in our condensed consolidated statements of earnings:

	Quarter		Year-to-Date	
	April 11, 2010	April 12, 2009	April 11, 2010	April 12, 2009
Statement of Earnings Data:				
Revenues:				
Restaurant sales	73.3%	81.0%	74.4%	81.0%
Distribution sales	17.1%	11.7%	16.1%	11.7%
Franchised restaurant revenues	9.6%	7.3%	9.5%	7.3%
Total revenues	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Food and packaging (1)	31.5%	32.2%	31.6%	33.2%
Payroll and employee benefits (1)	30.2%	30.0%	30.4%	30.1%
Occupancy and other (1)	23.1%	21.3%	23.3%	21.3%
Company restaurant costs (1)	84.8%	83.5%	85.3%	84.6%
Distribution costs of sales (1)	100.2%	99.4%	100.5%	99.1%
Franchised restaurant costs (1)	45.6%	41.2%	45.6%	40.0%

Selling, general and administrative expenses	11.0%	11.6%	10.9%	11.6%
Gains on the sale of company-operated restaurants, net	(0.6%)	(3.0%)	(1.0%)	(2.6%)
Earnings from operations	5.9%	9.2%	6.2%	7.9%
Income tax rate (2)	35.2%	39.0%	36.1%	39.5%

(1) As a percentage of the related sales and/or revenues.

(2) As a percentage of earnings from continuing operations and before income taxes.

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The following table summarizes the year-to-date changes in the number of Jack in the Box and Qdoba company-operated and franchised restaurants:

	April 11, 2010			April 12, 2009		
	Company	Franchised	Total	Company	Franchised	Total
Jack in the Box:						
Beginning of period	1,190	1,022	2,212	1,346	812	2,158
New	16	12	28	26	8	34
Refranchised	(53)	53		(75)	75	
Acquired by the Company	1	(1)				
Closed	(1)	(6)	(7)	(5)	(1)	(6)
End of period	1,153	1,080	2,233	1,292	894	2,186
% of system	52%	48%	100%	59%	41%	100%
Qdoba:						
Beginning of period	157	353	510	111	343	454
New	3	7	10	9	23	32
Acquired by the Company				22	(22)	
Closed		(15)	(15)		(2)	(2)
End of period	160	345	505	142	342	484
% of system	32%	68%	100%	29%	71%	100%
Consolidated:						
Total system	1,313	1,425	2,738	1,434	1,236	2,670
% of system	48%	52%	100%	54%	46%	100%

Revenues

As we execute our franchising strategy, which includes the sale of restaurants to franchisees, we expect the number of company-operated restaurants and the related sales to continually decrease while revenues from franchised restaurants increase. Restaurant sales decreased $80.0 million, or 17.1%, in the quarter and $196.6 million, or 17.9%, year-to-date. These decreases are due to a decline in the number of Jack in the Box company-operated restaurants, partially offset by an increase in the number of Qdoba company-operated restaurants, and a decline in same-store sales at Jack in the Box restaurants. Same-store sales at Jack in the Box company-operated restaurants decreased 8.6% in the quarter and 10.1% year-to-date compared with a year ago.

Distribution sales to Jack in the Box and Qdoba franchisees grew $23.3 million and $36.4 million, respectively, from a year ago, primarily reflecting an increase in the number of franchised restaurants serviced by our distribution centers, partially offset by lower per-store-average (PSA) unit volumes and lower commodity prices.

Franchised restaurant revenues increased $8.0 million, or 18.8%, in the quarter and $16.1 million, or 16.3%, year-to-date due primarily to an increase in the number of franchised restaurants, offset in part by a decrease in PSA sales at Jack in the Box franchised restaurants. The following table reflects the detail of our franchised restaurant revenues in each period (*dollars in thousands*):

	Quarter		Year-to-Date	
	April 11,	April 12,	April 11,	April 12,

	2010	2009	2010	2009
Royalties	$ 20,352	$ 17,980	$ 46,386	$ 41,447
Rents	28,190	22,537	65,046	53,928
Re-image contributions to franchisees	(95)	(445)	(650)	(1,495)
Fees and other	2,196	2,553	4,467	5,246
Total franchised restaurant revenues	$ 50,643	$ 42,625	$ 115,249	$ 99,126
Average number of franchised restaurants	1,401	1,190	1,389	1,170
Royalties as a percentage of estimated franchised restaurant sales				
Jack in the Box	5.3%	5.3%	5.3%	5.2%
Qdoba	5.0%	5.0%	5.0%	5.0%

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Operating Costs and Expenses

Food and packaging costs decreased to 31.5% of restaurant sales in the quarter and 31.6% year-to-date from 32.2% and 33.2%, respectively, a year ago due primarily to lower commodity costs, our margin-improvement initiatives and the benefit of selling price increases. Year-to-date, these benefits were partially offset by unfavorable product mix and promotions. The decrease in commodity costs primarily consisted of potatoes, poultry and shortening offset by higher produce and pork costs in the quarter. Year-to-date declines in beef, cheese and shortening costs contributed to the lower rate.

Payroll and employee benefit costs were 30.2% and 30.4% of restaurant sales, respectively, compared to 30.0% and 30.1% in 2009, reflecting the impact of same-store sales decreases which more than offset the benefits derived from our labor productivity initiatives.

Occupancy and other costs were 23.1% of restaurant sales in the quarter and 23.3% year-to-date compared with 21.3% in both periods a year ago primarily relating to sales deleverage and higher depreciation from the ongoing re-image program at Jack in the Box, which were partially offset by lower utilities expense and managed costs.

Distribution costs of sales increased $23.9 million and $38.7 million, respectively, from last year primarily reflecting an increase in the related sales. As a percentage of distribution sales, these costs increased to 100.2% in the quarter and 100.5% year-to-date compared with 99.4% and 99.1%, respectively, a year ago due primarily to deleverage from lower PSA sales at Jack in the Box franchised restaurants.

Franchised restaurant costs, principally rents and depreciation on properties leased to Jack in the Box franchisees, increased $5.5 million in the quarter and $12.8 million year-to-date from a year ago, due primarily to an increase in the number of franchised restaurants that sublease property from us as a result of our refranchising activities. As a percentage of franchised restaurant revenues, franchised restaurant costs increased to 45.6% in the quarter and year-to-date, from 41.2% and 40.0%, respectively, a year ago due primarily to the sales and revenue deleverage against fixed rental expense at franchised restaurants.

The following table summarizes the decrease in selling, general and administrative expenses in each period compared with the prior year (*in thousands*):

	Increase/(Decrease)	
	Quarter	**Year-to-Date**
Advertising	$ (3,672)	$ (9,179)
Refranchising strategy and planned overhead reductions	(5,202)	(8,801)
Facility charges	(1,701)	(6,127)
Incentive compensation	(3,306)	(4,186)
Cash surrender value of COLI, net	1,191	(6,669)
Pension and postretirement benefits	3,886	9,067
Hurricane Ike insurance proceeds		(1,004)
Other	88	760
	$ (8,716)	$ (26,139)

Advertising costs, primarily contributions to our marketing fund which are determined as a percentage of restaurant sales, decreased reflecting our refranchising strategy and lower same-store sales at Jack in the Box company-operated restaurants. Facility charges, which include impairment charges, accelerated depreciation and other costs related to the disposition of property and equipment, decreased primarily due to the impairment of fewer underperforming restaurants and the substantial completion of our Jack in the Box exterior re-image enhancements at the end of last fiscal year. In the quarter, the decrease was partially offset by impairment and other costs related to the closure of two franchised restaurants. Changes in the cash surrender value of our COLI policies, net of changes in our non-qualified deferred compensation obligation supported by these policies are subject to market fluctuations. The year-to-date market adjustments of the investments were a $2.8 million benefit in 2010 and a $3.9 million reduction in 2009. The

increase in pension and postretirement benefits expense principally relates to a decrease in our discount rate.

Gains on the sale of company-operated restaurants to franchisees, net were $3.0 million in the quarter from the sale of 30 Jack in the Box restaurants compared with $17.2 million from the sale of 46 restaurants a year ago. The restaurants sold in the quarter had lower-than-average sales volumes and cash flows; however, we expect these transactions to be accretive to future earnings. Year-to-date, gains were $12.4 million compared with $35.6 million last year from the sale of 53 and 75 restaurants, respectively. The changes in gains relates to the number of restaurants sold and the specific sales and cash flows of those restaurants.

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Interest Expense

Interest expense decreased $0.9 million and $3.3 million, respectively, compared with last year due primarily to lower average borrowings and interest rates compared to a year ago.

Interest Income

Interest income decreased $0.2 million and $0.3 million, respectively, compared with last year primarily reflecting lower average notes receivable outstanding from franchisees.

Income Taxes

The income tax provisions reflect effective tax rates of 36.1% in 2010 and 39.5% in 2009. The lower tax rate is largely attributable to market performance of insurance investment products used to fund certain non-qualified retirement plans. Changes in the cash value of the insurance products are not included in taxable income. We expect the fiscal year tax rate to be approximately 36-37%. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual rate could differ from our current estimates.

LIQUIDITY AND CAPITAL RESOURCES

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

Our cash requirements consist principally of:

working capital;

capital expenditures for new restaurant construction and restaurant renovations;

income tax payments;

debt service requirements; and

obligations related to our employee benefit plans.

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

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

Cash and cash equivalents decreased $40.5 million to $12.5 million at the end of the quarter from $53.0 million at the beginning of the fiscal year. This decrease is primarily due to repurchases of common stock, property and equipment expenditures and net repayments under our credit facility. These uses of cash were offset in part by cash flows provided by operating activities, and proceeds and collections of notes receivable from the sale of restaurants to franchisees. We generally reinvest available cash flows from operations to develop new restaurants or enhance existing restaurants, to reduce debt and to repurchase shares of our common stock.

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

	Year-to-Date	
	April 11, 2010	April 12, 2009
Total cash provided by (used in):		
Operating activities:		
Continuing operations	$ 26,646	$ 65,168
Discontinued operations	(2,172)	2,173
Investing activities:		
Continuing operations	(5,944)	(60,999)
Discontinued operations		(849)
Financing activities	(59,071)	(42,369)
Decrease in cash and cash equivalents	$ (40,541)	$ (36,876)

Operating Activities. Operating cash flows from continuing operations decreased $38.5 million compared with a year ago due primarily to the timing of working capital receipts and disbursements, and a decrease in earnings from continuing operations adjusted for non-cash items (primarily our company-owned life insurance policies and gains from the sale of company-operated restaurants).

Investing Activities. Cash flows used in investing activities from continuing operations decreased $55.1 million compared with a year ago. This decrease is primarily due to lower spending for purchases of property and equipment and an increase in cash proceeds for new sites that we sell and leaseback when construction is complete. Cash flows used in investing activities were also impacted by decreases in cash proceeds from the sale of company-operated restaurants to franchisees and collections on notes receivable, as well as cash used to acquire franchise-operated restaurants in 2009.

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

	Year-to-Date	
	April 11, 2010	April 12, 2009
Jack in the Box:		
New restaurants	$ 15,901	$ 35,436
Restaurant facility improvements	17,769	39,666
Other, including corporate	4,482	6,872
Qdoba	4,480	9,197
Total capital expenditures	$ 42,632	$ 91,171

Our capital expenditure program includes, among other things, investments in new locations, restaurant remodeling and other facility improvements, new equipment and information technology enhancements. Capital expenditures decreased compared to a year ago due primarily to the development of 16 fewer company-operated restaurants and lower spending related to our Jack in the Box re-image program. We expect fiscal 2010 capital expenditures to be

approximately $125-$135 million, including investment costs related to the Jack in the Box restaurant re-image program. We plan to open approximately 30 Jack in the Box and 15 Qdoba company-operated restaurants in 2010.

Sale of Company-Operated Restaurants. We continue to expand franchise ownership in the Jack in the Box system primarily through the sale of company-operated restaurants to franchisees. In 2010, we generated cash proceeds and notes receivable of $21.8 million from the sale of 53 restaurants compared with $49.0 million from the sale of 75 restaurants in 2009. Sales proceeds include financing related to certain transactions of $2.7 million in 2010 and $8.6 million 2009. In fiscal year 2010, we expect total proceeds of $85-$95 million from the sale of approximately 200 company-operated restaurants to franchisees.

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

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Financing Activities. Cash used in financing activities increased $16.7 million compared with a year ago primarily attributable to cash used in 2010 to purchase of common stock and repay borrowings under our term loan.

Financing. Our credit facility is comprised of (i) a $150.0 million revolving credit facility maturing on December 15, 2011 and (ii) a term loan maturing on December 15, 2012, both bearing interest at the London Interbank Offered Rate (LIBOR) plus 1.125%. As part of the credit agreement, we may request the issuance of up to $75.0 million in letters of credit, the outstanding amount of which reduces the net borrowing capacity under the agreement. The credit facility requires the payment of an annual commitment fee based on the unused portion of the credit facility. The credit facility s interest rates and the annual commitment rate are based on a financial leverage ratio, as defined in the credit agreement. Our obligations under the credit facility are secured by first priority liens and security interests in the capital stock, partnership and membership interests owned by us and (or) our subsidiaries, and any proceeds thereof, subject to certain restrictions set forth in the credit agreement. Additionally, the credit agreement includes a negative pledge on all tangible and intangible assets (including all real and personal property) with customary exceptions. At April 11, 2010, we had $20.0 million in borrowings under the revolving credit facility, $369.8 million outstanding under the term loan and letters of credit outstanding of $37.9 million.

Covenants. We are subject to a number of customary covenants under our credit facility, including limitations on additional borrowings, acquisitions, loans to franchisees, capital expenditures, lease commitments, stock repurchases and dividend payments, and requirements to maintain certain financial ratios. Following the end of each fiscal year, we may be required to prepay the term debt with a portion of our excess cash flows for such fiscal year, as defined in the credit agreement. Other events and transactions, such as certain asset sales, may also trigger an additional mandatory prepayment. In connection with the sale of Quick Stuff in 2009, we made a term loan prepayment of $21.0 million in February 2010 in accordance with the terms of the credit agreement, which was applied to the remaining scheduled principal installments on a pro-rata basis.

Interest Rate Swaps. To reduce our exposure to rising interest rates under our credit facility, we entered into two interest rate swaps that effectively converted $200.0 million of our variable rate term loan borrowings to a fixed-rate. These agreements, which expired April 1, 2010, were designated as cash flow hedges with effectiveness assessed on changes in the present value of the term loan interest payments. There was no hedge ineffectiveness in 2010 or 2009.

Repurchases of Common Stock. In November 2007, the Board approved a program to repurchase up to $200.0 million in shares of our common stock over three years expiring November 9, 2010. During 2010, we repurchased 2.6 million shares at an aggregate cost of $50.0 million. As of April 11, 2010, the aggregate remaining amount authorized and available under our credit agreement for repurchase was $47.4 million.

Issuance of Common Stock. Proceeds from the issuance of common stock increased $0.3 million in 2010 reflecting an increase in the exercise of employee stock options compared with 2009, which also resulted in a corresponding increase in tax benefits from share-based compensation. As options granted are exercised, the Company will continue to receive proceeds and a tax deduction, but the amount and the timing of these cash flows cannot be reliably predicted as option holders decisions to exercise options will be largely driven by movements in the Company s stock price.

Off-Balance Sheet Arrangements. Other than operating leases, we are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources. We finance a portion of our new restaurant development through sale-leaseback transactions. These transactions involve selling restaurants to unrelated parties and leasing the restaurants back.

DISCUSSION OF CRITICAL ACCOUNTING ESTIMATES

We have identified the following as our most critical accounting estimates, which are those that are most important to the portrayal of the Company s financial condition and results and require management s most subjective and complex judgments. Information regarding our other significant accounting estimates and policies are disclosed in Note 1 of our most recent Annual Report on Form 10-K filed with the SEC.

Share-based Compensation We offer share-based compensation plans to attract, retain and motivate key officers, non-employee directors and employees to work toward the financial success of the Company. Share-based compensation cost for our stock option grants is estimated at the grant date based on the award s fair-value as

calculated by an option pricing model and is recognized as expense ratably over the requisite service period. The option pricing models require various highly judgmental assumptions including volatility, forfeiture rates, and expected option life. If any of the assumptions used in the model change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period.

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Retirement Benefits Our defined benefit and other postretirement plans costs and liabilities are determined using several statistical and other factors, which attempt to anticipate future events, including assumptions about the discount rate and expected return on plan assets. Our discount rate is set annually by us, with assistance from our actuaries, and is determined by considering the average of pension yield curves constructed of a population of high-quality bonds with a Moody s or Standard and Poor s rating of AA or better meeting certain other criteria. As of September 27, 2009, our discount rate was 6.16% for our defined benefit and postretirement benefit plans. Our expected long-term rate of return on assets is determined taking into consideration our projected asset allocation and economic forecasts prepared with the assistance of our actuarial consultants. As of September 27, 2009, our assumed expected long-term rate of return was 7.75% for our qualified defined benefit plan. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower turnover and retirement rates or longer or shorter life spans of participants. These differences may affect the amount of pension expense we record. A hypothetical 25 basis point reduction in the assumed discount rate and expected long-term rate of return on plan assets would have resulted in an estimated increase of $2.4 million and $4.7 million, respectively, in our fiscal 2010 pension expense.

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

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

Goodwill and Other Intangibles We also evaluate goodwill and intangible assets not subject to amortization annually or more frequently if indicators of impairment are present. If the determined fair values of these assets are less than the related carrying amounts, an impairment loss is recognized. The methods we use to estimate fair value include future cash flow assumptions, which may differ from actual cash flows due to, among other things, economic conditions or changes in operating performance. During the fourth quarter of fiscal 2009, we reviewed the carrying value of our goodwill and indefinite life intangible assets and determined that no impairment existed as of September 27, 2009.

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

Legal Accruals The Company is subject to claims and lawsuits in the ordinary course of its business. A determination of the amount accrued, if any, for these contingencies is made after analysis of each matter. We

continually evaluate such accruals and may increase or decrease accrued amounts, as we deem appropriate.

Income Taxes We estimate certain components of our provision for income taxes. These estimates include, among other items, depreciation and amortization expense allowable for tax purposes, allowable tax credits, effective

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rates for state and local income taxes and the tax deductibility of certain other items. We adjust our annual effective income tax rate as additional information on outcomes or events becomes available.

Our estimates are based on the best available information at the time that we prepare the income tax provision. We generally file our annual income tax returns several months after our fiscal year-end. Income tax returns are subject to audit by federal, state and local governments, generally years after the returns are filed. These returns could be subject to material adjustments or differing interpretations of the tax laws.

NEW ACCOUNTING PRONOUNCEMENTS

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

In December 2008, the FASB issued authoritative guidance which expands the disclosure requirements about plan assets for pension plans, postretirement medical plans, and other funded postretirement plans. This guidance is effective for fiscal years ending after December 15, 2009. We are currently in the process of assessing the impact this guidance may have on the disclosures in our consolidated financial statements.

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities law. Forward-looking statements use such words as anticipate, assume, believe, estimate, expect, forecast, goals, guidance, i project, may, will, would, and similar expressions. These statements are based on management s current expectatio and are subject to risks and uncertainties, which may cause actual results to differ materially from expectations. You should not rely unduly on forward-looking statements. All forward-looking statements are made only as of the date issued. The estimates and assumptions underlying those forward-looking statements can and do change. We do not undertake any obligation to update any forward-looking statements. We caution the reader that the following important factors and the important factors described in the Discussion of Critical Accounting Estimates, and in other sections in this Form 10-Q and in our Annual Report on Form 10-K and other Securities and Exchange Commission filings, could cause our results to vary materially from those expressed in any forward-looking statement.

Any widespread negative publicity, whether or not based in fact, about public health issues or pandemics or the prospect of such events, or which affects consumer perceptions about the health, safety or quality of food and beverages served at our restaurants may adversely affect our results.

While there are reports pointing toward U.S. economic recovery, many of our largest markets continue to experience adverse economic conditions, including higher levels of unemployment, lower levels of consumer confidence and decreased consumer spending. Regional economic conditions that fail to improve could reduce traffic in our restaurants and impose practical limits on pricing, resulting in a negative impact on sales and profitability. If unstable economic conditions persist for an extended period of time, consumers may make long-lasting changes to their spending behavior.

Costs may exceed projections, including costs for food ingredients, labor (including increases in minimum wage, workers compensation, healthcare and other insurance), fuel, utilities, real estate, insurance, equipment, technology, and construction of new and remodeled restaurants. Inflationary pressures affecting the cost of commodities may adversely affect our food costs and our operating margins. We are currently assessing the potential costs of new federal healthcare legislation. Because a significant number of our restaurants are company-operated, we may have greater exposure to operating cost issues than chains that are more heavily franchised.

There can be no assurances that new interior and exterior designs, kitchen enhancements or new equipment will foster increases in sales at remodeled restaurants and yield the desired return on investment.

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There can be no assurances that our growth objectives in the regional markets in which we operate restaurants will be met or that the new facilities will be profitable. Delays in development, sales softness and restaurant closures may have a material adverse effect on our results of operations. The development and profitability of restaurants can be adversely affected by many factors, including the ability of the Company and its franchisees to select and secure suitable sites on satisfactory terms, costs of construction, and general business and economic conditions. In addition, tight credit markets may negatively impact the ability of franchisees to fulfill their restaurant development commitments.

There can be no assurances that we will be able to effectively respond to aggressive competition from numerous and varied competitors (some with significantly greater financial resources) in all areas of business, including new concepts, facility design, competition for labor, new product introductions, promotions, (including value promotions) and discounting. Additionally, the trend toward convergence in grocery, deli, convenience store and other types of food services may increase the number of our competitors.

The realization of gains from the sale of company-operated restaurants to existing and new franchisees depends upon various factors, including sales trends, cost trends, and economic conditions. The financing market, including the cost and availability of borrowed funds and the terms required by lenders, can impact the ability of franchisee candidates to purchase franchises and can potentially impact the sales prices and number of franchises sold. The number of franchises sold and the amount of gain realized from the sale of an on-going business may not be consistent from quarter-to-quarter and may not meet expectations. As the number of franchisees increases, our revenues derived from royalties at franchised restaurants will increase, as well as the risk that revenues could be negatively impacted by defaults in payment of royalties. In addition, franchisee business obligations may not be limited to the operation of Jack in the Box restaurants, making them subject to business and financial risks unrelated to the operation of our restaurants. These unrelated risks could adversely affect a franchisee s ability to make payments to us or to make payments on a timely basis.

The costs related to legal claims such as class actions involving employees, franchisees, shareholders or consumers, including costs related to potential settlement or judgments may adversely affect our results.

Changes in accounting standards, policies or practices or related interpretations by auditors or regulatory entities, including changes in tax accounting or tax laws may adversely affect our results.

The costs or exposures associated with maintaining the security of information and the use of cashless payments may exceed expectations. Such risks include increased investment in technology and costs of compliance with consumer protection and other laws.

Many factors affect the trading price of our stock, including factors over which we have no control, such as the current financial environment, government actions, reports on the economy as well as negative or positive announcements by competitors, regardless of whether the report relates directly to our business.

Significant demographic changes, adverse weather, pressures on consumer spending, economic conditions such as inflation or recession or political conditions such as terrorist activity or the effects of war, or other significant events, particularly in California and Texas where nearly 60% of our restaurants are located; new legislation and governmental regulation; the possibility of unforeseen events affecting the food service industry in general and other factors over which we have no control can each adversely affect our results of operation.

This discussion of uncertainties is by no means exhaustive, but is intended to highlight some important factors that may materially affect our results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary exposure to risks relating to financial instruments is changes in interest rates. Our credit facility, which is comprised of a revolving credit facility and a term loan, bears interest at an annual rate equal to the prime rate or LIBOR plus an applicable margin based on a financial leverage ratio. As of September 27, 2009, the applicable margin for the LIBOR-based revolving loans and term loan was set at 1.125%.

A hypothetical 100 basis point increase in short-term interest rates, based on the outstanding balance of our revolving credit facility and term loan at April 11, 2010 would result in an estimated increase of $3.9 million in annual interest expense.

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We are also exposed to the impact of commodity and utility price fluctuations related to unpredictable factors such as weather and various other market conditions outside our control. Our ability to recover increased costs through higher prices is limited by the competitive environment in which we operate. From time to time, we enter into futures and option contracts to manage these fluctuations. At April 11, 2010, we had no such contracts in place.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the rules of the Securities and Exchange Commission, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Securities and Exchange Act Rules 13a-15(e). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company s internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

You should consider the risks and uncertainties described under Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended September 27, 2009, which we filed with the SEC on November 20, 2009, together with the risks and uncertainties discussed under the heading Cautionary Statements Regarding Forward-Looking Statements in Item 2 of this Quarterly Report on Form 10-Q when evaluating our business and our prospects. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the risks or uncertainties actually occur, our business and financial results could be harmed. In that case, the market price of our common stock could decline. You should also refer to the other information set forth in this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 27, 2009, including our financial statements and the related notes.

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

Dividends. We did not pay any cash or other dividends during the last two fiscal years with the exception of a stock split that was effected in the form of a stock dividend on October 15, 2007, with shareholders receiving an additional share of stock for each share held. We do not anticipate paying any dividends in the foreseeable future. Our credit agreement provides for $50.0 million for the potential payment of cash dividends.

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Stock Repurchases. In November 2007, the Board approved a program to repurchase up to $200.0 million in shares of our common stock over three years expiring November 9, 2010. As of April 11, 2010, the aggregate remaining amount authorized and available under our credit agreement for repurchase was $47.4 million. The following table summarizes shares repurchased pursuant to this program during the quarter ended April 11, 2010:

	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced programs	(d) Maximum dollar value that may yet be purchased under these programs
January 18, 2010 - February 14, 2010				$ 57,429,056
February 15, 2010 - March 14, 2010	463,622	$21.54	463,622	$ 47,429,065
March 15, 2010 - April 11, 2010				$ 47,429,065
Total	463,622	$21.54	463,622	

ITEM 5. OTHER INFORMATION

Our Annual Meeting of Stockholders was held February 10, 2010, at which the following matters were voted as indicated:

	For	Withheld	Abstain	Broker Non-Votes
1. Election of the following directors to serve until the next annual meeting of stockholders and until their successors are elected and qualified:				
Michael E. Alpert	46,471,558	666,124		6,509,154
David L. Goebel	46,564,090	573,592		6,509,154
Murray H. Hutchison	46,178,973	958,709		6,509,154
Linda A. Lang	46,127,670	1,010,012		6,509,154
Michael W. Murphy	46,567,573	570,109		6,509,154
David M. Tehle	46,911,167	226,515		6,509,154
Winifred M. Webb	46,910,532	227,150		6,509,154

	For	Against	Abstain	Broker Non-Votes
2. Amendment and restatement of the 2004 stock incentive plan	42,631,900	4,463,494	42,288	6,509,154
3. Ratification of appointment of KPMG LLP as independent registered	52,830,652	697,139	119,045	

public accountants				
4. Stockholder proposal relating to animal welfare	1,833,972	30,337,451	14,966,259	6,509,154

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ITEM 6. EXHIBITS

Number	Description
3.1	Restated Certificate of Incorporation, as amended, which is incorporated herein by reference from the registrant s Annual Report on Form 8-K dated September 24, 2007.
3.1.1	Certificate of Amendment of Restated Certificate of Incorporation, which is incorporated herein by reference from the registrant s Current Report on Form 10-K dated September 21, 2007.
3.2	Amended and Restated Bylaws, which are incorporated herein by reference from the registrant s Current Report on Form 8-K dated May 11, 2010.
10.16	Amended and Restated 2004 Stock Incentive Plan
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JACK IN THE BOX INC.

By: /S/ JERRY P. REBEL
Jerry P. Rebel
Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)
(Duly Authorized Signatory)

Date: May 13, 2010