

**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 gains recognized in each fiscal year (*dollars in thousands*):

	2019	2018	2017
Restaurants sold to franchisees	—	135	178
New restaurants opened by franchisees	19	11	18
Proceeds from the sale of company-operated restaurants:			
Cash (1)	\$ 1,280	\$ 26,486	\$ 99,591
Notes receivable	—	70,461	—
	<u>\$ 1,280</u>	<u>\$ 96,947</u>	<u>\$ 99,591</u>
Net assets sold (primarily property and equipment)	\$ —	\$ (21,329)	\$ (30,597)
Lease commitment charges (2)	—	—	(11,737)
Goodwill related to the sale of company-operated restaurants	(2)	(4,663)	(10,062)
Other (3)	88	(24,791)	(9,161)
Gains on the sale of company-operated restaurants	<u>\$ 1,366</u>	<u>\$ 46,164</u>	<u>\$ 38,034</u>

- (1) Amounts in 2019, 2018, and 2017 include additional proceeds of \$1.3 million, \$1.4 million, and \$0.2 million related to the extension of the underlying franchise and lease agreements from the sale of restaurants in prior years.
- (2) Charges are for operating restaurant leases with lease commitments in excess of our sublease rental income.
- (3) 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 2019 and 2018 we did not acquire any franchise restaurants. In 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.

**4. GOODWILL AND INTANGIBLE ASSETS, NET**

The changes in the carrying amount of goodwill during fiscal 2019 and 2018 were as follows (*in thousands*):

Balance at October 1, 2017	\$ 51,412
Sale of company-operated restaurants to franchisees	(4,663)
Balance at September 30, 2018	46,749
Sale of company-operated restaurants to franchisees	(2)
Balance at September 29, 2019	<u>\$ 46,747</u>

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

	2019	2018
Gross carrying amount	\$ 6,692	\$ 6,751
Less accumulated amortization	(6,267)	(6,151)
Net carrying amount	<u>\$ 425</u>	<u>\$ 600</u>

Amortized intangible assets include lease acquisition costs and reacquired franchise rights. Total amortization expense related to intangible assets was \$0.1 million in fiscal 2019, and \$0.2 million in fiscal 2018 and 2017.