

JAMBA, INC.  
Form 10-K  
March 10, 2014

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

**FORM 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
**For the fiscal year ended December 31, 2013**

**OR**

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

**Jamba, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

001-32552

20-2122262

Jamba, Inc.

(State or other jurisdiction of  
incorporation)

(Commission  
File No.)

(I.R.S. Employer  
Identification No.)

**6475 Christie Avenue, Suite 150,  
Emeryville, California 94608  
(Address of principal executive offices)**

**Registrant's telephone number, including area code:  
(510) 596-0100**

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

Common Stock, par value \$.001 per share

The NASDAQ Stock Market LLC

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

**NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 the filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

NONE

Edgar Filing: JAMBA, INC. - Form 10-K

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 (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the registrant's common stock, \$0.001 par value per share, held by non-affiliates as of the last day of the registrant's second fiscal quarter ended July 2, 2013 was \$236,042,831 (based upon the closing sales price of registrant's common stock on such date). For purposes of this disclosure, shares of common stock held by persons who held more than 5% of the outstanding shares of common stock and shares held by officers and directors of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of common stock of Jamba, Inc. issued and outstanding as of March 3, 2014 was 17,155,430.

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2013 Annual Meeting of Stockholders (the Proxy Statement), to be filed within 120 days of the end of the fiscal year ended December 31, 2013, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

TABLE OF CONTENTS**JAMBA, INC.****ANNUAL REPORT ON FORM 10-K  
FISCAL YEAR ENDED DECEMBER 31, 2013**

Form 10-K	Name of Item	Page
Item No.		
PART I		
<u>Item 1.</u>	<u>BUSINESS</u>	<u>1</u>
<u>Item 1A.</u>	<u>RISK FACTORS</u>	<u>15</u>
<u>Item 1B.</u>	<u>UNRESOLVED STAFF COMMENTS</u>	<u>24</u>
<u>Item 2.</u>	<u>PROPERTIES</u>	<u>25</u>
<u>Item 3.</u>	<u>LEGAL PROCEEDINGS</u>	<u>26</u>
<u>Item 4.</u>	<u>MINE SAFETY DISCLOSURE</u>	<u>26</u>
PART II		
<u>Item 5.</u>	<u>MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	<u>27</u>
<u>Item 6.</u>	<u>SELECTED FINANCIAL DATA</u>	<u>29</u>
<u>Item 7.</u>	<u>MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>32</u>
<u>Item 7A.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>52</u>
<u>Item 8.</u>	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	<u>53</u>
<u>Item 9.</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	<u>54</u>
<u>Item 9A.</u>	<u>CONTROLS AND PROCEDURES</u>	<u>54</u>
<u>Item 9B.</u>	<u>OTHER INFORMATION</u>	<u>54</u>
PART III		
<u>Item 10.</u>	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	<u>56</u>
<u>Item 11.</u>	<u>EXECUTIVE COMPENSATION</u>	<u>56</u>
<u>Item 12.</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	<u>56</u>
<u>Item 13.</u>	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	<u>56</u>
<u>Item 14.</u>	<u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	<u>56</u>
PART IV		
<u>Item 15.</u>	<u>EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u>	<u>57</u>
-	<u>SIGNATURES</u>	<u>58</u>

TABLE OF CONTENTS

## Special Note Regarding Forward-Looking Statements

We believe that some of the information in this document constitutes forward-looking statements. You can identify these statements by forward-looking words such as may, expect, anticipate, contemplate, believe, estimate, plan, and continue or words of similar meaning. Examples of such statements include references to accelerated growth, new store openings, Company Store comparable sales, expense management and the like. You should read statements that contain these words carefully because they:

discuss future expectations;  
contain projections of future results of operations or financial condition; or  
state other forward-looking information.

We believe it is important to communicate our expectations to our stockholders. However, there may be events in the future that we are not able to accurately predict or over which we have no control. The risk factors and cautionary language discussed in this document outline examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described in the forward-looking statements, including among other things:

our business strategy and financial performance;  
our revenue and customer volatility based upon weather and general economic conditions;  
fluctuations in various food and supply costs; and  
competition and other risks related to the food services business.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document.

All forward-looking statements included herein are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

You should be aware that the occurrence of the events described in the Risk Factors portion of this annual report, the documents incorporated herein and our other SEC filings could have a material adverse effect on our business, prospects, financial condition or operating results.

TABLE OF CONTENTS

**PART I**

**ITEM 1. BUSINESS**

**Background of Jamba, Inc.**

Jamba, Inc. through its wholly-owned subsidiary, Jamba Juice Company, is a healthy, active lifestyle brand with a robust global business driven by a portfolio of company-owned and franchised Jamba Juice® stores, innovative product platforms that utilize our JambaGO® and Jamba Smoothie Station™ formats ( Smoothie Stations ), and Jamba-branded consumer packaged goods. As a leading better-for-you, specialty food and beverage brand, Jamba offers great tasting, whole fruit smoothies, fresh squeezed juices and juice blends, hot teas, and a variety of food items including, hot oatmeal, breakfast wraps, sandwiches, Artisan Flatbreads™, baked goods and snacks in our restaurants. Jamba Juice Company expanded the Jamba brand by direct selling of consumer packaged goods ( CPG ) products and licensing its trademarks to CPG products sold through retail channels such as grocery stores, warehouse clubs and convenience stores.

Jamba, Inc. was incorporated in Delaware on January 6, 2005 as a blank check company formed to serve as a vehicle for the acquisition of a then unidentified operating business. On July 6, 2005, Jamba, Inc. consummated its initial public offering. On March 10, 2006, Jamba, Inc. entered into an Agreement and Plan of Merger with Jamba Juice Company, which first began operations in 1990. The merger between Jamba, Inc. and Jamba Juice Company was completed on November 29, 2006.

Unless the context otherwise requires, Jamba, Inc., the registrant, together with Jamba Juice Company, are referred to in this Form 10-K annual report ( Form 10-K ) as the Company, Jamba, we, us and our. Information regarding Company's fiscal periods is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Fiscal Year**

Our fiscal year ends each year on the Tuesday closest to December 31<sup>st</sup> and therefore we have a 52 or 53 week fiscal year. Fiscal Year 2013, 2012, and 2011 ended on December 31, 2013, January 1, 2013 and January 3, 2012, respectively.

**Narrative Description of Business**

As of December 31, 2013, there were 851 Jamba Juice stores globally, consisting of 268 Company-owned and operated stores, all located in the United States ( Company Stores ), 535 franchise-operated stores in the United States ( Franchise Stores ), and 48 franchise-operated stores in international locations ( International Stores ), (collectively the Jamba System ). As of December 31, 2013, Jamba Juice had a retail consumer products program that included direct selling of CPG products, under the Jamba and Talbott Teas® brand names, online and through retail channels and licensing its trademarks to CPG products sold through retail channels such as grocery stores, warehouse clubs and convenience stores.

## The BLEND Plan Our Strategic Priorities

The BLEND Plan continues to guide the Company's strategic plan to transform the Jamba brand into a globally recognized healthy, active lifestyle brand. Since the introduction of the BLEND Plan in 2009, we successfully completed our financial and strategic turnaround (BLEND Plan 1.0) and accelerated our growth as a healthy, active lifestyle brand (BLEND Plan 2.0). Our BLEND Plan 3.0, launched in fiscal 2013, provides continuity and is the blueprint for focusing our resources on initiatives that will strengthen our total brand value.

We believe our BLEND Plan 3.0 supports the Company's mission to build Jamba into a global lifestyle brand with \$1 billion in total retail sales from all businesses by the end of 2015, by offering consumers differentiated products and experiences at Jamba Juice stores and through other retail distribution channels. During fiscal 2013, we focused on strengthening our total brand value through brand building and total innovation, accelerating our overall growth by solidifying our underlying infrastructure and business model in pursuit of our mission. As we continue to build on the implementation of BLEND Plan 3.0, in January 2014 we announced our strategic priorities for fiscal 2014, which are as follows:

1

---

TABLE OF CONTENTS

Brand Activation and Leadership;  
Leverage an Innovative In-Store Experience;  
Expand Retail Footprint;  
New Products, Partners, Channels and Markets; and  
Design an Effective and Efficient Organization.

Additionally, our core vision, to inspire and simplify healthy living, permeates the Jamba culture. Our culture is a unique set of core values and actions that manifest themselves in team members executing at the highest levels of service while expressing their passion for the brand. Consistent with our corporate social responsibility efforts, Jamba actively inspires and engages team members to have a broader impact on our communities through volunteering, sponsoring school gardens, and fundraising for health- and fitness-related causes. These efforts also inspire employees to enhance their leadership skills and improve their personal health and wellness. Jamba has been recognized in our local communities and nationally as a leader in employee engagement and wellness, and we actively cultivate our team members' connection with our vision and values, so they in turn energize our guests with an uplifting customer experience.

## **Brand Activation and Leadership**

We intend to build total brand value through multi-channel brand marketing and product innovation, including consumer loyalty and engaging national and local marketing programs and national scale partnerships.

We are addressing consumer health and wellness needs by our offerings centered on Whole Food Nutrition, which encompasses blending juices and whole fruits and vegetables into nutritious and convenient beverages for consumers across all day-parts.

Product innovation is a high priority at Jamba and our menu items are designed to offer our customers products that are relevant to pursuing a healthy, active lifestyle. Our research and development team, composed of food scientists, quality assurance specialists and food industry experts, is continually developing and testing new and improved menu items that support not only the integrity of the Jamba Juice brand but our commitment to offering relevant and great tasting innovative products made from high quality ingredients.

Our research and development team continually seeks to enhance the product offerings available to customers, and where possible, reduce product and labor costs. Our research and development process includes both the development of new products and the optimization of existing menu items to ensure only the most appealing products are developed and offered to customers. All of our menu options meet our four mandatory core standards: 0 grams of trans-fat, no high fructose corn syrup, no artificial preservatives, and no artificial flavors.

Our goal is for Jamba to maintain our leadership position among smoothie brands and in the specialty, better-for-you beverage retailer segment, by offering beverage-centered meals. We are passionate about creating differentiated, healthy, active lifestyle products that increasingly meet an even greater breadth and depth of customer health and wellness needs. During 2013, we continued our strategic partnership with the United States Department of Labor Job Employment and Training Administrations which operates the Corps Advanced Culinary Program through which we provide internship-based learning opportunities for students, while benefitting from the students' contribution of culinary knowledge and expertise.

We introduced several products in 2013 including:

**Jamba Kids™ Meal** a line of delicious and nutritious meal options specially designed to support a kid's healthy



lifestyle. The meal is customizable and includes a choice of any Jamba Juice Kids Smoothie along with a wholesome food pairing for on-the-go kids. All Jamba Juice Kids Meals provide an excellent source of protein, contain a full serving of whole grains and have 2.5 servings of fruits or fruits & vegetables. Jamba Juice Kids Meals are part of the National Restaurant Association's Kids Live Well program, which requires that meals meet specific nutrition criteria as recommended by leading health organizations' scientific guidelines and verified by Healthy Dining's team of registered dietitians.

2

---

TABLE OF CONTENTS

**Fruit and Veggie Smoothies, Featuring our new Tropical Harvest™ Smoothie** a line of four smoothies made with a combination of fruits and vegetables, with two servings of fruit and one serving of vegetables in every blended-to-order smoothie. All our Fruit & Veggie Smoothies have significant levels of antioxidants, including vitamins A and C, do not have added sugar and are a great-tasting way to get one full serving of vegetables and two full servings of fruit in a small size. At a time when the majority of Americans are not meeting their daily needs for fruit and vegetable consumption, these smoothies deliver on a real consumer need. Included in our line of Fruit & Vegetable Smoothies is our new Tropical Harvest, a combination of mangos, peaches, and passion mango juice blended with juices from butternut squash, sweet potato and carrot.

**Kona Berry Blast™ Smoothie and Bowl** a line of products made with the coffee fruit, the part of the coffee plant surrounding the coffee bean. The Kona Berry Blast was first made available in the summer of 2013 in a smoothie and a bowl format and delivered natural energy powered by real whole fruit and sustainably sourced coffee fruit juice. In addition to providing an energy boost, the products provided a good source of protein, were rich in antioxidant vitamins C and E, and provided a good source of dietary fiber. This line was available for a limited time during the summer.

**Expanded Fresh Juice** a line of products built upon our key fresh ingredients kale, beet, pineapple, ginger, lemon, apple and cucumber. These handcrafted juices are packed with vitamins, nutrients and micronutrients, and provide at least two servings of fruits and/or vegetables in a delicious juice blend, which speaks to consumers' needs for a convenient way to increase their intake of both fruits and vegetables. To bring our juices to as many customers as possible, we have developed an aggressive expansion plan and customized solutions to meet the needs of different store types. We consider expansion of our fresh juice platform a very high priority and have begun testing other new ingredients in order to expand our line-up of proprietary juice recipes.

**Artisan Flatbreads** we reformulated our California Flatbreads and re-launched the platform as Artisan Flatbreads in 2013. Artisan Flatbreads are a delicious, better-for-you accompaniment to a smoothie that has delicious toppings on a hand-stretched crust made with whole grain. Artisan flatbreads are available in Four Cheese and Sweet n Spicy Chicken flavors, have about 300 calories and provide significant levels of protein and fiber.

**Wellness Bowls™** we converted our line of Fruit & Yogurt Parfaits to Wellness Bowls to keep our product offerings fresh and trend-forward. Fresh Greek yogurt is served in a bowl with real whole fruit, and soymilk, topped with organic granola & fresh bananas. Wellness Bowls are delicious and nutritious, providing a good source of protein and fiber, and have at least two servings of fruit.

Consistent with our brand leadership goals, we lead and participate in a variety of community-related activities to engage our customers in a healthy, active lifestyle. We established the Jamba® Healthy Living Council in 2011, in partnership with three nationally known dietitians and nutritionists to provide helpful health and wellness information to consumers through panel discussions, TV appearances, webinars and through social media. In 2013, the Council was expanded with the launch of the Jamba Healthy Living Fitness Council. The Fitness Council is comprised of San Francisco 49ers tight end Vernon Davis, Jake Body by Jake Steinfeld, and Olympic medalist and sports commentator Summer Sanders, who all joined tennis star, Venus Williams to serve as credible and inspirational advocates for healthy living to consumers seeking information on physical fitness.

As we continue to strengthen our brand, we also entered into marketing programs with strategic partners including with ISIS, the mobile commerce joint venture created by AT&T Mobility, T-Mobile US Inc. and Verizon Wireless. In November 2013, Jamba and ISIS launched a joint promotion in which ISIS is purchasing up to one million smoothies or juices for customers who are using their tap to pay Mobile Wallet™ technology to redeem their free smoothie offer. This promotion is known as the million smoothie or juice giveaway.

Jamba is very committed to helping improve the health and wellness of children, with a goal to start them on the right track for leading a healthy, active lifestyle. In addition to launching a better-for-you Kids



## TABLE OF CONTENTS

Meals platform in January, 2013, we also partnered with Disney on the launch of their *Planes* movie, and we currently provide access to healthier beverages for children in hundreds of schools with our JambaGO units. These units deliver all-fruit smoothies that pass all USDA and school nutritional guidelines. In 2013, we encouraged increased fitness for kids through our sponsorship of the Team Up For a Healthy America™ program, a national campaign designed to provide simple, helpful tips to keep kids active and improve their dietary habits. Through Team Up For a Healthy America, Jamba held a series of Fit Clinics where hundreds of children received fitness instruction from nationally recognized athletes, and we donated much-needed athletic equipment to schools.

Another way we connect with schools, children and communities to enhance the customer engagement in the stores is through partnerships focused on gardening. In partnership with the National Gardening Association, we sponsor the It's All About the Fruits and Veggies garden grant program, through which we provided over 40 grants to schools and community groups to promote the benefits of gardening. Gardening gets children outside and active, helps them learn the nutritional value of fruits and vegetables and teaches them that what they consume affects their well-being. We partner with The Organic Center, the leading research and education institute focused on the science of organic farming and we partner with local schools in composting programs, as part of our concern for the environment.

To raise awareness around the importance of a healthy, active lifestyle, Jamba sponsored a series of events involving national and local sports teams. Consumers engaged with the brand at games and events featuring the Tulsa Shock of the WNBA, the Golden State Warriors of the NBA, and the San Jose Earthquakes of the MLS. We were the Official Blended Fruit Beverage and Smoothie sponsor of the popular Rock n Roll Marathon series. We also officially launched our Whirl'd Soccer program to support local soccer teams and inspire physical activity in local communities.

## **Leverage an Innovative In-Store Experience**

From its very beginning, Jamba Juice has been supporting consumers and communities with products and programs that inspire and simplify healthy, active living. In addition to our great-tasting, better-for-you foods and beverages, we offer an array of initiatives designed to improve the health and wellness of adults, children, parents and families. We do this by leveraging a wide number of partners and partnerships to create programs that promote healthy living and help to make Jamba a truly lifestyle brand. We believe that engaging our customers in healthy lifestyle activities and leveraging technology as well as improving the look and feel of our stores help to improve the quality and consistency of customer service and will enhance the customers' experience. We continue to believe that such customer engagement will heighten customer loyalty and satisfaction, and ultimately increase frequency of use of our products and increase our market share.

We are among the industry leaders in leveraging technology to enhance convenience, speed-of-service, and production efficiencies in our stores system-wide. In 2012, we launched mobile payment apps like PayPal and Google Wallet to enhance the customer in-store payment experience. In late 2013, we launched the ISIS mobile wallet payment capability which utilizes near field communication (NFC) technology to allow the customer to pay for product by tapping a mobile phone against the in-store NFC reader. Our PayPal mobile payment ability includes allowing the customer to order and pay ahead of arriving at the store. Our mobile payment functionality dramatically enhances the customer payment experience.

In order to provide a more contemporary and fresh experience in our stores, we started a significant refresh and remodel program system-wide in 2013. The changes being made to our stores will more effectively facilitate the whole foods blending and the juice platform. In 2014, we plan to roll out our whole food blending and juicing platform to over 500 stores system-wide. We will continue to develop integrated programs that deliver excellent customer service and first-class product knowledge to our team members. We are also launching our Jamba Insider

Rewards™ loyalty program in early 2014 which will allow Jamba to leverage consumer behaviors to drive engaging promotions and obtain insight while rewarding customers for their loyalty.

We also believe engaged and fulfilled team members go a long way towards creating an enjoyable in-store experience for our customers. At our Company Stores, the team members enjoy access to a broad offering of benefits in support of maintaining a healthy, active lifestyle. Our CEO Health Challenge encourages our team members to be mindful of their health and rewards them for living healthy, active lives.

4

---

## TABLE OF CONTENTS

Our associates participate in local marathons and cause-related community events. In 2013, Jamba was awarded the Champions of Change Award for our work in the San Francisco Bay Area and we were recognized by President Obama for our summer youth hiring campaign.

### **Expand Retail Footprint**

A primary driver to become a \$1 billion healthy, active lifestyle brand in total retail sales from all businesses is our commitment to our growth initiatives. Our growth initiatives encompass the multiple portfolio opportunities we have developed to expand our restaurant business on a global basis, including traditional Company and Franchise Stores and our non-traditional stores, including smaller footprint Smoothie Stations and the JambaGO format. We are very focused on the expansion of our non-traditional store opportunities. We believe that building on these non-traditional store opportunities will position us for increased market share, due to minimal capital outlays, allow us to open more locations at an accelerated rate, increase customer frequency and increase our brand presence to support other Company initiatives, including direct selling and licensing of Jamba-branded consumer products.

### **Jamba Juice Domestic**

We have a portfolio of flexible store formats that can be utilized in a number of different venues. We generally categorize our stores as either traditional or non-traditional locations. A traditional location is characterized as a business premises that exists primarily as a Jamba Juice store. Traditional stores average approximately 1,200 – 1,400 square feet in size. These stores are located either in major urban centers or in suburban strip mall centers. As of December 31, 2013, there were 576 traditional Jamba Juice store locations. A non-traditional location is characterized as a Jamba Juice store located within another primary business, in conjunction with another business or at institutional settings, such as colleges and universities, entertainment venues, shopping malls, transportation centers, supermarkets and airports. A captive audience is a common characteristic of non-traditional locations. We believe one benefit of the development of non-traditional stores is to increase awareness of the Jamba Juice brand to complement the traditional stores in the area. As of December 31, 2013, there were 227 non-traditional Jamba Juice store locations.

We continue to innovate in the design of traditional and non-traditional stores. Our goal is to vary the size and format of our stores to allow us to locate them in or near a variety of settings. Our flexibility in store construction enables us to develop stores in a variety of venues, broadening the visibility of the Jamba brand and giving more customers easier, more convenient access. We believe format flexibility will help us to attract qualified franchisees and to assure them of potentially achieving a higher return on their investment in capital expenditures. In 2013, we embarked on a significant refresh and remodel of our Company Stores in order to provide a contemporary and fresh experience for our customers. We completed 64 store refreshes, which included upgrading the store facilities to effectively and efficiently serve our blended whole food and premium juice platforms.

The Jamba Smoothie Station concept was launched in 2012. This concept is an express service utilizing existing technology to make select smoothie flavors in small, efficient spaces. The Smoothie Station concept is designed to target venues that require a smaller footprint than our historical non-traditional store. Smoothie Stations offer a limited menu and use pre-portioned fruit and yogurt to produce smoothies comparable to our traditional stores. Targeted venues include colleges and universities, grocery stores, airports, hospitals and business cafeterias. As of December 31, 2013, there were 36 Jamba Smoothie Stations open in 17 states. Jamba Smoothie Stations fall within the non-traditional store category and are included in the total Franchise Stores count.

As of December 31, 2013, we had 803 Jamba Juice store locations in the United States, operating in 35 states and Washington, D.C., consisting of 268 Company Stores and 535 Franchise Stores. We lease the real estate for all of our

Company Stores. Our market planning has shown that there is potential for at least 2,700 total Jamba Juice stores in the United States which would meet our current store opening criteria. During fiscal 2013, franchisees opened 52 new Franchise Stores, closed 21 Franchise Stores, and acquired 31 Company Stores, which are now operating as Franchise Stores.

## TABLE OF CONTENTS

### **Franchise Opportunity**

Through our franchising program, we offer franchisees choices in store venue, format and number of stores they wish to operate including (i) traditional stand alone stores, (ii) non-traditional store venues such as mall, university, supermarket or transit hub locations; and (iii) multi-unit development agreements which grant the franchisee exclusive rights to develop and operate a specified number of stores within a specified period of time within a specified geographic area.

As of December 31, 2013, we had 35 area developers with rights to develop additional Franchise Stores pursuant to development agreements. The exclusive territories covered by these agreements include selected markets in the states of California, Colorado, Connecticut, Florida, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Missouri, Massachusetts, Minnesota, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Utah, Washington State, Washington, D.C., and Wisconsin. Seventeen of the thirty five development agreements were entered into in connection with refranchising transactions, where a purchaser of Company Stores also agreed to develop new Franchise Stores.

To help maximize our non-traditional franchise development, we also continue to strengthen our relationships with beverage and food concessionaires operating at non-traditional venues such as colleges, universities, airports and other transit hubs, and other retail and entertainment venues. In addition to our own efforts, we are approached by concessionaires and contract feeders whose independent research has identified us as ideal for non-traditional venues where they have secured exclusive development rights from venue owners. When it fits our expansion strategies, these opportunities are incorporated into our own plans.

Our market planning and site selection process is integral to the successful execution of our growth strategy. We have processes for identifying, analyzing, and assigning undeveloped markets for either Company Store or Franchise Store development. Once a market is selected, we carefully screen trade areas for demand based on demographic, psychographic and Jamba Juice specific variables to assess the risk of developing a store or permitting a franchisee to do so. We review trade areas to ensure that they meet our guidelines for new store development and begin the site selection or approval process. Once a trade area is approved, we carefully screen prospective locations for visibility, traffic patterns, ease-of-use and co-tenancy for potential Company Store and Franchise Store locations. Our expansion strategy involves using this market planning and site selection process to leverage areas of demand within each market. We intend to use this approach to encourage the clustering of stores in specific geographic areas of demand, which we believe will drive brand awareness, improve operating and marketing efficiencies for Franchise Stores while leveraging the costs associated with regional supervision. Distribution efficiencies can also be realized through this strategy. In addition, we believe the ability to hire qualified team members is enhanced in markets where Jamba is a broadly recognized brand.

### **Jamba Juice International Franchising Opportunity**

Our international partners work closely with us to build the Jamba Juice brand and implement the Jamba Juice system locally, as well as to maximize revenue and margin growth opportunities, recognizing commercial, cultural and dietary diversity in each market. The number of International Stores grew from 35 as of January 1, 2013 to 48 as of December 31, 2013, with stores located in South Korea, the Philippines and Canada. As of December 31, 2013, we had five master developers with commitments to open an aggregate of 432 stores at international locations in the future.

In 2010, we signed a master development agreement with SPC Group, a leading specialty food company in South



Korea with over 5,000 retail locations across several brands, to develop 200 Jamba Juice stores in South Korea over 10 years. The first Jamba Juice store opened at the Incheon airport in January 2011. During 2013 we opened six new Jamba Juice stores in South Korea and as of December 31, 2013, there were 27 Jamba Juice stores operating in the country.

Jamba signed a master development agreement in April 2011, with Max's Group of Companies, a well-established restaurant and franchise operator in the Philippines, to develop 40 stores in the Philippines over 10 years. The first store opened in Manila in November 2011. During 2013 we opened three new Jamba Juice stores in the Philippines, and as of December 31, 2013, there were nine Jamba Juice stores operating in the country.

## TABLE OF CONTENTS

In May 2011, we signed a master development agreement with Canadian Juice Corp., the principals of which are world leaders in the frozen yogurt category, with over 1,200 stores in 25 countries, to develop 80 Jamba Juice locations in Canada over 10 years. The first Jamba Juice store opened in Toronto in October 2011. During 2013 six new Jamba Juice stores were opened and two were closed. As of December 31, 2013, there were 12 Jamba Juice stores operating in Canada, eight of which are Smoothie Station locations. In addition, we are continuing to explore with our Canadian partner, opportunities to leverage our JambaGO and Smoothie Station formats to further grow the brand. We believe these new formats will enable a more rapid expansion, and strengthen brand awareness and loyalty in the Canadian market.

In March 2013, we signed a master development agreement with Casa Operadora de Franquicias MAV, the principals of which are seasoned executives operating in the food and beverage, and health and wellness retail businesses across Mexico and Latin America, to develop 80 Jamba Juice stores in Mexico over 10 years. The first Jamba Juice stores are expected to open in Mexico City during the first quarter of 2014.

In December 2013, we signed a master franchise development agreement with Foodmark, the Food and Beverage division of Landmark Group, the leading retail and hospitality group in the Middle East, North Africa ( MENA ) and India with over 22 million square feet of retail space across 1,600 locations in 19 countries, to develop 80 Jamba Juice stores in the Gulf Corporation Council region over the next 10 years. The first Jamba Juice store is expected to open in Dubai in 2014.

Our brand and products have international appeal and we continue to engage in discussions with additional potential partners regarding the expansion of Jamba Juice stores into new international markets. The success of further international expansion will depend on, among other things, local acceptance of the Jamba Juice concept and menu offerings, and our ability to attract qualified franchise partners. Our market planning has shown that there is potential for at least 1,500 total international Jamba Juice stores, which would meet our current store opening criteria. Our agreements take the form of development and franchise agreements under which we typically receive an initial territory fee, store opening fees, and ongoing royalty revenues based on a percentage of sales.

Jamba Juice store locations at the end of fiscal 2013 were comprised of approximately 31% Company Store locations and 69% Franchise and International Store locations, globally.

## **New products, partners, channels and markets**

During 2013, we consolidated our JambaGO, Jamba Smoothie Stations, Jamba-branded CPG products and Talbott Teas® all together under one organization unit called Jamba New Ventures. This structure will facilitate synergies, allow for improved resource allocation and investment choices, and thereby increase shareholder return.

The JambaGO concept, which we developed in 2012, targets venues servicing captive audiences. The JambaGO format is a small footprint, low-capital and low-labor self-serve machine format and has proven to be an innovative and differentiated solution for foodservice providers seeking healthier beverage options for their constituents. The typical venue for a JambaGO unit has a significant demand for high volumes, requires high-speed service, where a full-sized Jamba Juice store or kiosk would not be feasible. Such venues include retail store cafés or restaurants, K-12 schools, colleges and universities, grocery and convenience stores, stadiums, theaters, event centers and select airport locations. The JambaGO format has been enabling Jamba to rapidly expand brand presence. During 2013, we launched JambaGO units at over 1,000 Café locations in Target Stores in the United States. The number of JambaGO units in operation at December 31, 2013 was 1,851.

The Jamba and Talbott Teas brands are available across multiple product categories and in major retailers across the country. As of December 31, 2013, we had approximately 23 individual Jamba SKUs at retail distribution points across all 50 states. We plan to continue investing additional resources to grow the Jamba CPG product portfolio through a combination of licensing and direct selling. This growth will expand the accessibility of our brand and offer consumers new and unique opportunities to experience the Jamba brand.

7

---

TABLE OF CONTENTS

## **Design an Effective and Efficient Organization**

This strategic priority affects all aspects of the Jamba System as we focus on driving consistent organic growth in revenue, earnings and profitability system-wide. Our key areas of focus include cost-savings and productivity initiatives to:

derive between \$4 million and \$5 million of cost savings from our system to increase operating margin;  
design our organization for faster and more flexible execution and enhanced focus on growth initiatives; and  
implement in-store technology to heighten our customer experience.

During the fourth quarter of fiscal 2013, we launched a major cost improvement and productivity program with the assistance of a leading global consulting firm, which program is expected to yield savings of 100 to 200 basis points in operating margin once fully operationalized. We expect the initial savings to begin to be realized in 2014. The program is focused on driving down costs in all aspects of our business, including our supply chain.

We continue to leverage technology to increase digital activities that will contribute to increased speed of service. In November 2013, we launched ISIS Mobile Wallet, which utilizes NFC technology to facilitate payment at the point of sale by having a customer tap their mobile phone against the NFC reader ( tap to pay ). The ISIS Mobile Wallet, in addition to the Google Wallet and PayPal payment cards, use innovative technology designed to increase the speed of payment at the point of sale. Jamba also utilizes social networking technology for sharing and collaborating effectively across the system. Jamba has become a leader in leveraging technology to enhance the customer experience through loyalty programs and mobile payment applications ( apps ). For example, there is a PayPal mobile app that allows customers to place their order ahead of going to the Jamba Juice store, where they are able to pick up their order upon arrival, thereby reducing wait time.

In order to assure our customers of efficient service, we are also continuing to focus attention on techniques to refine our labor deployment and our service tools. As a result, we made improvements to our workforce management technology to help optimize work schedules, which resulted in improved productivity and reduced labor costs as well as improved customer service. We also monitor our general and administrative expenses so that we may better leverage our existing infrastructure in support of our growth strategy. We continue to look for opportunities, including the use of innovative technological solutions, for functional improvement in order to drive down expenses and improve productivity.

## **Domestic Store Operations**

### **Franchise Store Management**

We continuously review Franchise Store operations, principally through our Regional Franchise Leaders ( RFLs ), who are Company representatives, who make both scheduled and unannounced visits of Franchise Stores. We also review the financial health, operations practices and procedures of our franchisees through business and financial reviews.

We maintain a Franchise Advisory Council ( FAC ), which formalizes a channel of communication through a representative group of franchisees to provide advice, counsel and input to us on important issues impacting the business. Our agreement calls for franchise partners to meet certain operational and maintenance requirements intended to align the operating processes system-wide around one set of standards. Performance is diligently monitored by the RFLs, who also provide feedback whenever appropriate.

We continue to leverage technology to improve communications, training and collaboration with our stores and franchise partners. Our ongoing commitment to building strong relationships with our franchisees has enabled better

two-way feedback that has helped us to identify best practices and to facilitate more effective and efficient launch of new products and marketing campaigns.

8

---

## TABLE OF CONTENTS

### **Company Store Management**

We believe operational excellence throughout the Jamba System is vital to the Company's success. Our Company Store field and store operations teams play a critical role in maximizing the performance of our stores across the system. We recruit and retain leaders with broad experience in management and in our industry. Our field leadership consists of a combination of Regional Directors of Operations and District Managers to support our Company Store operations.

Our store excellence guide is designed to improve operational execution and performance by establishing comprehensive standards which we expect all of our stores to achieve and maintain. In addition, the bonus program for Company Store managers rewards customer service goal achievements. These factors continue to positively impact customer satisfaction and help ensure that all stores in the Jamba System are delivering against the key drivers of customer satisfaction on a consistent basis. We believe team members are the key to our success and support the development of a culture that fosters personal interaction, mutual respect, trust, empowerment, enthusiasm and commitment.

Maintaining a culture and a management style that embodies healthy, active lifestyle in an authentic, fun, friendly and efficient manner in Company Stores as well as Franchise Stores is essential as we continue to expand, and we believe that it is critical to developing our brand and ensuring our continued success.

### **Training**

We conduct various training programs for franchise partners, team members, support center staff and our leadership team on a regular basis. We are dedicated to providing a meaningful experience for all employees, with ample opportunity to develop leadership skills as they move up through the organization. Our training programs include formal programs such as the Manager-in-Training programs for new managers and informal one-on-one discussions held between General Managers, District Managers and Regional Directors of Operations. All of our training programs reinforce the importance of strong customer service and sales skills. We also make training materials and best practice information available to our franchisees to help create, preserve, and support a singular culture of excellence within all of the stores that comprise our system.

### **Recruiting and Retention**

We carefully screen potential team members to ensure that they embody our core values and fit into our culture. By maintaining this emphasis and encouraging responsibility and accountability at every level, we believe that we have created a sense of team member loyalty and an open and interactive work environment, resulting in a highly passionate workforce. Our team members are paid competitive wages and are offered opportunities for advancement. In addition to competitive wages, store managers are eligible for performance-based bonuses. In order to preserve a singular culture within the stores that comprise the Jamba System, we provide best practice information, qualifications and other relevant information to assist franchisees with hiring and retention.

### **Advertising and Marketing**

Despite a challenging economy in 2013, the health and wellness category remained strong as consumers continue to become increasingly discerning in their food and beverage choices. Jamba maintained its position as a leading health and wellness brand by executing a variety of innovative products and programs designed to inspire and simplify healthy living by supporting better eating habits and engaging consumers in programs that foster increased physical

activity.

Marketing, promotional and public relations activities are designed to promote the Jamba brand image and differentiate it from competitors. Marketing and promotional efforts focus on providing consumers with simple, easy-to-adopt solutions for pursuing a healthy active lifestyle on-the-go and we continuously endeavor to improve our social responsibility and environmental practices to achieve long-term sustainability.

We expanded the Jamba Healthy Living Council, adding nationally recognized sports and fitness personalities to form the Healthy Living Fitness Council, thereby complementing our existing panel of renowned registered dietitians. Members of the Council share healthy living education and information with consumers via videos, articles, online webinars, on the Jamba website and at live events. In 2013, these nutrition experts offered insights at key industry conferences like the American Dietetic Association's Food

TABLE OF CONTENTS

and Nutrition Conference & Expo and the School Nutritionist Association Convention. As parents themselves, the members of the Healthy Living Council relate to the dietary and fitness concerns of parents and families.

We enhanced our focus on childhood nutrition and fitness by offering a uniquely integrated system of products, programs and delivery mechanisms, providing all-fruit smoothies to schools with our JambaGO units and supporting nutrition and fitness education through our Team Up For a Healthy America program. In 2013, our Team Up For a Healthy America campaign served as a vehicle for providing schools across the country with much-needed athletic equipment. In addition to our existing partners, including the WNBA, National PTA, National Gardening Association and USA Water Polo, Jamba teamed up with the GENYOUth Foundation, a nationally acclaimed organization focused on improving school wellness. A Jamba and GENYOUth sponsored a Team Up For a Healthy Breakfast Challenge which drove increased participation in school breakfast in a key California market.

Marketing programs focused on promoting our healthier kids offerings included a national campaign tied to the launch of the Disney Planes movie and a Jamba Kids Meals roll-out at the National Association of Securities Dealers Automated Quotations. Our 2013 product campaign launches, social media campaigns and advertising and promotion efforts drove deeper community engagement which resulted in notable increases in our consumer database and store traffic.

We continued to gain visibility as a lifestyle brand through affiliations with local and national sports teams and athletes. We were a sponsor of the 2013 Rock & Roll marathon series, the WNBA, the Golden State Warriors, San Jose Earthquakes and other sports affiliations. Partnerships with athletes such as tennis superstar Venus Williams and San Francisco 49er Vernon Davis helped provide credibility and brand awareness among fans and followers. On a local level, we launched our Whirl d Soccer program designed to support local youth soccer organizations.

Our marketing efforts in 2013 significantly extended our reach and relevance to consumers. By improving our use of technology, expanding our reach into various lifestyle activities, helping communities and leading the cause to improve the health and wellness of our nation's youth, we have continued to inspire and simplify healthy living. Through continuous product innovation, we strive to provide consumers with more fun and meaningful solutions, to further our significant progress toward our goal of being a leading health and wellness brand.

We partnered with leading technology companies ISIS, PayPal and Google Wallet to assess new and preferred payment methods and enhance the customer experience in our retail stores. In partnership with ISIS, we launched the Million Free Smoothie or Juice campaign through which consumers can use the ISIS wallet app to obtain a free smoothie or juice, the cost of which was paid by ISIS. The campaign was promoted with a solid integrated consumer communication platform that included placement in prime time TV, national print advertising, radio, celebrity engagement and robust digital and social media outreach.

Jamba's inclusion into the culture and conversations of consumers was evident as we were featured in stories appearing in nationally syndicated journal and newspapers, including Nation's Restaurant News, Franchise World, QSR Magazine, Black Enterprise, Forbes, the Chicago Tribune and The Wall Street Journal. We also received product placement in television shows and feature films. Our participation in local fundraising events also helped capture a significant amount of coverage from local television and radio stations. Jamba was recognized by President Obama for our youth job creation program as a leading example of how private sector companies can work with local leaders to improve communities. In California, Jamba won awards for service to the community and was recognized as a great place to work.



## **Product Supply**

Jamba is committed to providing only the finest smoothies, juices and other food products. Smoothie and juice products depend heavily upon supplies of fresh and individually quick frozen ( IQF ) fruit. The quality of each smoothie depends to a large degree on the quality of the basic fruit ingredients from which it is made. It is essential that the supply of fruit is of the highest quality and is consistent throughout the year. To achieve these goals we purchase our projected requirements for the coming year from suppliers at the height of the season. The supply and price of fresh and IQF fruit are dependent upon the supply and demand at the time of

## TABLE OF CONTENTS

purchase and are subject to volatility. Supply and price can be affected by multiple factors in the producing regions, including weather, natural disasters and regional political and economic conditions.

We buy certain fruits and dairy using fixed priced or to-be-fixed priced purchase commitments to secure adequate supply of quality ingredients for our products. As a result, we have purchase obligations with certain suppliers for certain fruits and dairy for various terms typically ranging from one year to five years. We depend on our relationships with our suppliers for our supply of fruit, dairy and other products. We believe, based on our established relationships with our suppliers, the risk of non-delivery on our purchase commitments is remote.

Our supply chain and purchasing organization is partially funded by all stores across the Jamba System. This funding contributes to the cost of procurement and management of our supplies and supports our suppliers. The program allows for a mark-up of certain products purchased by Company Stores and Franchise Stores, which is subsequently rebated back to the Company by the supplier.

## **Competition**

The retail beverage and food industry is highly competitive and fragmented. Restaurants compete based on a number of factors, including quality, price-value relationships, customer service, name recognition, employee hiring and retention and location. Jamba competes with international, national, regional and local retailers of beverage and food products, including quick service restaurants/fast food establishments, coffee shops, juice bars, donut shops, frozen yogurt shops and grocery stores. While competition in the beverage and food market is fragmented, competition is increasing, and a major competitor with substantially greater resources than the Company could enter the market at any time and compete directly against Jamba Juice stores.

We compete most directly with regional smoothie stores, most of which are franchises of other smoothie brands. The rising popularity of convenient and healthy food items resulted in increased competition from non-smoothie retailers as they increase their offerings of smoothies and other juice-related products, and as we increase our food offerings, we have placed ourselves into direct competition with other quick serve food concepts with well established businesses.

In addition, we also face intense competition from both restaurants and other specialty retailers for suitable sites for new stores and qualified personnel to operate both new and existing stores. There can be no assurance that the Company or our franchisees will be able to continue to secure adequate sites at acceptable rent levels or that the Company or franchisees will be able to attract a sufficient number of qualified personnel to operate our stores.

## **Government Regulation and Environmental Matters**

*Government Regulation.* We are subject to extensive and varied federal, state and local government regulation, including regulations relating to public health and safety and zoning codes. We operate each of our stores in accordance with standards and procedures designed to comply with applicable codes and regulations. However, if we could not obtain or retain food or other licenses, it would adversely affect our operations. Although we have not experienced, and do not anticipate, any significant difficulties, delays or failures in obtaining required licenses, permits or approvals, any such problem could delay or prevent the opening of, or adversely impact the viability of, a particular store or group of stores.

California and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of a Company Store, including those which (a) establish general standards, specifications and

requirements for the construction, design and maintenance of the store premises; (b) regulate matters affecting the health, safety and welfare of our customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food; special health, food service and licensing requirements; restrictions on smoking; exposure to tobacco smoke or other carcinogens or reproductive toxicants and saccharin; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety and mandatory health insurance; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate the proper use, storage and disposal of waste, insecticides and other hazardous materials; (f) establish general requirements or restrictions on advertising containing false or

## TABLE OF CONTENTS

misleading claims, or health and nutrient claims on menus or otherwise, such as low calorie, healthy or organic; (g) establish requirements concerning withholdings and employee reporting of taxes on tips and (h) regulate or ban the use of polystyrene cups.

In order to develop and construct more stores, we or our franchisees need to comply with applicable zoning, land use and environmental regulations. Federal and state environmental regulations have not had a material effect on our operations to date, but expansion of our menu offerings or more stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or even prevent construction and increase development costs for new stores. We and our franchisees are also required to comply with the accessibility standards mandated by the U.S. Americans with Disabilities Act, which generally prohibits discrimination in accommodation or employment based on disability. We may, in the future, have to modify stores, for example, by adding access ramps or redesigning certain architectural fixtures, to provide service to or make reasonable accommodations for disabled persons. While these expenses could be material, our current expectation is that any such action will not require us to expend substantial funds.

We are subject to the U.S. Fair Labor Standards Act, the U.S. Immigration Reform and Control Act of 1986 and various federal and state laws governing various matters including minimum wages, overtime meal and rest periods, accommodations to certain employees, and other working conditions. Complying with these rules subjects us to substantial expense and can also expose us to liabilities from claims for non-compliance. In addition, we pay a significant number of our hourly staff at rates consistent with, but higher than, the applicable federal or state minimum wage. Accordingly, increases in the minimum wage would increase our labor cost. We are also subject to various laws and regulations relating to our current and any future franchise operations. See *Risk Factors Governmental regulation may adversely affect our ability to open new stores or otherwise adversely affect our existing and future operations and results.*

We are also subject to various federal and state laws that regulate the offer and sale of franchises and aspects of the licensor-licensee relationships. Many state franchise laws impose restrictions on the franchise agreement, including the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew and the ability of a franchisor to designate sources of supply. The Federal Trade Commission, or the FTC, and some state laws also require that the franchisor furnish to prospective franchisees a franchise disclosure document that contains prescribed information and, in some instances, require the franchisor to register the franchise offering.

*Environmental Matters.* We are subject to federal, state and local environmental laws and regulations concerning the use of polystyrene products, and several counties in which our stores are located have already banned the use of our polystyrene cups. During 2012, we continued to make progress on certain eco-sustainability initiatives first launched in 2009, focusing on phasing out the use of polystyrene cups, as well as increasing the use of recyclable products, and reducing waste. Our new double-walled paper cup was launched in the U.S. during the summer of 2013, replacing our use of polystyrene cups. Our other green initiatives include the use of more environmentally friendly packaging for our cup carriers, oatmeal cups and lids, breakfast clear cups and lids, spoons and napkins, all of which are made from recycled material. We have also reduced the amount of corrugated cardboard used for bulk shipping, reduced labeling requirements, and reduced freight, resulting in lower fuel emissions. We have established several optimization programs to reduce waste, such as participation in recycling and composting programs for our food waste, where it is feasible for us to do so.

## **Trademarks and Domain Names**

The Company owns and/or has applied to register numerous trademarks and service marks in the United States and in other jurisdictions covering additional countries throughout the world. Some of the Company's trademarks, including Jamba Juice® and the Jamba logo are of material importance to the Company. The duration of trademark registrations varies from country to country. However, trademarks are generally valid and may be renewed indefinitely as long as they are in use and/or their registrations are properly maintained. In addition, the Company has registered and maintains numerous Internet domain names, including *jamba.com* and *jambajuice.com*.

TABLE OF CONTENTS

## **Management Information Systems**

Each Company Store has computerized point-of-sale registers which collect transaction data used to generate pertinent information, including sales transactions and product mix. Additionally, the point-of-sale system is used to authorize, batch and settle credit card data. All product prices are programmed into the point-of-sale register from the Company's corporate office. Franchise Stores generally use the same point-of-sale registers as Company Stores, but may elect to use alternative systems provided Company approval and certain information is shared with the Company. Franchisees set their own menu prices.

Company Stores use the Company's licensed labor management software to record employee time clock information, schedule labor, and provide management reports. Company Stores and many Franchise Stores use the Company's licensed food cost management software to improve inventory management and provide management reports.

Our continued focus on technological and procedural enhancements, in areas such as labor and inventory management, has relieved our store managers from manual administrative tasks and enables them to better focus on delivering exceptional customer service.

## **Seasonality**

Our business is subject to day-to-day volatility based on weather and varies by season. A significant portion of the Company's revenue is realized during the second and third quarters of the fiscal year, which include the summer months. The fourth quarter of the fiscal year, which encompasses the winter months and the holiday season, has traditionally been our lowest revenue volume quarter. Our business will likely continue to be subject to seasonal patterns for the foreseeable future, given that the largest portion of our sales continues to be from the sale of smoothies during the warmer parts of the year. Because of the seasonality of the business, results for an individual quarter are not necessarily indicative of the results which may be achieved for the full fiscal year.

## **Executive Officers**

Our executive officers, their respective ages and positions as of March 7, 2014, and descriptions of their business experience are set forth below. There are no family relationships among any of the executive officers named below.

### **James D. White, Chairman, President and Chief Executive Officer, age 53**

Mr. White has served as the Company's President and Chief Executive Officer since December 2008. He was appointed Chairman in May 2010. From 2005 to 2008, Mr. White was Senior Vice President of Consumer Brands for Safeway, Inc. with responsibility for brand strategy, innovation, manufacturing and commercial sales. From 2002 to 2005, Mr. White was Senior Vice President of Business Development, North America at the Gillette Company.

### **Karen L. Luey, Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Secretary, age 53**

Ms. Luey has served as the Company's Chief Financial Officer since August 2008, Executive Vice President, Chief Administrative Officer since May 2011, and Secretary since February 2012. She served as the Company's Senior Vice President from August 2008 to May 2011 and Principal Accounting Officer since April 2007. Ms. Luey joined Jamba Juice Company as Vice President and Controller in April 2007. From 2005 to 2007, Ms. Luey was Vice President, Corporate Controller, and Principal Accounting Officer of LeapFrog Enterprises.

## **Julie S. Washington, Senior Vice President and Chief Brand Officer, age 48**

Ms. Washington has served as Senior Vice President and Chief Brand Officer of Jamba Juice Company since January 2012. Ms. Washington joined Jamba Juice Company as Vice President and General Manager, Consumer Products in 2010. During 2008 to 2010, Ms. Washington was Vice President of Marketing at Luxottica Retail. From 2005 to 2007, Ms. Washington was North America Director of Shopper Marketing at Procter and Gamble.

TABLE OF CONTENTS

## **Chris Beeson, Senior Vice President, Operations, age 53**

Mr. Beeson has served as Senior Vice President, Store Operations of Jamba Juice Company since October 2013. Mr. Beeson served as Senior Vice President, Franchise Operations between July 2012 and October 2013. He joined Jamba Juice Company in November 2004, and previously served as the Company's Senior Vice President of Company Operations, Vice President of Company Operations and as Regional Director of Operations.

## **Employees**

As of December 31, 2013, we employed approximately 4,000 persons, approximately 200 of whom were at our corporate offices or part of our field, licensing, direct selling and franchise support and operations. The remainder of our team members was comprised of Company Store management and hourly store personnel. The Company also hires a significant number of seasonal team members during its peak selling season during the spring and summer. Our team members are not covered by a collective bargaining agreement. We consider our employee relations to be good. We place a priority on staffing our stores and support center positions with skilled team members who embrace our culture and invest in training programs to ensure the quality of our store operations.

## **Available Information**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available on our website at <http://ir.jambajuice.com>, free of charge as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the Securities and Exchange Commission (the "SEC"). The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information that we file electronically with the SEC at <http://www.sec.gov>. The public may also read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Investors may obtain information on the operation of the SEC Public Reference Room by calling the SEC at 1-800-SEC-0330. Our Corporate Governance Principles and Practices, Board of Directors committee charters (including the charters of the Audit Committee, Compensation and Executive Development Committee and Nominating and Governance Committee) and our code of ethics entitled "Code of Business Conduct and Ethics" also are available at that same location on our website. Information on our website is not incorporated into this annual report. Stockholders may request free copies of these documents from:

**Jamba, Inc.**  
c/o ICR, Inc.  
685 Third Avenue, 2<sup>nd</sup> Floor  
New York, NY 10017  
(646) 277-1212  
[investors@jambajuice.com](mailto:investors@jambajuice.com)

We included the certifications of the Chief Executive Officer and the Chief Financial Officer of Jamba, Inc. relating to the quality of our public disclosure, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related rules, in this Annual Report on Form 10-K as Exhibits 31.1 and 31.2 hereto.





TABLE OF CONTENTS

ITEM 1A.

RISK FACTORS

You should carefully consider the risks described below. If any of the risks and uncertainties described below actually occurs, our business, financial condition and results of operations could be materially and adversely affected. The risk factors listed below, however, are not exhaustive. Other sections of this Annual Report on Form 10-K include additional factors that could materially and adversely impact our business, financial condition and results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all of these factors on our business, financial condition or results of operation.

## **RISKS RELATED TO OUR BUSINESS**

### **We may not be successful in implementing our strategic priorities, which may have a material adverse impact on our business and financial results.**

In fiscal 2013 we implemented our strategic priorities under our BLEND Plan 3.0, which we believed necessary to support the Company's continued growth and long-term stockholder value. On January 13, 2014, we announced updates to our strategic priorities under the BLEND Plan 3.0, which we believe continues Jamba's path to a healthy, active lifestyle brand and creates long-term shareholder value, including:

Brand Activation and Leadership;  
Leverage an Innovation In-Store Experience;  
Expand Retail Footprint;  
New Product, Partners, Channels and Markets; and  
Design an Effective and Efficient Organization.

There can be no assurance that we will be able to continue to successfully implement these strategic priorities or whether these strategic priorities will be successful, and a failure of either could impede our growth and operating results.

### **We have a history of net losses and may incur losses in the future.**

We have incurred net losses in four of the last six fiscal years. We may continue to incur net losses in the future and we cannot assure you that we will ever sustain profitability.

### **A worsening of economic conditions or a decrease in consumer spending may substantially decrease our revenues and may adversely impact our ability to implement our business strategy.**

To a significant extent, our success depends on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. While there are signs that conditions may be improving, there is no certainty that this trend will continue or that credit and financial markets and confidence in economic conditions will not deteriorate again. Accordingly, we may experience declines in revenue during economic turmoil or during periods of uncertainty. Any material decline in the amount of discretionary spending, leading cost-conscious consumers to be more selective in restaurants visited, could have a material adverse effect on our revenue, results of operations, business and financial condition.

**The challenges of competing with the many food services businesses may result in reductions in our revenue and operating margins.**

We compete with many well-established companies, food service and otherwise, on the basis of taste, quality and price of product offered customer service, atmosphere, location and overall consumer experience. Our success depends, in part, upon the popularity of our products and our ability to develop new menu items that appeal to consumers across all four day-parts. Shifts in consumer preferences away from our products, our inability to develop new menu items that appeal to consumers across all day-parts, or changes in our menu that eliminate items popular with some consumers could harm our business. We compete with other smoothie and juice bar retailers, specialty coffee retailers, yogurt and ice cream shops, bagel shops, fast-food restaurants, delicatessens, cafés, take-out food service companies, supermarkets and convenience stores. Our

TABLE OF CONTENTS

competitors change with each of the four day-parts, ranging from coffee bars and bakery cafés to casual dining chains. Many of our competitors or potential competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in the market quicker than we can. In addition, aggressive pricing by our competitors or the entrance of new competitors into our markets, could reduce our revenue and operating margins.

**We are subject to risks associated with climate change and climate change regulation.**

Laws and regulations regarding climate change, energy usage and emissions controls may impact the Company directly through higher cost of goods. The potential impacts of climate change and climate change regulations are highly uncertain at this time, and the Company cannot anticipate or predict the material adverse effect on our financial condition, results of operations or cash flows as a result of climate change and climate change regulations.

**Our revenue is subject to volatility based on weather and varies by season.**

Seasonal factors cause our revenue to fluctuate from quarter to quarter. Because the majority of our revenue results from the sale of smoothies, our revenue is typically lower during the winter months and the holiday season and during periods of inclement weather (because fewer people choose cold beverages) and higher during the spring, summer and fall months (for the opposite reason).

**Fluctuations in various food and supply costs, particularly fruit and dairy, could adversely affect our operating results.**

Supplies and prices of the various products that we use to prepare our offerings can be affected by a variety of factors, such as weather, seasonal fluctuations, demand, politics and economics in the producing countries. These factors subject us to shortages or interruptions in product supplies, which could adversely affect our revenue and profits. In addition, the prices of fruit and dairy, which are the main products in our offerings, can be highly volatile. The quality of fruit we seek tends to trade on a negotiated basis, depending on supply and demand at the time of the purchase. An increase in pricing of any fruit that we use in our products could have a significant adverse effect on our profitability.

In addition, higher diesel and gasoline prices may affect our supply or transportation costs and may affect our profitability. Although we attempt to mitigate the risks of volatile commodity prices and allow greater predictability in pricing by entering into fixed price or to-be-fixed priced purchase commitments for a portion of our fruit and dairy requirements, we cannot assure you that these activities will be successful or that they will not result in our paying substantially more for our fruit supply than would have been required absent such activities. Declines in sales may also adversely affect our business to the extent we have long-term purchase commitments in excess of our needs.

**We are dependent upon a limited number of distributors for a significant amount of our food distribution for our Stores.**

For Company Stores, we maintain food distribution contracts primarily with one distributor, Systems Services of America ( SSA ), and a majority of Franchise Stores are serviced by The SYGMA Network, Inc. ( SYGMA ). Although we believe our relationships with these distributors will result in increased operation efficiencies and cost savings, we cannot assure you that we will be successful or that we will not have to pay substantially more for distributor services in the event SSA or SYGMA have operational problems. Should either distributor have operational problems, our operations could be adversely affected.

**We may face difficulties entering into new or modified arrangements with existing or new suppliers or new service providers.**

If we expand our operations into new geographic areas through new Company Stores, Franchise Stores and/or the JambaGO platform, or introduce new products with special manufacture, storage or distribution requirements, we may have to seek new suppliers and service providers or enter into new arrangements with existing ones. We may also encounter difficulties or be unable to negotiate pricing or other terms as favorable as those we currently enjoy, which could harm our business and operating results. For example, the potential growth in smaller format stores may cause the frequency of shipments to increase and the average number of cases per shipment to decrease, thereby increasing the Company's per case shipment costs.

TABLE OF CONTENTS

**The Company's success depends on the value of the Jamba Juice and Jamba brands.**

The Jamba Juice brand practice is to inspire and simplify healthy living. We believe we must preserve and grow the value of the Jamba Juice brand in order to be successful in building our business and particularly in building a consumer products growth platform primarily under the Jamba brand. Brand value is based in part on consumer perceptions, and the Jamba Juice brand has been highly rated in several recent brand studies. We intend to reinforce and extend these perceptions for the Jamba brand to help support our licensing efforts. Our brand building initiatives involve increasing our product offerings, opening new Franchise Stores, expanding the JambaGO and Jamba Smoothie Station platforms and entering into licensing arrangements to increase awareness of our brands and create and maintain brand loyalty. Our licensees are often authorized to use our logos and provide branded beverages, food and other products directly to customers. We provide training and support to, and monitor the operations of, these business partners, but the product quality and service they deliver may be diminished by any number of factors beyond our control, including financial pressures. We believe customers expect the same quality of products and service from our licensees as they do from us. Any shortcoming of one of our business partners, particularly an issue affecting the quality of the service experience or the safety of beverages or food, may be attributed by customers to us, thus damaging our reputation and brand value and potentially affecting our results of operations. If our brand building initiatives are unsuccessful, or if business incidents occur which erode consumer perceptions of our brand, then the value of our products may diminish and we may not be able to implement our business strategy.

**We may experience higher than anticipated costs in connection with the refresh and remodel of existing Company Stores.**

Updating the format and design of our Company Stores is important to maintaining a positive consumer association with the Jamba Juice brand. While we intend for such remodeling efforts to inure to the benefit of the Company, the associated costs may be higher than expected, and our revenues and expenses could be negatively impacted.

**We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business.**

Our intellectual property is material to the conduct of our business. Our ability to implement our business plan successfully depends in part on our ability to build further brand recognition using our trademarks, service marks, trade dress and other proprietary intellectual property, including our name and logos and the unique ambiance of our stores, both domestically and overseas. We have secured the ownership and rights to our marks in the United States and have filed or obtained registrations in select classes including restaurant services in most other significant foreign jurisdictions. We undertake similar efforts to protect our brands in other relevant consumer product categories in relevant jurisdictions. If our efforts to protect our intellectual property are inadequate, or if any third party misappropriates or infringes on our intellectual property, the value of our store brand and our consumer products brands may be harmed, which could have a material adverse effect on our business. While we have not encountered claims from prior users of intellectual property relating to restaurant services in areas where we operate or intend to conduct material operations in the near future, there can be no assurances that we will not encounter such claims. If so, this could harm our image, brands or competitive position and cause us to incur significant penalties and costs.

**Our business could be adversely affected by increased labor or healthcare costs. Self-insurance plan claims could materially impact our results.**

Labor is a primary component in the cost of operating our business. We compete with other employers in our markets for hourly workers and may become subject to higher labor costs as a result of such competition. We devote significant resources to recruiting and training our team members. A considerable number of the team members employed by us are paid at rates related to the federal minimum wage. In 2009, the federal minimum wage increased to \$7.25 per hour. Additionally, many of our Company Store team members work in stores located in states where the minimum wage is greater than the federal minimum wage and receive compensation equal to the state's minimum wage. The current California minimum wage is \$8.00 per hour, and it will increase to \$9.00 per hour effective July 1, 2014, and to \$10.00 per hour effective January 1, 2016.

## TABLE OF CONTENTS

Moreover, municipalities may set minimum wages above the applicable state standards, such as in San Francisco, which raised the minimum wage to \$10.74 per hour as of January 1, 2014. Any further increases in the federal minimum wage or the enactment of additional state or local minimum wage increases where our employees may be located will increase our labor costs. Competition for employees in various markets could also result in higher required wage rates. Furthermore, the Company is self-insured for employee healthcare and dental benefits. The Company pays a substantial part of the healthcare benefits for team members at the general manager level and above and for those working at the Company's corporate office. Liabilities associated with the risks that the Company retains are estimated in part, by considering historical claims experience, demographic factors, severity factors, and other actuarial assumptions. The estimated accruals for these liabilities are based on statistical analyses of historical industry data as well as the Company's actual historical trends. If actual claims experience differs from the Company's assumptions, historical trends, and estimates, changes in the Company's insurance reserves could materially impact our results of operations.

The Patient Protection and Affordable Care Act enacted in 2010, as well as other healthcare reform legislation being considered by Congress and state legislatures, may have a material adverse impact on our business. We are currently evaluating the potential effects of the Patient Protection and Affordable Care Act on our business. Due to provisions requiring phasing-in over time, changes to our healthcare costs structure could have a significant, negative impact on our future business.

### **We are subject to all of the risks associated with leasing space subject to long-term non-cancelable leases.**

We and our franchisees compete for real estate and our or their inability to secure appropriate real estate or lease terms could impact our respective abilities to grow. Our leases generally have initial terms of between five and 15 years, and generally can be extended only in five-year increments if at all. We generally cannot cancel these leases. If an existing or new store is not profitable, and we decide to close it, as we have done in the past and may do in the future, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Additionally, because we sublease the premises of Company Stores sold to franchisees in our refranchising program, we are still legally liable to the landlords under the prime leases, and we will need to assume obligations under the prime lease should a franchisee default on its sublease obligations. Current locations of our stores and franchised locations may become unattractive as demographic patterns change. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could require us to close stores in desirable locations.

### **Our business and results may be subject to disruption from work stoppages, terrorism or natural disasters.**

Our operations may be subject to disruption for a variety of reasons, including work stoppages, acts of war, terrorism, pandemics, fire, earthquake, flooding or other natural disasters. These disruptions can result in, among other things, lost sales when consumers stay home or are physically prevented from reaching our stores, property damage, lost sales when our stores are forced to close for extended periods of time and interruptions in supply when vendors suffer damages or transportation is affected. In addition, our corporate offices and support center is located in Northern California near known earthquake fault lines. If a major earthquake or other natural disaster were to occur in Northern California, our corporate offices and support center may be damaged or destroyed. Such a disruption could result in the temporary or permanent loss of critical data, suspension of operations, delays in shipments of product, and disruption of business in both the affected region and nationwide, which would adversely affect our revenue and results of operations.

We are subject to all of the risks associated with leasing space subject to long-term non-cancelable lease40



**The unexpected loss of one or more members of our executive management team could adversely affect our business.**

Our success depends substantially on the contributions and abilities of our executive management team and other key employees. We believe that these individuals understand our operational strategies and priorities and the steps necessary to drive our long-term growth and stockholder value. Competition for personnel in our industry is strong and the ability to retain key employees during a revitalization effort can be difficult. While we have entered into employment agreements with each of our executive officers, we cannot make any assurances that we can retain these individuals for the period necessary for us to achieve and sustain profitability. Our failure to continue to recruit, retain, and motivate executive management and other key

TABLE OF CONTENTS

employees sufficient to maintain a competitive position within our industry and to implement our strategic priorities would adversely affect our results of operations.

**We are highly dependent on the financial performance of stores concentrated in certain geographic areas.**

Our financial performance is highly dependent on stores located in California. Stores located in California comprise over 93% of Company Stores and generate a significant portion of our Company Store revenue. These stores also comprise over 28% of our total system stores. In recent years, California and other states have experienced significant negative economic impact due to the distressed economic climate. If geographic regions in which we have a high concentration of stores continue to experience significant economic pressures, our sales and operating results could be negatively impacted. In addition, state and local laws, government regulations, weather conditions and natural disasters affecting California and other regions where we have a high concentration of stores may have a material impact upon our operating results.

**We may not realize the anticipated benefits of any acquisitions, joint ventures and strategic investments.**

We expect to continue to evaluate and consider a wide array of potential strategic transactions, including acquisitions, joint ventures and strategic investments. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations. We may not realize the anticipated benefits of any or all of our acquisitions, joint ventures or strategic investments, or we may not realize them in the time frame expected. Future acquisitions, joint ventures or strategic investments may require us to issue additional equity securities, spend a substantial portion of our available cash, or incur debt or liabilities, amortize expenses related to intangible assets or incur write-offs of goodwill, which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders.

**Governmental regulation may adversely affect our ability to open new stores or otherwise adversely affect our existing and future operations and results.**

We and our franchisees are subject to various federal, state and local regulations. Each of our stores is subject to state and local licensing and regulation by health, sanitation, food and workplace safety and other agencies. We and our franchisees may experience material difficulties or failures in obtaining the necessary licenses or approvals for new stores, which could delay planned store openings. In addition, stringent and varied requirements of local regulators with respect to zoning, land use and environmental factors could delay or prevent development of new stores in particular locations.

Our operations are also subject to the U.S. Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, along with the U.S. Americans with Disabilities Act, family leave mandates and a variety of similar laws enacted by the states that govern these and other employment law matters. In recent years, there has been an increased legislative, regulatory and consumer focus on nutrition and advertising practices in the food industry. Establishments operating in the quick-service and fast-casual segments have been a particular focus, and compliance with additional regulations can become costly and affect our operating results.

**Our federal, state and local tax returns may, from time to time, be selected for audit by the taxing authorities, which may result in tax assessments, interest or penalties that could have a material adverse impact on our results of operations and financial position.**

We are subject to federal, state and local taxes in the U.S. In making tax estimates and paying taxes, significant judgment is often required. Although we believe our tax positions and estimates are reasonable, if a taxing authority disagrees with the positions taken by the Company, we could have an additional tax liability, including interest and penalties. If material, payment of such additional amounts could have a material impact on our results of operations and financial position.

**We rely heavily on information technology and a material failure of that technology could impair our ability to efficiently operate our business.**

Our business operations rely heavily on information systems, including point-of-sale processing in our stores, management of our supply chain and distribution system, vendor and franchisee invoicing, and various

## TABLE OF CONTENTS

other processes and procedures. The efficient management of our business depends significantly on the reliability and capacity of these systems, and any related failure and/or breach of security could cause delays in customer service and reduce efficiency in our operations. Significant capital investments might be required to remediate any problems.

### **Failure to protect the integrity and security of individually identifiable data of customers, vendors or employees could expose us to data loss, litigation and liability, and our reputation could be significantly harmed.**

Our business operations might require us to process and/or maintain certain personal, business and financial information about customers, vendors and employees. The use of such information by us is regulated by federal, state and foreign laws, as well as certain third party agreements. If our security and information systems are compromised or if our employees or franchisees fail to comply with the applicable laws and regulations, and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation and result in litigation and settlement costs, damage awards, or penalties and fines. As privacy and information security law and regulations change, we may incur additional costs to ensure that we remain in compliance.

### **A failure or breach of our security systems or infrastructure as a result of cyber-attacks could disrupt our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and cause losses.**

Information security risks have significantly increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. These threats may derive from fraud or malice on the part of our employees or third parties, or may result from human error or accidental technological failure. These threats include cyber-attacks such as computer viruses, malicious code, phishing attacks or information security breaches.

To date, we have not experienced any material impact relating to cyber-attacks or other information security breaches.

Any actual attacks could lead to damage to our reputation, additional costs (such as repairing systems and investigation or compliance costs), penalties, financial losses to both us and our customers and partners and the loss of customers and business opportunities. If such attacks are not detected immediately, their effect could be compounded.

As cyber-threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Any of the risks described above could materially adversely affect our overall business and results of operations.

## **RISKS RELATED TO OUR FRANCHISE BUSINESS**

### **Our growth strategy depends on increasing franchise ownership.**

Because our current growth strategy is to emphasize Franchise Store development, we receive an increasingly significant amount of our revenues in the form of royalties from our franchisees. Accordingly, the success of our business is increasingly dependent upon the operational and financial success of our franchisees. This strategy is subject to risks and uncertainties. While our franchise agreements set forth certain operational standards and guidelines, we have limited control over how our franchisees' businesses are run, and any significant inability of our

We rely heavily on information technology and a material failure of that technology could impair our ability to efficiently

franchisees to operate successfully could adversely affect our operating results through decreased royalty payments.

We may not be able to identify franchisee candidates with appropriate experience and financial resources or to negotiate mutually acceptable agreements with those that do. Our franchisee candidates may not have access to the financial or management resources that they need to open or continue operating the stores contemplated by their franchise agreements with us. In addition, franchisees may not be able to find suitable sites on which to develop new stores or negotiate acceptable lease terms for the sites, obtain the necessary permits and government approvals or meet construction schedules. If our franchisees incur too much debt or if economic or sales trends deteriorate such that they are unable to repay existing debt, it could result in financial distress or even possible insolvency or bankruptcy. Some of our franchisees experienced financial pressures during fiscal 2013. If a significant number of our franchisees become financially distressed, this could harm our operating results through reduced or delayed royalty payments or increased rent obligations for leased properties on which we are contingently liable.

TABLE OF CONTENTS

**Expansion into new geographic markets may present increased risks.**

Franchise growth is planned in new geographic areas in the United States and select international markets for fiscal 2014. Our future results, and the results of new Franchise Stores, depend on various factors, including successful selection and expansion into these new geographic markets and market acceptance of the Jamba Juice experience. Those markets may have different competitive conditions, consumer tastes and discretionary spending patterns as compared to existing markets. As a result, those new stores may be less successful than stores in our existing markets.

Consumers in a new market may not be familiar with the Jamba Juice brand, and we may need to build brand awareness in that market through greater investments in advertising and promotional activity than we originally planned. Franchisees may find it more difficult in new markets to hire, motivate and keep qualified employees who can project our vision, passion and culture. Stores opened in new markets may also have lower average store revenue than stores opened in existing markets, and may have higher construction, occupancy or operating costs than stores in existing markets. Furthermore, we may have difficulty in finding reliable suppliers or distributors or ones that can provide us, either initially or over time, with adequate supplies of ingredients meeting our quality standards. Revenue at stores opened in new markets may take longer to increase and reach expected revenue levels, and may never do so, thereby affecting our overall royalty income. As with the experience of other retail food concepts that have tried to expand nationally and internationally, we may find that the Jamba Juice concept has limited appeal to customers in new markets or we may experience a decline in the popularity of the Jamba Juice experience. Newly opened stores may not succeed, future markets and stores may not be successful and, even if we are successful, our average store revenue, and the royalty income generated therefrom, may not increase and may even decline.

**Our efforts to expand internationally may not be successful and could impair the value of our brand.**

Our current strategy includes international expansion in a number of countries around the world. Expanding into international markets will expose us to new risks and uncertainties, including product supply, import/export limitations and regulations to which we are not currently bound and may not be currently set up to handle, consumer preferences, occupancy costs, operating expenses and labor and infrastructure challenges. If stores open in international markets and such stores are unable to source inventory locally, franchisees may be required to import inventory from our U.S. distributors and any resulting import duties, tariffs, transportation or other charges may disproportionately impact such stores' cost of goods which could harm the viability of such stores. Finally, international operations have inherent risks such as foreign currency exchange rate fluctuations, the application and effect of local laws and regulations and enforceability of intellectual property and contract rights. Additionally, effectively managing growth can be challenging, particularly as we continue to expand into new international markets where we must balance the need for flexibility and a degree of autonomy for local management against the need for consistency with our goals, philosophy and standards. Failure of our international expansion strategy could have a material adverse impact on our results of operations.

**Termination or non-renewal of franchise agreements may disrupt store performance.**

Each franchise agreement is subject to termination by us in the event of default by the franchisee after the applicable cure period. Upon the expiration of the initial term of a franchise agreement, the franchisee generally has an option to renew for an additional term. There is no assurance that franchisees will meet the criteria for renewal or will desire or be able to renew their franchise agreements. If not renewed, a franchise agreement and payments required thereunder will terminate. We may be unable to find a new franchisee to replace such lost revenue. Furthermore, while we will be

entitled to terminate franchise agreements following a default that is not cured within the applicable cure period, if any, the disruption to the performance of the stores could materially and adversely affect our business.

**Our franchisees could take actions that harm our reputation and reduce our royalty revenue.**

While we have franchise agreements in place with our franchisees that provide certain operational requirements, we do not exercise control over the day-to-day operations of our Franchise Stores. Any operational or development shortcomings of our Franchise Stores, including their failure to comply with

## TABLE OF CONTENTS

applicable laws, are likely to be attributed to our system-wide operations in the eyes of consumers and could adversely affect our reputation and have a direct negative impact on the royalty revenue we receive from those stores.

### **We could face liability from our franchisees and from government agencies.**

A franchisee or government agency may bring legal action against us based on the franchisor/franchisee relationship. Various state and federal laws govern our relationship with our franchisees and our potential sale of a franchise. If we fail to comply with these laws, we could be liable for damages to franchisees, fines or other penalties. Expensive litigation with our franchisees or government agencies may adversely affect both our profits and our important relations with our franchisees.

## **RISKS RELATED TO THE FOOD SERVICE BUSINESS**

### **Litigation and publicity concerning food quality, health claims, and other issues can result in liabilities, increased expenses, distraction of management, and can also cause customers to avoid our products, which could adversely affect our results of operations, business and financial condition.**

Food service businesses can be adversely affected by litigation and complaints from customers or government authorities resulting from food quality, health claims, allergens, illness, injury or other health concerns or operating issues stemming from one retail location or a number of retail locations. Adverse publicity about these allegations may negatively affect us, regardless of whether the allegations are true, by discouraging customers from buying our products.

Our customers occasionally file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered at or after a visit to our stores, or that we have problems with food quality or operations. We are also subject to a variety of other claims arising in the ordinary course of our business, including false advertising claims, personal injury claims, contract claims and claims alleging violations of federal and state law regarding workplace and employment matters, discrimination and similar matters, and we could become subject to class action or other lawsuits related to these or different matters in the future. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment significantly in excess of our insurance coverage, or for which we are not covered by insurance, could materially and adversely affect our financial condition or results of operations. Any adverse publicity resulting from these allegations may also materially and adversely affect our reputation or prospects, which in turn could adversely affect our results.

In addition, the food services industry has been subject to a growing number of claims based on the nutritional content of food products they sell, and disclosure and advertising practices. We may also be subject to this type of proceeding in the future and, even if not, publicity about these matters (particularly directed at the quick-service and fast-casual segments of the industry) may harm our reputation or prospects and adversely affect our results.

We are also impacted by trends in litigation, including class-action allegations brought under various consumer protection and employment laws, including wage and hour laws. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business, financial condition and results of operations. In

Our franchisees could take actions that harm our reputation and reduce our royalty revenue.



addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that we devote substantial resources to defend our Company and could affect the future premiums we would be required to pay on our insurance policies. Further, changes in governmental regulations could have adverse effects on our business and subject us to additional regulatory actions.

**Food safety concerns and instances of food-borne illnesses could harm our customers, result in negative publicity and cause the temporary closure of some stores and, in some cases, could adversely affect the price and availability of fruits and vegetables, any of which could harm our brand reputation, result in a decline in revenue or an increase in costs.**

We consider food safety a top priority and dedicate substantial resources toward ensuring that our customers enjoy high-quality, safe and wholesome products. However, we cannot guarantee that our internal

## TABLE OF CONTENTS

controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents (such as e. coli, hepatitis A, salmonella or listeria) could occur outside of our control and at multiple locations. Instances of food-borne illnesses, whether real or perceived, and whether at our stores or those of our competitors, could harm customers and otherwise result in negative publicity about us or the products we serve, which could adversely affect revenue. If there is an incident involving our stores serving contaminated products, our customers may be harmed, our revenue may decrease and our brand name and reputation may be impaired. If our customers become ill from food-borne illnesses, we could be forced to temporarily close some stores. In addition, we may have different or additional competitors for our intended customers as a result of making any such changes and may not be able to compete successfully against those competitors. Food safety concerns and instances of food-borne illnesses and injuries caused by food contamination have in the past, and could in the future, adversely affect the price and availability of affected ingredients and cause customers to shift their preferences, particularly if we choose to pass any higher ingredient costs along to consumers. As a result, our costs may increase and our revenue may decline. A decrease in customer traffic as a result of these health concerns or negative publicity, or as a result of a change in our menu or dining experience or a temporary closure of any of our stores, could materially and adversely impact our business, financial condition and results of operations.

## **RISKS RELATED TO OWNERSHIP OF COMMON STOCK**

### **Failure of the Company's internal control over financial reporting could harm its business and financial results.**

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes: (i) maintaining reasonably detailed records that accurately and fairly reflect our transactions; and (ii) providing reasonable assurance that we (a) record transactions as necessary to prepare the financial statements, (b) make receipts and expenditures in accordance with management authorizations, and (c) would timely prevent or detect any unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure could cause an immediate loss of investor confidence in us and a sharp decline in the market price of our common stock.

### **Our anti-takeover provisions may delay or prevent a change of control of us, which may adversely affect the price of our common stock.**

Certain provisions in our corporate documents and Delaware law may delay or prevent a change of control of us, which could adversely affect the price of our common stock. For example, we have adopted a stockholder rights plan, commonly known as a poison pill, which would make it difficult for someone to acquire the Company without the approval of the Board of Directors. Also, the Company's amended and restated certificate of incorporation and bylaws include other anti-takeover provisions such as:

limitations on the ability of stockholders to amend our charter documents, including stockholder supermajority voting requirements;  
the inability of stockholders to act by written consent or to call a special meeting absent the request of the holders of a majority of the outstanding common stock; and  
advance notice requirements for nomination for election to the board of directors and for stockholder proposals.  
The Company is also afforded the protections of Section 203 of the Delaware General Corporation Law which prevents it from engaging in a business combination with a person who acquires at least 15% of its

TABLE OF CONTENTS

common stock for a period of three years from the date such person acquired such common stock, unless board of directors or stockholder approval is obtained.

**Our stock price may fluctuate significantly.**

The trading price of our common stock has been volatile and is likely to continue to be volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors. The stock market has experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies. Broad market factors, including the effect of international political instability, armed conflict, natural disasters, financial markets, and general economic conditions, may have a material adverse effect on our stock price, regardless of our actual performance.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

None.

TABLE OF CONTENTS

## ITEM 2.

## PROPERTIES

The Company's corporate headquarters is located at 6475 Christie Avenue, Emeryville, California. This facility is occupied under a lease for approximately 37,000 square feet, at a cost of approximately \$1.2 million per year and has a lease term that expires on January 31, 2017.

The Company, including our franchisees, currently operates all of its stores under leases and typically signs five to 15 year leases. The Company does not intend to purchase real estate for any of its sites in the future. The Company believes that the size and flexibility of its format provide it with a competitive advantage in securing sites. At December 31, 2013, the Company served its customers primarily through a combination of Company Stores, Franchise Stores and International Stores in 35 different States, the District of Columbia, South Korea, Canada, and the Philippines.

	Store Count as of December 31, 2013		
	Company Stores	Franchise & International Stores	Total
United States			
Arizona		33	33
California	252	153	405
Colorado		24	24
Connecticut		1	1
Delaware		1	1
District of Columbia		2	2
Florida		19	19
Georgia		3	3
Hawaii		32	32
Idaho		9	9
Illinois		37	37
Indiana		3	3
Kansas		1	1
Kentucky		3	3
Louisiana		3	3
Maryland		3	3
Massachusetts		3	3
Michigan		1	1
Minnesota		8	8
Missouri		1	1
Montana		1	1
North Carolina		4	4
New Jersey	1	7	8
Nevada		16	16
New York	15	14	29
Ohio		4	4
Oklahoma		8	8
Oregon		24	24
Pennsylvania		4	4
Tennessee		2	2

Edgar Filing: JAMBA, INC. - Form 10-K

Texas	43	43
Utah	23	23
Virginia	4	4
Washington	37	37
Wisconsin	3	3

25

---

TABLE OF CONTENTS

	Store Count as of December 31, 2013		
	Company Stores	Franchise & International Stores	Total
Wyoming		1	1
Total in United States	<b>268</b>	<b>535</b>	<b>803</b>
International			
South Korea		27	27
The Philippines		9	9
Canada		12	12
Total International		<b>48</b>	<b>48</b>
Grand Total	<b>268</b>	<b>583</b>	<b>851</b>

## ITEM 3.

## LEGAL PROCEEDINGS

The Company is party to various legal proceedings arising in the ordinary course of its business, but it is not currently a party to any legal proceeding that management believes would have a material adverse effect on the consolidated financial position or results of operations of the Company.

## ITEM 4.

## MINE SAFETY DISCLOSURE

Not applicable.

TABLE OF CONTENTS

**PART II**

ITEM MARKET FOR JAMBA, INC. S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

The shares of Jamba, Inc. common stock are currently quoted on the NASDAQ Global Market under the symbol JMBA.

The closing price per share of Jamba, Inc. common stock as reported on the NASDAQ Global Market on March 3, 2014, was \$12.55.

The following table sets forth, for the fiscal quarter indicated, the quarterly high and low closing sales prices of our shares of common stock as reported on the NASDAQ Global Market, as applicable, for each quarter during the last two fiscal years.

	Common Stock	
	High	Low
2012 First Quarter	11.05	6.60
2012 Second Quarter	10.50	9.00
2012 Third Quarter	14.20	11.15
2012 Fourth Quarter	12.10	9.10
2013 First Quarter	15.00	11.75
2013 Second Quarter	17.43	12.80
2013 Third Quarter	16.38	12.70
2013 Fourth Quarter	13.70	10.66

We have not historically paid any cash dividends on our common stock. We intend to continue to retain earnings, to the extent we have earnings, for use in the operation and expansion of our business, and therefore do not anticipate paying any cash dividends on our common stock in the foreseeable future.

As of March 3, 2014, there were 91 holders of record of our common stock.



TABLE OF CONTENTS

## **Performance Graph**

The following graph compares our cumulative total stockholder return since December 30, 2008 with the cumulative total return of (i) the NASDAQ Composite Index, (ii) the Russell 2000 Index and (iii) Russell MicroCap Index. The graph assumes that the value of the investment in our common stock and each index (including reinvestment of dividends) was \$100 on December 30, 2008. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

TABLE OF CONTENTS

## ITEM 6. SELECTED FINANCIAL DATA

The table below summarizes the Company's recent financial information. The historical information was derived from the consolidated financial statements of Jamba, Inc. and subsidiary for the fiscal years ended December 31, 2013, January 1, 2013, January 3, 2012, December 28, 2010 and December 29, 2009. The data set forth below should be read in conjunction with the consolidated financial statements and notes thereto in Item 8 and with Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

**(In thousands, except share data and per share amounts)**  
**Statements of Operations Data**

	Fiscal Year Ended December 31, 2013 <sup>(2)</sup>	Fiscal Year Ended January 1, 2013 <sup>(2)</sup>	Fiscal Year Ended January 3, 2012 <sup>(1)(2)</sup>	Fiscal Year Ended December 28, 2010 <sup>(2)</sup>	Fiscal Year Ended December 29, 2009 <sup>(2)</sup>
Revenue:					
Company stores	\$212,887	\$215,125	\$214,837	\$254,491	\$295,607
Franchise and other revenue	16,362	13,664	11,597	8,162	6,030
Total revenue	229,249	228,789	226,434	262,653	301,637
Costs and operating expenses (income):					
Cost of sales	52,211	50,215	49,503	61,307	72,669
Labor	62,015	63,086	67,868	85,189	100,589
Occupancy	29,350	29,473	31,092	38,561	43,888
Store operating	34,986	33,612	32,847	38,358	38,734
Depreciation and amortization	10,974	11,062	12,463	14,610	18,271
General and administrative	37,771	40,771	37,798	37,262	37,044
Store pre-opening	880	604	965	648	516
Impairment of long-lived assets	728	711	1,291	2,778	12,639
Store lease termination and closure	148	421	721	4,255	1,234
Other operating, net	(2,182 )	(1,779 )	210	(4,292 )	(3,840 )
Total costs and operating expenses	226,881	228,176	234,758	278,676	321,744
Income (loss) from operations	2,368	613	(8,324 )	(16,023 )	(20,107 )
Other (expense) income:					
Gain on derivative liabilities					1,597
Interest income	9	61	159	73	404
Interest expense	(242 )	(217 )	(473 )	(547 )	(6,905 )
Total other expense	(233 )	(156 )	(314 )	(474 )	(4,904 )
Income (loss) before income taxes	2,135	457	(8,638 )	(16,497 )	(25,011 )
Income tax (expense) benefit	(55 )	(155 )	340	(159 )	1,066
Net income (loss)	2,080	302	(8,298 )	(16,656 )	(23,945 )
Preferred stock dividends and deemed dividends	(588 )	(2,181 )	(2,331 )	(4,077 )	(1,860 )
Net income (loss) available (attributable) to stockholders	\$1,492	\$(1,879 )	\$(10,629 )	\$(20,733 )	\$(25,805 )
Weighted-average shares used in the computation of earnings (loss) per					

Edgar Filing: JAMBA, INC. - Form 10-K

share:					
Basic	16,793,235	14,139,888	13,262,131	11,742,299	10,726,460
Diluted	17,222,030	14,139,888	13,262,131	11,742,299	10,726,460
Earnings (loss) per share:					
Basic	\$0.09	\$(0.13)	\$(0.80)	\$(1.77)	\$(2.41)
Diluted	\$0.09	\$(0.13)	\$(0.80)	\$(1.77)	\$(2.41)

---

TABLE OF CONTENTS

(1) Fiscal year ended January 3, 2012 contains the results of operations for 53 weeks.

(2) Share and per share data have been adjusted for all periods presented to reflect a five-for-one reverse stock split effective May 31, 2013.

**Selected Balance Sheet Data (at period end)**

	December 31, 2013	January 1, 2013	January 3, 2012	December 28, 2010	December 29, 2009
Cash and cash equivalents	\$ 32,386	\$ 31,486	\$ 19,607	\$ 29,024	\$ 28,757
Total assets	97,916	93,613	88,293	100,054	125,818
Total liabilities	71,074	72,101	68,109	72,112	80,213
Series B redeemable preferred stock		7,916	17,880	20,554	31,069
Total stockholders' equity	26,842	13,596	2,304	7,388	14,536
Total liabilities and stockholders' equity	97,916	93,613	88,293	100,054	125,818

**KEY FINANCIAL METRICS**

Management reviews and discusses its operations based on both financial and non-financial metrics. Among the key financial metrics upon which management focuses is reviewing its performance based on the Company's consolidated GAAP results, including Company Store comparable sales.

Company Store comparable sales represents the change in year-over-year sales for all Company Stores opened for at least one full fiscal year.

The following table sets forth operating data that do not otherwise appear in our consolidated financial statements as of and for the fiscal years ended December 31, 2013 and January 1, 2013:

	Fiscal Year Ended	
	December 31, 2013	January 1, 2013
Percentage change in Company Store comparable sales <sup>(1)</sup>	0.5 %	5.1 %
Total Company Stores	268	301
Total Franchise Stores - Domestic	535	473
Total International Stores	48	35
Total Stores	851	809

Percentage change in Company Store comparable sales compares the sales of Company Stores during the full fiscal year ended to the sales from the same Company Stores for the equivalent period in the prior year. A Company Store is included in this calculation after its first full fiscal year of operations. Sales from Franchise and International Stores are excluded in the Company Store comparable sales.

The following table sets forth certain data relating to Company Stores, Franchise Stores and International Stores for the periods indicated:

Fiscal year ended

Edgar Filing: JAMBA, INC. - Form 10-K

	December 31, 2013	January 1, 2013	January 3, 2012
Company Stores:			
Beginning of year	301	307	351
Company Stores opened	2	1	9
Company Stores closed	(4 )	(6 )	(11 )
Company Stores sold to franchisees	(31 )	(1 )	(42 )
Total Company Stores	268	301	307

30

---

TABLE OF CONTENTS

	Fiscal year ended		
	December 31, 2013	January 1, 2013	January 3, 2012
Franchise Stores Domestic:			
Beginning of year	473	443	391
Franchise Stores opened	52	39	22
Franchise Stores closed	(21 )	(10 )	(12 )
Franchise Stores purchased from Company	31	1	42
Total Franchise Stores Domestic	535	473	443

	Fiscal year ended		
	December 31, 2013	January 1, 2013	January 3, 2012
International Stores:			
Beginning of year	35	19	1
International Stores opened	15	19	18
International Stores closed	(2 )	(3 )	
Total International Stores	48	35	19

31

TABLE OF CONTENTS

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis in conjunction with Part II, Item 6 Selected Financial Data and our audited consolidated financial statements and the related notes thereto included in Item 8 Financial Statements and Supplementary Data. In addition to historical consolidated financial information, this discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Actual results could differ from these expectations as a result of factors including those described under Item 1A, Risk Factors, Special Note Regarding Forward-Looking Statements and elsewhere in this Form 10-K.*

**JAMBA, INC. OVERVIEW**

Jamba, Inc. through its wholly-owned subsidiary, Jamba Juice Company, is a healthy, active lifestyle brand with a global business driven by a portfolio of company-owned and franchised Jamba Juice stores, innovative product platforms that utilize our JambaGO and Jamba Smoothie Station formats, and Jamba-branded consumer packaged goods ( CPG ). As a leading better-for-you, specialty food and beverage brand, Jamba offers great tasting, whole fruit smoothies, fresh squeezed juices and juice blends, hot teas, and a variety of food items including, hot oatmeal, breakfast wraps, sandwiches, Artisan Flatbreads™, baked goods and snacks in our restaurants. Jamba Juice Company expanded the Jamba brand by direct selling of CPG products and licensing its trademark.

Jamba, Inc. was incorporated in January 2005, and went public through an initial public offering later that year. In November 2006, the Company completed its acquisition of Jamba Juice Company, which first began operations in 1990. As of December 31, 2013, there were 851 Jamba Juice stores globally, consisting of 268 Company-owned and operated stores ( Company Stores ), 535 franchise-operated stores ( Franchise Stores ) in the United States, and 48 franchise-operated stores at international locations ( International Stores ).

**Fiscal Year**

Our fiscal year ends each year on the Tuesday closest to December 31<sup>st</sup> and therefore we have a 52 or 53 week fiscal year. This is the second fiscal year the Company's results are being reported on the basis of four 13 week fiscal quarters which result in 12 fiscal periods. In a 53 week fiscal year, the fourth fiscal quarter has 14 weeks. The first and second periods of the fiscal quarters have four weeks each and the third period of each fiscal quarter has five or six weeks. In fiscal 2011 and prior fiscal years, the first fiscal quarter had sixteen weeks, the second and third quarters had twelve weeks each, and the fourth quarter had twelve or thirteen weeks. Unless otherwise stated, references to years in the report relate to fiscal years rather than to calendar years. The following fiscal periods are presented in this report.

Fiscal Period	Period Covered	Weeks
Fiscal Year 2013	January 2, 2013 to December 31, 2013	52
Fiscal Year 2012	January 4, 2012 to January 1, 2013	52
Fiscal Year 2011	December 29, 2010 to January 3, 2012	53

All references to store counts, including data for new store openings, are reported net of related store closures, unless otherwise noted.

**EXECUTIVE OVERVIEW**

## Key Overall Strategies

Our BLEND Plan continues to guide the Company's strategic plan to transform Jamba into a globally recognized healthy, active lifestyle brand. Since the introduction of the BLEND Plan in 2009, we successfully completed our financial and strategic turnaround (BLEND Plan 1.0) and accelerated our growth as a healthy, active lifestyle brand (BLEND Plan 2.0). Our BLEND Plan 3.0, launched in fiscal 2013, provides continuity and is the blueprint for focusing our resources on initiatives that will strengthen our total brand value.

We believe our BLEND Plan supports the Company's mission to build Jamba into a global lifestyle brand with \$1 billion in total retail sales from all businesses by the end of 2015, to be reached by offering



## TABLE OF CONTENTS

consumers differentiated products and experiences at Jamba Juice stores and through other retail distribution channels. During fiscal 2013, we focused on strengthening our total brand value through brand building and total innovation, accelerating our overall growth by solidifying our underlying infrastructure and business model in pursuit of our mission.

The important drivers for fiscal 2014 will be our growth initiatives including our whole food blending and premium juice platforms, rapid global growth, leveraging our JambaGO opportunities and the pursuit of system-wide cost savings in order to improve profitability. Our focus for 2014 will be centered on Whole Food Nutrition which encompasses blending juices, whole fruits and vegetables into convenient and nutritious beverages. Jamba intends to launch integrated programs that deliver outstanding customer service and that provide our team members with superior product knowledge.

During 2013, we focused on transforming Jamba into a globally recognized healthy, active lifestyle brand, strengthening our total brand value through brand building and total innovation, and on establishing consistent organic growth in revenue, earnings and profitability.

We had a successful but challenging year in 2013. We made progress on several key priorities to strengthen our brand with successful juice and smoothie innovations and engaging marketing programs with strategic partners including Disney and ISIS. We also expanded our global retail store growth, added new channel strength and continued to explore new ways to reduce costs and improve productivity. Our opportunities included a combination of reduced consumer spending, adverse weather in key markets and heightened competition. We took actions and implemented changes in 2013 that we believe will have meaningful impact in accelerating our growth in 2014.

During 2013, Company Stores comparable sales growth was 0.5%, primarily due to increase in average check of 2.4%, partially offset by a decrease in traffic of 1.9%. We experienced Company Store comparable sales growth, resulting in two consecutive fiscal years of Company Store comparable sales growth. Contributing to the increase in Company Store comparable sales were our continued product and menu innovation across all day-parts, our engaging marketing programs, and accelerated retail growth across the system.

We opened 69 stores globally, including 25 Smoothie Stations, and added over 1,000 JambaGO units to retail store cafes at Target Stores across the United States. We also sold 31 Company Stores to franchisees, who are operating the stores as Franchise Stores. As a result, at December 31, 2013, the system is comprised of approximately 69% Franchise and International Store locations and 31% Company Store locations.

## **Fiscal 2013 Financial Summary**

Net income was \$2.1 million compared to \$0.3 million for the prior year.

Company Stores comparable sales increased 0.5% for the year compared to the prior year, reflecting a third consecutive fiscal year comparable store sales growth.

System-wide comparable sales decreased 0.1% and Franchise Store comparable sales decreased 0.6% for the year compared to the prior year. System-wide and Franchise Store comparable store sales are non-GAAP financial measures and represent the change in year-over-year sales for all Company and Franchise Stores (system-wide) and for all Franchise Stores, respectively, opened for at least one full fiscal year.

Total revenue for the year decreased 0.2% to \$229.2 million from \$228.8 million for the prior year, primarily due to the net reduction in the number of Company Stores partially offset by the 0.5% increase in Company Store comparable sales and increased CPG branded product revenues.

General and administrative expenses decreased 7.4% to \$37.8 million for the year compared to \$40.8 million for the prior year.

Income from operations was \$2.4 million and operating margin was 1.0% for the year.

33

---

## TABLE OF CONTENTS

Franchisees opened 67 new Jamba Juice stores, globally; 52 new Franchise Stores, which included 25 Smoothie Stations, in the United States and 15 new International Stores. At December 31, 2013, there were 851 stores globally; 268 Company Stores, 535 Franchise Stores and 48 International Stores.

Total JambaGO units as of December 31, 2013 were 1,851.

## **Fiscal 2013 Operational Highlights**

Our fiscal 2013 accomplishments were based on our BLEND Plan strategic priorities announced in January 2013. These priorities were intended to strengthen Jamba's core vision to inspire and simplify healthy living.

### **Brand Building and Total Innovation**

Our main focus in 2013 was on building total brand value. We employed multi-channel marketing and total innovation initiatives, including consumer loyalty and marketing programs and partnerships. We have been addressing consumer health and wellness needs by offering specialty beverages and new product platforms that will meet our customers' needs across all day-parts.

We partnered with the Jamba Healthy Living Council to design our new Jamba Kids Meals line and in January 2013, we launched our kids-focused smoothie offerings in three all-fruit and one fruit and veggie flavors together with two baked goods, which can be mixed and matched with the kid-sized smoothie offerings to make meals. All Jamba Kids Meals provide a significant source of protein, contain a full serving of whole grains and have 2.5 servings of fruit or fruit and vegetables. The Jamba Kids Meal is part of the National Restaurant Association's Kids Live Well program, which requires that kids' meals meet specific nutrition criteria as recommended by leading health organizations' scientific guidelines.

Our fresh squeezed juice platform, which utilizes fresh vegetables and fruits and is hand-crafted for the consumer, was expanded in 2013. Our line of fresh squeezed juices is built upon our key fresh ingredients—kale, beet, pineapple, ginger, lemon, apple and cucumber. At December 31, 2013, this platform was available at 64 store locations. Our fresh squeezed juice provides at least two servings of fruit and/or vegetables, along with vitamins, nutrients and micronutrients.

We converted our line of Fruit & Yogurt Parfaits to Wellness Bowls to keep our product offerings fresh and trend-forward. Fresh Greek yogurt is served in a bowl with real whole fruit and soymilk topped with organic granola & fresh bananas. Our Wellness Bowls provide a good source of protein and fiber with at least two servings of fruit. In order to meet our customers' health and wellness needs, we reformulated our California Flatbreads and re-launched the platform as Artisan Flatbreads that has delicious toppings on a hand-stretched, made with whole grain crust. Artisan flatbreads are available in two flavors and provide significant levels of protein and fiber.

We entered into a strategic product development alliance with the Quaker® Oats Company, a subsidiary of PepsiCo, Inc., and leader in whole grain oat based products, during the fiscal year. The partnership officially launched a first-of-its-kind, easy-to-blend version of the whole grain Quaker Oats, which was added to the roster of Boosts™ available in our stores nationwide. This new Quaker-branded boost delivers at least 16 grams, or one full serving, of whole grains. In addition, we introduced a new Whole Food Boosts™ platform allowing customers to add natural, whole foods to their favorite smoothies. The new, natural whole food boosts are nutrient-dense whole foods and are a source of protein, omega-3s and fiber. Our new Whole Food Boosts platform includes the Greek Yogurt Boost™ and the Chia Seeds Boost.

Our strong concern for people and the planet has driven us to continually seek to improve our environmental footprint across all areas of our business. Therefore, after several years of research and testing, we fully implemented the solution that allowed us to move away from the Styrofoam cup during the fiscal year. Our innovative paper cup allows us to continue offering a quality product to our consumers.

Our customer loyalty program ( Jamba Insider Rewards ), powered by Spendgo, was launched in February 2014. The program allows customers to register and earn rewards by simply typing their phone number into an easy-to-use touchscreen at the point of sale. Our Spendgo-powered loyalty program provides for customers to earn points which they can redeem when certain criteria are met. This program facilitates

## TABLE OF CONTENTS

easy registration; enabling custom rewards based on individual purchase behavior and the ability to segment and derive insights for future programs.

### **Lifestyle Engagement**

We continued our communication with consumers, and engaged them on how to achieve and maintain a healthy, active lifestyle. We also are developing integrated programs that will deepen and broaden the health and wellness knowledge of our team members across the system.

The annual Healthy Habits Sweepstakes, launched immediately after the New Year holiday, engages our customers on Facebook. We are now in our third year as a sponsor of the Team Up for a Healthy America™ campaign established to help raise awareness of our nation's obesity epidemic. We remain focused on opportunities to refine our promotional and communication efforts to drive traffic, build loyalty and to make Jamba a top-of-mind, better-for-you food and beverage brand through media, social media, public relations, and our website, *JambaJuice.com*.

Television sports commentator and former Olympic champion Summer Sanders became a Jamba spokesperson and a member of the Jamba Healthy Living Council during fiscal 2013. The Council has been benefitting from her knowledge of and passion for healthy living. Additionally, in April 2013, Jake Steinfeld, known for his popular Body by Jake brand, became a spokesperson for the Jamba brand and a member of the Healthy Living Council. Mr. Steinfeld launched the Jamba Healthy Living Fitness Council and has been hosting promotional events and other activities to support of our new and expanded fresh-squeezed juice offerings, primarily at our Company Store in Santa Monica, California. In addition, we added San Francisco 49ers tight end Vernon Davis, along with tennis star Venus Williams to the Council. All members of the Council serve as credible and inspirational advocates for healthy living.

In July 2013, we announced our first major theatrical motion picture promotion with The Walt Disney Company for the release of Disney's Planes, an action-packed 3D animated comedy adventure, which opened at movie theaters during the summer. Jamba Juice was the exclusive Quick Service Restaurant and beverage provider in the U.S. chosen to participate in promotional activities for the movie's release. In addition, Jamba continued to be the Official Smoothie Partner for the Rock & Roll Marathon series in 2013. In 2013, we entered into a multi-year partnership with GENYOUth Foundation, a nonprofit organization dedicated to nurturing child health and wellness through improved nutrition and physical activity. We combined forces to support students across the United States by working with schools, community groups and other national organizations to design programs and initiatives, which facilitate better dietary and physical activity. We have been participating in events such as regional Town Halls in San Francisco and St. Louis and by supporting GENYOUth's programs to empower students to make changes in their schools.

During November 2013, we launched a joint promotion with ISIS, the mobile commerce joint venture created by AT&T Mobility, T-Mobile US Inc. and Verizon Wireless, where ISIS agreed to purchase up to one million smoothies or juices for their consumers who utilize their tap to pay Mobile Wallet™ technology. The ISIS Mobile Wallet leverages the near field communication technology used in smartphones produced by the partners of ISIS.

### **Expand Growth Initiatives**

Our growth initiatives encompass the multiple portfolio opportunities we have to expand our restaurant business on a global basis, including traditional and non-traditional stores, smaller footprint Jamba Smoothie Stations and the JambaGO format.

In fiscal 2013, we expanded our limited menu Smoothie Stations, and launched drive-thru store locations and our fresh juice bar concept in Jamba Juice stores as well as the initiative to refresh and redesign existing stores over four

years. Our refresh and remodel program includes transforming our store layout and format to (1) provide customers with an enhanced experience in our stores by using environmentally friendly building materials, brighter lighting, updated graphics, bold colors and seating arrangements compatible with the individual store footprint and (2) facilitate fresh-squeezed juice bars in certain store locations. We expect to open 60 to 80 stores and Smoothie Stations by the end of fiscal 2014, globally, primarily through franchisees. The actual number of openings may differ from our expectations due to various factors, including franchisee access to capital and economic conditions.

35

---

## TABLE OF CONTENTS

### Domestic

During fiscal 2013, franchisees developed and opened 52 new Franchise Stores, comprised of 43 non-traditional stores, including 25 Jamba Smoothie Stations, and nine traditional stores. As of December 31, 2013, we had 31 area developers with rights to develop additional Franchise Stores pursuant to development agreements. The exclusive territories covered by these agreements include selected markets in the states of California, Colorado, Connecticut, Florida, Hawaii, Indiana, Kansas, Kentucky, Maryland, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Utah, Washington State, Washington, D.C., and Wisconsin.

### International

In March 2013, we entered into a master franchise agreement with Casa Operadora de Franquicias MAV S.A.P.I de C.V., to develop 80 Jamba Juice stores in Mexico over the next ten years. The first Jamba Juice store in Mexico is expected to open during the first quarter of 2014. In December 2013, we entered into a master franchise agreement with Foodmark, the Food and Beverage division of Landmark Group, the leading retail and hospitality group in MENA and India with over 22 million square feet of retail space across 1,600 locations in 19 countries, to develop 80 Jamba Juice stores in the Gulf Corporation Council region over the next 10 years. The first Jamba Juice store is expected to open in Dubai in 2014. As of December 31, 2013, we had five international master developers with commitments to open an aggregate of 371 additional stores at International locations.

Our other master developers opened a total of 15 international store locations during fiscal 2013, six in South Korea, six in Canada and three in the Philippines. We continue to engage in discussions with potential partners about expansion into other international markets.

### **New Products, Partners, Channels and Markets**

During 2013, we consolidated our JambaGO, Jamba Smoothie Stations, Jamba-branded CPG products and Talbott Teas all together under one organization unit called Jamba New Ventures. This structure will facilitate synergies, allow for improved resource allocation and investment choices, and thereby increase shareholder return.

We launched a new fruit and veggie flavor for Jamba branded Make-at-Home Frozen Smoothie Kit and extended distribution of our snacks, energy drinks and frozen novelties offerings during the fiscal year.

### New Ventures

In October 2013, our JambaGO concept was launched in over 1,000 retail locations across the United States, bringing our total JambaGO units to 1,851 at December 31, 2013. Our JambaGO concept also continues to expand throughout K-12 schools, convenience stores and other similar locations. We expect to launch approximately 1,000 JambaGO units by the end of fiscal 2014.

We continue to develop new partnerships to extend the Jamba brand into relevant categories. During 2013, we further expanded distribution of our CPG direct selling businesses to new channels thereby increasing accessibility of the brand. Jamba-branded products continue to have a presence in all 50 states. We also continue to evaluate and meet with potential licensees about new product categories that leverage our core brand strength.

### **Drive Enterprise Efficiencies**

We continued to focus on driving store-level profitability, and improving returns for Company Stores and Franchise Stores. Strong store-level economics are critical to our success and therefore management is diligently focused on initiatives to improve these metrics. In order to improve productivity and to enhance customer experience and speed of service at store-level, we continue to introduce technology enhancements, including innovative point of sale technologies, designed to increase the speed of payment.

During the fourth quarter of 2013, we launched a major cost improvement and productivity program which is expected to yield savings of 100 to 200 basis points in operating margin once fully operationalized. We are partnering with a leading global consulting firm and expect to realize the savings in 2014 and beyond. The program is primarily focused on driving down costs in our supply chain and will enhance the work already done to help to mitigate the effect of commodity price increases.



## TABLE OF CONTENTS

We also continue to focus attention on techniques to refine our labor deployment and service tools to ensure efficient service to our customers. We continue to increase our digital activities, which contribute to improved speed of service.

The launch of ISIS Mobile Wallet in a joint promotion with ISIS provides another opportunity to further improve speed of service in our stores, by utilizing the tap to pay technology.

During fiscal 2013, operating margin increased by 70 basis points or \$1.8 million to \$2.4 million, due to the increase in Company Store comparable sales and the growth in our JambaGO business model. Our Company Store-level margins improved due to the leverage of the fixed cost component in labor and store operating costs, as a result of our comparable store sales growth. Our operating margin for the fiscal year increased primarily due to growth in our JambaGO and CPG model and our improved store portfolio economics.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles ( GAAP ) requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our consolidated financial statements and related notes. Since future events and their impact cannot be determined with certainty, actual results may differ from our estimates. Such differences may be material to the consolidated financial statements.

We believe our application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are periodically reevaluated, and adjustments are made when facts and circumstances dictate a change.

Our accounting policies are more fully described in Note 1 *Business and Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements, included elsewhere in this Form 10-K. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing the consolidated financial statements.

### **Impairment of Long-Lived Assets**

We evaluate long-lived assets for impairment when facts and circumstances indicate that the carrying values of long-lived assets may not be recoverable. The impairment evaluation is generally performed at the individual store asset group level. We first compare the carrying value of the asset to the asset's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying value of the asset, we measure an impairment loss based on the asset's estimated fair value. The fair value of a store's assets is estimated using a discounted cash flow model based on internal projections and taking into consideration the view of a market participant. The estimate of cash flows is based on, among other things, certain assumptions about expected future operating performance. Factors considered during the impairment evaluation include factors related to actual operating cash flows, the period of time since a store has been opened or remodeled, refranchising expectations and the maturity of the relevant market.

Our estimates of cash flows used to assess impairment are subject to a high degree of judgment. If our estimates of future cash flows differ from actual cash flows due to, among other things, changes in economic conditions, changes to our business model or changes in operating performance, it would result in an adjustment to results of operations.

## **Intangible Asset Impairment**

### **Goodwill & Other Intangible Assets**

We evaluate goodwill for impairment on an annual basis during our fourth fiscal quarter, or more frequently if circumstances, such as material deterioration in performance, indicate carrying values may exceed their fair values. The goodwill impairment analysis is a two-step process: First, the reporting unit's estimated fair value is compared to its carrying value, including goodwill. If we determine that the estimated fair value of the reporting unit is less than its carrying value, we move to the second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds its fair value, an impairment loss is recognized. In September 2011, the FASB issued new guidance allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to

## TABLE OF CONTENTS

determine whether it should calculate the fair value of a reporting unit. If impairment is deemed more likely than not, management would perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. We apply the qualitative approach when appropriate. When reviewing goodwill for impairment, we assess whether goodwill should be allocated to operating levels lower than our single operating segment for which discrete financial information is available and reviewed for decision-making purposes.

These lower levels are referred to as reporting units. Currently, our one reporting unit was determined to be the Company's one operating segment.

### **Other Intangible Assets with Indefinite Lives**

We evaluate intangible assets not subject to amortization for impairment on an annual basis during our fourth fiscal quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We perform our test for impairment on trademarks by comparing the fair value of the trademarks to their carrying amounts. An impairment loss is generally recognized when the carrying amount of the trademarks exceeds the fair value. The fair value of trademarks was estimated using the income approach, which is based on assumptions about future cash flows resulting from our franchise, license agreements and acquired businesses.

### **Other Intangible Assets with Finite Lives**

Intangible assets subject to amortization (primarily franchise agreements, reacquired franchise rights and a favorable lease portfolio intangible asset recognized in the purchase of Jamba Juice in 2006 and acquired customer relationships) are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Intangible assets are amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. Estimated useful lives for the franchise agreements are 13.4 years. The useful life of reacquired franchise rights is the remaining term of the respective franchise agreement. The useful life of the favorable lease portfolio intangible is based on the related lease term.

### **Jambacard Revenue Recognition**

We sell our jambacards to our customers in our retail stores, through our website at [www.jambajuice.com](http://www.jambajuice.com) and through our resellers. Our jambacards do not have an expiration date. We recognize income from jambacards when (i) the jambacard is redeemed by the customer or (ii) the likelihood of the jambacard being redeemed by the customer is remote (also referred to as breakage), and we determine that we do not have a legal obligation to remit the value of unredeemed jambacards to the relevant jurisdictions. We determine the jambacard breakage amount based upon historical redemption patterns. We have concluded that after three years of inactivity the likelihood of redemption becomes remote, and we recognize breakage at that time. Jambacard breakage income is included in other operating, net in the consolidated statements of operations. If the historical redemption pattern changes, our financial statements could be materially affected.

We have sold jambacards since November of 2002. The jambacard works as a reloadable gift or debit card. At the time of the initial load, in an amount between \$5 and \$500, we record an obligation that is reflected as jambacard liability on the consolidated balance sheets. We relieve the liability and record the related revenue at the time a customer redeems any part of the amount on the card. The card does not have any expiration provisions and is not refundable, except as otherwise required by law.

## 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 basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In establishing deferred income tax assets and liabilities, we make judgments and interpretations based on enacted tax laws and published tax guidance applicable to our operations. We record deferred tax assets and liabilities and evaluate the need for valuation allowances to reduce deferred tax assets to amounts more likely than not of being realized. Changes in our valuation of the deferred tax assets or changes in the income tax provision may affect our annual effective income tax rate.

## TABLE OF CONTENTS

A valuation allowance is provided for deferred tax assets when it is more likely than not that some portion of the deferred tax asset will not be realized. Because of our recent history of operating losses, we believe the recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, have maintained a full valuation allowance against our deferred tax assets as of December 31, 2013.

The benefits of uncertain tax positions are recognized as the greatest amount more than 50% likely of being sustained upon audit based on the technical merits of the position. On a quarterly basis, we review and update our inventory of tax positions as necessary to add any new uncertain tax positions taken, or to remove previously identified uncertain positions that have been adequately resolved. Additionally, uncertain positions may be re-measured as warranted by changes in facts or law. Accounting for uncertain tax positions requires significant judgments, including estimating the amount, timing and likelihood of ultimate settlement. Although we believe that these estimates are reasonable, actual results could differ from these estimates. We classify estimated interest and penalties related to the underpayment of income taxes as a component of income taxes in the consolidated statements of operations.

### **Share-based compensation**

We account for share-based compensation based on fair value measurement guidance. The fair value of options granted is estimated at the date of grant using a Black-Scholes option-pricing model. Option valuation models, including Black-Scholes, require the input of highly subjective assumptions, and changes in the assumptions used can materially affect the grant date fair value of an award.

These assumptions include the risk-free rate of interest, expected dividend yield, expected volatility and the expected life of the award. The risk-free rate of interest is based on the zero coupon U.S. Treasury rates appropriate for the expected term of the award. Expected dividends are zero based on history of not paying cash dividends on our common stock. Expected volatility is based on a 100% of historic daily stock price observations of our common stock since our inception during the period immediately preceding the share-based award grant that is equal in length to the award's expected term. We make assumptions for the number of awards that will ultimately not vest ( forfeitures ) in determining the share-based compensation expense for these awards. We use historical data to estimate expected employee behaviors related to option forfeitures. We apply the guidance provided by the SEC Staff Accounting Bulletin No. 110 to determine expected life. Currently, there is no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models or assumptions, nor is there a means to compare and adjust the estimates to actual values, except for annual adjustments to reflect actual forfeitures.

The fair value of restricted stock units is determined based on our closing stock price on the date of grant. The restricted stock units granted to employees typically vest and become unrestricted over the three year period following the date of grant. The restricted stock units granted to non-employee directors typically vest and become unrestricted one year after the date of grant. Share-based compensation expense is recognized ratably over the vesting periods for restricted stock units.

The fair value of performance stock units ( PSUs ), which are granted to Company Vice Presidents and above, is determined based on the fair value at grant date. We record expenses related to PSUs with criteria based on market performance by recognizing grant date fair value over the vesting period. Compensation expense for PSUs with criteria based on predetermined internal performance targets such as EBITDA, is recorded when it is probable that the performance criteria will be met.

### **Self-Insurance Reserves**

We are self-insured for healthcare benefits. The estimated accruals for these liabilities are based on statistical analyses of historical industry data as well as actual historical trends. For our workers compensation benefits, we were self-insured for existing and prior years exposures through September 30, 2008. Liabilities associated with the risks that we retain for workers compensation benefits are estimated in part, by considering historical claims experience, demographic factors, severity factors, and other actuarial assumptions.

39

---

TABLE OF CONTENTS

If actual claims experience differs from our assumptions, historical trends, and estimates, changes in our insurance reserves would impact the expense recorded in our consolidated statements of operations.

**RESULTS OF OPERATIONS**

The discussion that follows should be read in conjunction with the consolidated financial statements and notes thereto. Our consolidated results of operations for fiscal 2013, 2012 and 2011 are summarized below.

**(In thousands, except share data and per share amounts)**

	Year ended December 31, 2013		Year ended January 1, 2013		Year ended January 3, 2012	
		% <sup>(1)</sup>		% <sup>(1)</sup>		% <sup>(1)</sup>
Revenue:						
Company Stores	\$212,887	92.9 %	\$215,125	94.0 %	\$214,837	94.9 %
Franchise and other revenue	16,362	7.1 %	13,664	6.0 %	11,597	5.1 %
Total revenue	229,249	100.0%	228,789	100.0%	226,434	100.0%
Costs and operating expenses (income):						
Cost of sales	52,211	24.5 %	50,215	23.3 %	49,503	23.0 %
Labor	62,015	29.1 %	63,086	29.3 %	67,868	31.6 %
Occupancy	29,350	13.8 %	29,473	13.7 %	31,092	14.5 %
Store operating	34,986	16.4 %	33,612	15.6 %	32,847	15.3 %
Depreciation and amortization	10,974	4.8 %	11,062	4.8 %	12,463	5.5 %
General and administrative	37,771	16.5 %	40,771	17.8 %	37,798	16.7 %
Store pre-opening	880	0.4 %	604	0.3 %	965	0.4 %
Impairment of long-lived assets	728	0.3 %	711	0.3 %	1,291	0.6 %
Store lease termination and closure.	148	0.1 %	421	0.2 %	721	0.3 %
Other operating, net	(2,182 )	(1.0 )%	(1,779 )	(0.8 )%	210	0.1 %
Total costs and operating expenses	226,881	99.0 %	228,176	99.7 %	234,758	103.7%
Income (loss) from operations	2,368	1.0 %	613	0.3 %	(8,324 )	(3.7 )%
Other income (expense):						
Interest income	9	0.0 %	61	0.0 %	159	0.1 %
Interest expense	(242 )	(0.1 )%	(217 )	(0.1 )%	(473 )	(0.2 )%
Total other expense, net	(233 )	(0.1 )%	(156 )	(0.1 )%	(314 )	(0.1 )%
Income (loss) before income taxes	2,135	0.9 %	457	0.2 %	(8,638 )	(3.8 )%
Income tax (expense) benefit	(55 )	(0.0 )%	(155 )	(0.0 )%	340	0.2 %
Net income (loss)	\$2,080	0.9 %	\$302	0.2 %	\$(8,298 )	(3.6 )%
Preferred stock dividends and deemed dividends	(588 )	(0.3 )%	(2,181 )	(1.0 )%	(2,331 )	(1.0 )%
Net income (loss) attributable to common stockholders	\$1,492	0.6 %	\$(1,879 )	(0.8 )%	\$(10,629 )	(4.6 )%
Weighted-average shares used in the computation of earnings (loss) per share:						
Basic	16,793,235		14,139,888		13,262,131	

Edgar Filing: JAMBA, INC. - Form 10-K

Diluted	17,222,030	14,139,888	13,262,131
Earnings (loss) per share:			
Basic	\$0.09	\$(0.13 )	\$(0.80 )
Diluted	\$0.09	\$(0.13 )	\$(0.80 )

Cost of sales, labor, occupancy and store operating expense percentages are calculated using Company Stores (1) revenue. All other line items are calculated using Total revenue. Certain percentage amounts do not sum to total due to rounding.

40

---



TABLE OF CONTENTS**Revenue  
(in 000s)**

	Year Ended December 31, 2013	% of Total Revenue	Year Ended January 1, 2013	% of Total Revenue	Year Ended January 3, 2012	% of Total Revenue
Revenue:						
Company Stores	\$ 212,887	92.9 %	\$ 215,125	94.0 %	\$ 214,837	94.9 %
Franchise and other revenue	16,362	7.1 %	13,664	6.0 %	11,597	5.1 %
Total revenue	\$ 229,249	100.0%	\$ 228,789	100.0%	\$ 226,434	100.0%

**Fiscal Year 2013 to Fiscal Year 2012**

Total revenue in fiscal 2013 was \$229.2 million, an increase of \$0.5 million or 0.2% compared to \$228.8 million in fiscal 2012. Total revenue is comprised of revenue from Company Stores, royalties and fees from Franchise Stores in the U.S. and from International Stores, income from JambaGO locations, license income from sales of Jamba-branded CPG products and direct sales of CPG products.

**Company Store revenue**

Company Store revenue in fiscal 2013 was \$212.9 million, a decrease of \$2.2 million or 1.0% compared to \$215.1 million in fiscal 2012. The decrease in Company Store revenue was due primarily to a net reduction in Company Stores due to our refranchising strategy, partially offset by an increase in Company Store comparable sales, as illustrated by the following table:

	Company Store Decrease in Revenue (in 000 s) 2013 vs. 2012
Reduction in number of Company Stores, net	\$ (5,090 )
Company Store comparable sales increase	1,044
Impact of accounting adjustment for fiscal 2013	1,808
Total change in Company Store revenue	\$ (2,238 )

Company Store comparable sales increased \$1.0 million for fiscal 2013, or 0.5%, and is driven by an increase of 2.4% in average check, partially offset by a decrease of 1.9% in transaction count. Company Store comparable sales represent the change in year-over-year sales for all Company Stores opened for at least one full fiscal year. As of December 31, 2013 approximately 99% of our Company Stores had been open for at least one full fiscal year. The percentage change in Company Store comparable sales compares the sales of Company Stores during fiscal 2013 to the sales from the same Company Stores for the equivalent prior year.

During the fourth quarter of fiscal 2013, the Company corrected a classification error in its accounting for payments to

resellers of jambacards, for the first three quarters of 2013. Management evaluated the materiality of the errors from qualitative and quantitative perspectives and concluded that the errors were immaterial to the current year and all fiscal quarters of 2013. The Company has revised the amounts related to Q1 through Q3 of fiscal 2013 in preparing the accompanying consolidated financial statements of operations for fiscal quarters of 2013, and will also revise its quarterly historical financial statements when they are published in future filings. The correction of the immaterial error resulted in an increase in Company Store revenue and a corresponding increase in Store operating expense. The corrected classification for the fiscal year ended December 31, 2013 was \$1.8 million and there is no impact to the net income results.

### **Franchise and other revenue**

Franchise and other revenue for fiscal 2013 was \$16.4 million, an increase of \$2.7 million, or 19.7% compared to franchise and other revenue of \$13.7 million in fiscal 2012 primarily due to the net increase in the number of Franchise and International Stores (approximately \$1.0 million) and revenue generated by JambaGO and CPG (approximately \$1.6 million).

The number of Franchise Stores and International Stores grew to 583 as of December 31, 2013 compared to 508 as of January 1, 2013.

TABLE OF CONTENTS**Fiscal Year 2012 to Fiscal Year 2011**

Total revenue in fiscal 2012 was \$228.8 million, an increase of \$2.4 million or 1.0%, compared to \$226.4 million in fiscal 2011.

**Company Store revenue**

Company Store revenue in fiscal 2012 was \$215.1 million, an increase of \$0.3 million or 0.1% compared to \$214.8 million in fiscal 2011. The increase in Company Store revenue is primarily due to the increase in comparable store sales, partially offset by a net reduction in Company Stores due to the refranchising initiative, and there being one less week in the 52 week period ended January 1, 2013 compared to the 53 week period ended January 3, 2012, and as illustrated by the following table:

	Company Store Increase in Revenue (in 000 s) 2012 vs. 2011
Company Store comparable sales increase	\$ 10,203
Reduction in the number of Company Stores, net	(6,296 )
Due to one less week in fiscal 2012 <sup>(1)</sup>	(3,619 )
Total change in Company Store revenue	\$ 288

(1) Calculated by exclusion of Company Store revenue for the one additional week in fiscal 2011. Company Store comparable sales increased \$10.2 million in fiscal 2012, or 5.1%, attributable to an increase of 2.5% in transaction count and 2.6% in average check. Company Store comparable sales represents the change in year-over-year sales for all Company Stores opened for at least one full fiscal year. As of January 1, 2013, 99.7% of our Company Stores had been open for at least one full fiscal year. The percentage change in Company Store comparable sales compares the sales of Company Stores during fiscal 2012 to the sales from the same Company Stores for the equivalent prior year period.

**Franchise and other revenue**

Franchise and other revenue in fiscal 2012 was \$13.7 million, an increase of \$2.1 million, or 17.8%, compared to franchise and other revenue of \$11.6 million in fiscal 2011 primarily due to an increase in CPG income and the net increase in the number of Franchise and International Stores.

The number of Franchise Stores and International Stores grew to 508 as of January 1, 2013 compared to 462 as of January 3, 2012.

**Cost of sales**

## **Fiscal Year 2013 to Fiscal Year 2012**

Cost of sales is mostly comprised of fruit, dairy, and other products used to make smoothies and juices, paper products, costs related to managing our procurement program and vendor rebates. As a percentage of Company Store revenue, cost of sales increased to 24.5% in fiscal 2013 compared to 23.3% in fiscal 2012. The increase of cost of sales as a percentage of Company Store revenue was primarily due to a reduction in price points resulting from promotional tactics (approximately 0.6%), increases in commodity costs (approximately 0.1%) and fees related to supply chain optimization project (approximately 0.5%). Cost of sales in fiscal 2013 was \$52.2 million, an increase of \$2.0 million, or 4.0%, compared to \$50.2 million in fiscal 2012. The increase in cost of sales was primarily due to additional costs associated with the work performed to optimize supply chain efficiencies (approximately \$1.1 million) and increased costs associated with the roll-out of the more environmentally friendly double-walled paper cups (approximately \$0.9 million).

TABLE OF CONTENTS

**Fiscal Year 2012 to Fiscal Year 2011**

As a percentage of Company Store revenue, cost of sales increased to 23.3% in fiscal 2012, compared to 23.0% in fiscal 2011. The increase of cost of sales as a percentage of Company Store revenue was primarily due to increases in commodity costs (approximately 0.6%), partially offset by a net favorable product mix shift (approximately 0.3%). Cost of sales for fiscal 2012 was \$50.2 million, an increase of \$0.7 million, or 1.4%, compared to \$49.5 million for fiscal 2011. The increase in cost of sales was primarily due to an increase in sales.

**Labor**

**Fiscal Year 2013 to Fiscal Year 2012**

Labor costs are comprised of store management salaries and bonuses, hourly team member payroll, training costs and other associated fringe benefits. As a percentage of Company Store revenue, labor costs were 29.1% in fiscal 2013 compared to 29.3% for fiscal 2012. Labor costs in fiscal 2013 were \$62.0 million a decrease of \$1.1 million or 1.7%, compared to \$63.1 million in fiscal 2012. Our refranchising strategy has resulted in a decrease in the number of Company Stores and the related labor costs and expenses to operate, manage, and support these refranchised Company Stores, which was partially offset by the increased labor costs to support the increased sales.

**Fiscal Year 2012 to Fiscal Year 2011**

As a percentage of Company Store revenue, labor costs decreased to 29.3% in fiscal 2012, compared to 31.6% in fiscal 2011. The 2.3% decrease of labor costs as a percentage of Company Store revenue was primarily due to labor efficiencies, improved sales volumes and more effective wage management achieved through a smaller, more geographically concentrated Company Store base. Labor costs for fiscal 2012 were \$63.1 million, a decrease of \$4.8 million, or 7.0%, compared to \$67.9 million for fiscal 2011. Our refranchising initiative resulted in a decrease in the number of Company Stores and the related labor costs and expenses to operate, manage, and support these refranchised Company Stores. In addition, the change from a 53 week fiscal 2011 to a 52 week fiscal 2012 resulted in a decrease in Company Stores labor costs attributed to the period.

**Occupancy**

**Fiscal Year 2013 to Fiscal Year 2012**

Occupancy costs include both fixed and variable portions of rent, common area maintenance charges, property taxes, licenses and property insurance for all Company Store locations. As a percentage of Company Store revenue, occupancy costs increased to 13.8% in fiscal 2013, compared to 13.7% in fiscal 2012 primarily due to higher pro-rated tenancy costs in various traditional and mall locations. Occupancy costs in fiscal 2013 were \$29.4 million, compared to \$29.5 million in fiscal 2012. Our refranchising strategy has resulted in a decrease in the number of Company Stores and the related occupancy costs and expenses to operate, manage, and support these refranchised Company Stores, which was partially offset by increased occupancy costs to support the increased sales and increased common area maintenance charges.

## **Fiscal Year 2012 to Fiscal Year 2011**

As a percentage of Company Store revenue, occupancy costs decreased to 13.7% in fiscal 2012, compared to 14.5% in fiscal 2011. The decrease in occupancy costs as a percentage of Company Store revenue was primarily due to the impact of leverage as a result of the increase in Company Store comparable sales (approximately 0.8%). Occupancy costs for fiscal 2012 were \$29.5 million, a decrease of \$1.6 million, or 5.2%, compared to \$31.1 million for fiscal 2011. Our refranchising initiative resulted in a decrease in the number of Company Stores and the related occupancy costs and expenses to operate, manage, and support these refranchised Company Stores. In addition, the change from a 53 week fiscal 2011 to 52 week fiscal 2012 resulted in a decrease in Company Stores occupancy costs attributed to the period.

TABLE OF CONTENTS

## **Store operating**

### **Fiscal Year 2013 to Fiscal Year 2012**

Store operating expenses consist primarily of various store-level costs such as utilities, marketing, repairs and maintenance, credit card fees and other store operating expenses. As a percentage of Company Store revenue, total store operating expenses in fiscal 2013 were 16.4%, compared to 15.6% in fiscal 2012 was primarily attributable to the reclassification of marketing discounts to store operating expenses (approximately 0.9%). Total store operating expenses in fiscal 2013 were \$35.0 million, an increase of \$1.4 million, or 4.1%, compared to \$33.6 million in fiscal 2012. The increased store operating costs related to marketing expense (approximately \$1.9 million) were primarily attributable to the accounting adjustment to reclassify payments to jambacard resellers, previously recorded as reductions in revenue, and was partially offset by the impact of our refranchising strategy which has resulted in a decreased number of Company Stores and related costs and expenses.

### **Fiscal Year 2012 to Fiscal Year 2011**

As a percentage of Company Store revenue, total store operating expenses increased to 15.6% in fiscal 2012, compared to 15.3% in fiscal 2011. The increase in total store operating expenses as a percentage of Company Store revenue was primarily due to increased marketing expenses (approximately 0.6%). Total store operating expenses for fiscal 2012 were \$33.6 million, an increase of \$0.8 million, or 2.3%, compared to \$32.8 million for fiscal 2011, and the increase is primarily due to the aforementioned marketing expenses.

## **Depreciation and amortization**

### **Fiscal Year 2013 to Fiscal Year 2012**

Depreciation and amortization expenses include the depreciation of fixed assets and the amortization of intangible assets. As a percentage of total revenue, depreciation and amortization remained relatively flat in fiscal 2013 with fiscal 2012. Depreciation and amortization in fiscal 2013 was \$ 11.0 million, a decrease of \$0.1 million, or 0.8%, compared to \$11.1 million in fiscal 2012. Our refranchising strategy resulted in a decrease in the number of Company Stores and related assets, resulting in a reduction in the carrying value of Company Store fixed assets, partially offset by additions resulting from the expansion of the Juice concept.

### **Fiscal Year 2012 to Fiscal Year 2011**

As a percentage of total revenue, depreciation and amortization decreased to 4.8% in fiscal 2012, compared to 5.5% in fiscal 2011. The decrease in depreciation and amortization as a percentage of total revenue was primarily due to the impact of leverage as a result of the increase in Company Store comparable sales (approximately 0.3%), certain assets becoming fully depreciated and the net reduction in the number of Company Stores. Depreciation and amortization for fiscal 2012 was \$11.1 million, a decrease of \$1.4 million, or 11.2%, compared to \$12.5 million for fiscal 2011. The decrease is primarily due to the reduction in carrying value of Company Store fixed assets.

## **General and administrative**

## **Fiscal Year 2013 to Fiscal Year 2012**

General and administrative ( G&A ) expenses include costs associated with our corporate headquarters in Emeryville, CA, field supervision, performance related incentives, outside and contract services, accounting and legal fees, travel and travel-related expenses, share-based compensation and other. As a percentage of total revenue, total G&A expenses decreased to 16.5% in fiscal 2013 compared to 17.8% in fiscal 2012. Total G&A expenses in fiscal 2013 were \$37.8 million, a decrease of \$3.0 million or 7.4%, compared to \$40.8 million in fiscal 2012. The decrease of total G&A expenses was primarily due to reduced semi-annual performance related incentives (approximately \$2.9 million).

## **Fiscal Year 2012 to Fiscal Year 2011**

As a percentage of total revenue, G&A expenses increased to 17.8% in fiscal 2012, compared to 17.6% in fiscal 2011. Total G&A expenses for fiscal 2012 were \$40.8 million, an increase of \$3.0 million, or 7.9%, compared to \$37.8 million for fiscal 2011. The increase of total G&A expenses was primarily due to costs



## TABLE OF CONTENTS

resulting from accelerated investment in new and expanded growth initiatives (approximately \$2.3 million), the increase in expenses for our semi-annual performance related incentives (approximately \$1.3 million), and increased non-cash share-based compensation (approximately \$0.8 million), partially offset by the decrease in litigation charges (approximately \$1.0 million) and the change to 52 weeks in fiscal 2012 compared to 53 weeks in fiscal 2011 (approximately \$0.5 million).

### **Store pre-opening**

#### **Fiscal Year 2013 to Fiscal Year 2012**

Store pre-opening costs are primarily expenses incurred for training new store personnel, pre-opening marketing and pre-opening rent. Store pre-opening costs in fiscal 2013 were \$0.9 million, an increase of \$0.3 million, or 45.7%, compared to \$0.6 million for the prior year. The increase in expense is primarily due to the opening of two new Company Stores in fiscal 2013, 52 new Franchise Stores and 15 new International Stores during fiscal 2013 as compared to the prior year, when one new Company Store, 39 new Franchise Stores and 19 new International Stores were opened.

#### **Fiscal Year 2012 to Fiscal Year 2011**

Store pre-opening costs in fiscal 2012 were \$0.6 million, a decrease of \$0.4 million, or 37.4%, compared to \$1.0 million for the prior year. The decrease in expense is primarily due to the opening of one new Company Store in fiscal 2012 and lower per unit costs associated with the opening of 39 new Franchise Stores and 19 new International Stores in fiscal 2012 as compared to the prior year, when nine new Company Stores, 22 new Franchise Stores and 18 new International Stores were opened.

### **Impairment of long-lived assets**

#### **Fiscal Year 2013 to Fiscal Year 2012**

Long-lived assets are reviewed for impairment when indicators of impairment are present. Expected future cash flows associated with an asset, in addition to other quantitative and qualitative analyses, including certain assumptions about expected future operating performance and changes in economic conditions are the key factors in determining undiscounted future cash flows. If the sum of the undiscounted cash flows is less than the carrying value of the asset, we recognize an impairment loss equal to the amount by which carrying value exceeds the fair value of the asset. For more information, please refer to the discussion under *Business and Summary of Significant Accounting Policies* *Impairment of Long-Lived Assets* included in Note 1 in the Notes to Consolidated Financial Statements.

Impairment of long-lived assets in fiscal 2013 was \$0.7 million, flat compared to fiscal 2012, representing a small number of underperforming stores.

#### **Fiscal Year 2012 to Fiscal Year 2011**

Impairment of long-lived assets in fiscal 2012 was \$0.7 million, a decrease of \$0.6 million, or 44.9%, compared to \$1.3 million in fiscal 2011. The decrease of impairment charge for long-lived assets was primarily due to fewer underperforming stores that had not been previously impaired compared to the prior year.

## **Other operating, net**

### **Fiscal Year 2013 to Fiscal Year 2012**

Other operating, net consists primarily of gain or loss on disposals, income from jambacard breakage, store lease termination, and closure costs, jambacard-related fees, and expenses related to our franchise, consumer packaged goods and JambaGO activities. For fiscal 2013, other operating, net was income of \$2.2 million, compared to income of \$1.8 million for fiscal 2012. The increase in income of \$0.4 million was primarily due to a net gain on disposal of fixed assets (approximately \$3.8 million) mainly from activities pursuant to our refranchising strategy, the gain on our contingent consideration, which is recorded at fair value (approximately \$0.7 million) and a decrease in jambacard-related fees (approximately \$0.6 million); partially offset by an increase in direct expense related to consumer packaged goods and JambaGO activities

## TABLE OF CONTENTS

(approximately \$2.4 million), a decrease in jambacard breakage income (approximately \$1.1 million), a decrease in gain on sale of investment (approximately \$0.5 million) and an increase in expenses related to domestic and international franchise activities (approximately \$0.5 million).

### **Fiscal Year 2012 to Fiscal Year 2011**

For fiscal 2012, other operating, net was \$1.8 million of income, compared to expense of \$0.2 million for fiscal 2011. The increase in income of \$2.0 million is primarily due to lower loss on disposal of fixed assets as sale of Company Stores pursuant to our refranchising initiative ended in April 2011 (approximately \$1.4 million), a reduction in international franchise expense (approximately \$0.6 million), gain on sale of our investment in our Hawaiian joint venture (approximately \$0.5 million) and an increase in jambacard breakage income for fiscal 2012, (approximately \$0.6 million), partially offset by an increase in expenses related to our CPG business and JambaGO (approximately \$0.6 million), and an increase in jambacard and franchise-related expense (approximately \$0.5 million).

### **Interest expense**

#### **Fiscal Year 2013 to Fiscal Year 2012**

Interest expense in fiscal 2013 and fiscal 2012 was \$0.2 million.

#### **Fiscal Year 2012 to Fiscal Year 2011**

Interest expense in fiscal 2012 was \$0.2 million compared to \$0.5 million in fiscal 2011 primarily due to lower lease termination obligations. In addition, during fiscal 2012 and fiscal 2011, we paid cash dividends on the Series B Preferred Stock totaling \$1.3 million and \$1.6 million, respectively. During the third quarter of fiscal 2012, holders of 93,500 shares of outstanding Series B-1 Preferred Stock and 2,000 shares of outstanding Series B-2 Preferred Stock converted such stock into an aggregate of 1,910,000 shares of common stock resulting in related accelerated accretion charges or deemed dividends of \$0.7 million.

### **Income tax expense/benefit**

#### **Fiscal Year 2013 to Fiscal Year 2012**

Income tax expense in fiscal 2013 was \$(0.1) million compared to an income tax expense of \$(0.2) million for fiscal 2012. The decrease in income tax expense was primarily due to the change in valuation allowance related to deductible temporary differences originating during the current year, the foreign withholding taxes and a favorable adjustment of our federal alternative minimum tax liability in the current year. The increase in foreign withholding taxes was primarily due to the increase in our franchise and royalty income in foreign countries in fiscal 2013.

#### **Fiscal Year 2012 to Fiscal Year 2011**

Income tax expense in fiscal 2012 was \$(0.2) million compared to an income tax benefit of \$0.3 million for fiscal 2011. The increase in income tax expense was primarily due to the change in valuation allowance related to deductible temporary differences originating during the current year, the alternative minimum taxes and foreign withholding taxes. We started to have U.S. taxable income in fiscal 2012 and due to the net operating loss carryforwards which can

offset regular taxable income, we began to be subject to the alternative minimum taxes. The increase in foreign withholding taxes was primarily due to the increase in our franchise and royalty income in the foreign countries in fiscal 2012.

## **Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results**

Management reviews and discusses its operations based on both financial and non-financial metrics. Among the key financial metrics upon which management focuses is reviewing the performance based on the Company's consolidated GAAP results, including Company Store comparable sales. Management also uses certain supplemental, non-GAAP financial metrics in evaluating financial results, including Franchise Store comparable sales and system-wide comparable sales.

TABLE OF CONTENTS

Company Store comparable sales represent the change in year-over-year sales for all Company Stores opened for at least one full fiscal year.

Franchise Store comparable sales, a non-GAAP financial measure, represents the change in year-over-year sales for all Franchise Stores opened for at least one full fiscal year, as reported by franchisees and excludes International Stores.

System-wide comparable store sales, a non-GAAP financial measure, represents the change in year-over-year sales for all Company and Franchise Stores opened for at least one full fiscal year and are based on sales by both company-owned and domestic franchise-operated stores, as reported by franchisees, which are in the store base.

System-wide comparable store sales do not include International Stores and JambaGO locations.

Company-owned stores that were sold in franchising transactions are included in the store base for each accounting period of the fiscal quarter in which the store was sold to the extent the sale is consummated at least three days prior to the end of such accounting period, but only for the days such stores have been company-owned. Thereafter, such stores are excluded from the store base until such stores have been franchise-operated for at least one full fiscal period at which point such stores are included in the store base and compared to sales in the comparable period of the prior year. Comparable store sales exclude closed locations.

Management reviews the increase or decrease in Company Store comparable store sales, Franchise Store comparable sales and system-wide comparable sales compared with the same period in the prior year to assess business trends and make certain business decisions. The Company believes that Franchise Store comparable sales and system-wide comparable sales data, non-GAAP financial measures, are useful in assessing the overall performance of the Jamba brand and, ultimately, the performance of the Company.

The following table sets forth operating data that do not otherwise appear in our consolidated financial statements as of and for the 52 week period ended December 31, 2013 and the 52 week period ended January 1, 2013:

	52 Week Period Ended December 31, 2013		52 Week Period Ended January 1, 2013	
Percentage change in Company Store comparable sales <sup>(1)</sup>	0.5	%	5.1	%
Percentage change in Franchise Store comparable sales <sup>(2)</sup>	-0.6	%	5.1	%
Percentage change in system-wide comparable sales <sup>(2)</sup>	-0.1	%	5.1	%
Total Company Stores	268		301	
Total Franchise Stores	535		473	
Total International Stores	48		35	

(1) Percentage change in Company Store comparable sales compares the sales of Company Stores during fiscal year 2013 to the sales from the same Company Stores for fiscal year 2012. A Company Store is included in this calculation after its first full fiscal year of operations. Sales from Franchise and International Stores are not included in the Company Store comparable sales.

(2) Percentage change in system-wide comparable sales compares the combined sales of Company and Franchise Stores, excluding Smoothie Stations, during fiscal year 2013 to the combined sales from the same Company and Franchise Stores for the fiscal year 2012. A Company or Franchise Store is included in this calculation after its first

full fiscal period of operations. System-wide comparable store sales do not include International Stores, Smoothie Stations and JambaGO locations.

The number of JambaGO units in operation at the end of fiscal 2013 was 1,851.

TABLE OF CONTENTS

The following table sets forth certain data relating to Company Stores and Franchise Stores for the periods indicated:

	52 week period ended December 31, 2013		52 week period ended January 1, 2013	
	Domestic	International	Domestic	International
<b>Company Stores:</b>				
Beginning of period	301		307	
Company Stores opened	2		1	
Company Stores closed	(4 )		(6 )	
Company Stores sold to franchisees	(31 )		(1 )	
Total Company Stores	268		301	
	52 week period ended December 31, 2013		52 week period ended January 1, 2013	
	Domestic	International	Domestic	International
<b>Franchise and International Stores:</b>				
Beginning of period	473	35	443	19
Stores opened	52	15	39	19
Stores closed	(21 )	(2 )	(10 )	3
Stores purchased from Company	31		1	
Total Franchise Stores	535	48	473	35

## Refranchising Strategy

In May 2009, we announced our refranchising initiative under which we stated our intent to sell existing Company Stores to new or existing franchisees who want to operate multiple store locations. Our refranchising initiative is a key driver to accelerate growth and to achieve certain operational efficiencies. This initiative also helped to shift our business to an asset light model. We initially planned to complete the sale of up to 150 Company Stores to new or existing franchisees. By the close of fiscal 2011, we had completed the sale of 174 Company Stores.

During fiscal 2013, we refranchised 31 stores. As we drive toward our goal of 70% franchise-operated locations, we expect to complete multiple refranchise transactions during fiscal 2014.

In the majority of refranchising transactions, we entered into development agreements committing buyers to build additional Franchise Stores in regions their purchased stores occupy. In addition, as part of these refranchising transactions, buyers of mature Company Stores are obligated to refresh and refurbish these stores.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows Summary

The following table summarizes our cash flows for each of the past three full fiscal years (in thousands):

	December 31, 2013	January 1, 2013	January 3, 2012
Net cash provided by (used in) operating activities	\$ 10,470	\$ 17,568	\$ (1,080 )
Net cash used in investing activities	(10,234 )	(4,498 )	(7,010 )
Net cash provided by (used in) financing activities	664	(1,191 )	(1,327 )
Net increase (decrease) in cash and cash equivalents	\$ 900	\$ 11,879	\$ (9,417 )

## Liquidity

As of December 31, 2013, we had cash and cash equivalents of \$32.4 million compared to \$31.5 million in cash and cash equivalents as of January 1, 2013. As of December 31, 2013 and January 1, 2013, we had no short term or long term debt. Our primary sources of liquidity are cash flows provided by operating activities. In addition, we have a revolving line of credit with Wells Fargo Bank, National Association for \$15.0 million,



## TABLE OF CONTENTS

which we may utilize as described below. In the future, we may enter equipment leasing arrangements and incur additional indebtedness as necessary and as permitted under our credit agreement. We cannot assure, however, that such financing will be available on favorable terms or at all.

We expect that our cash on hand and future cash flows provided by operating activities will be sufficient to fund our working capital and general corporate needs and the non-discretionary capital expenditures for the foreseeable future. Our primary liquidity and capital requirements are for working capital and general corporate needs and the planned fiscal 2014 capital expenditures. The use of cash to fund discretionary capital expenditures will be based on the need to conserve our capital.

On February 14, 2012, we entered into a Credit Agreement with Wells Fargo Bank, National Association (the Lender ) which, as amended on November 1, 2012, July 22, 2013 and November 4, 2013 (as amended, the Credit Agreement ) makes available to the Company a revolving line of credit in the amount of \$15.0 million. The outstanding balance under the Credit Agreement bears interest at a LIBOR Market Index Rate based upon the rate for one month U.S. dollar deposits, plus 2.50% per annum. Under the terms of the Credit Agreement, the Company is required to maintain maximum consolidated leverage ratios, minimum levels of tangible net worth and a minimum fixed charge coverage ratio. The Credit Agreement terminates July 22, 2016, or may be terminated earlier by us or by the Lender. This credit facility is subject to customary affirmative and negative covenants for credit facilities of this type, including limitations on us with respect to liens, indebtedness, guaranties, investments, distributions, mergers and acquisitions and dispositions of assets. The credit facility is evidenced by a revolving note made by us in favor of the Lender, is guaranteed by us and is secured by substantially all of our assets including the assets of our subsidiaries and a pledge of stock of our subsidiaries. In addition, the Credit Agreement replaced restricted cash requirements established in prior periods, as the line of credit also collateralizes our outstanding letters of credit of \$0.9 million.

During fiscal 2013, there were no borrowings under the Credit Agreement. To acquire the credit facility, we incurred upfront fees which are being amortized over the term of the Credit Agreement. As of December 31, 2013, the unamortized commitment fee amount was less than \$0.1 million and is recorded in prepaid expenses and other current assets on the balance sheet. As of December 31, 2013, we were in compliance with all related covenants and the unused borrowing capacity under the agreement was \$14.1 million.

The adequacy of our available funds will depend on many factors, including the macroeconomic environment, the operating performance of our Company Stores, the successful expansion of our franchise and licensing programs and the successful rollout and consumer acceptance of our new beverage and food initiatives. Given these factors, our foremost priorities for the near term continue to be preserving and generating cash sufficient to fund our liquidity needs.

## **Operating Activities**

Net cash provided by operating activities was \$10.5 million in fiscal 2013, compared to \$17.6 million in fiscal 2012, reflecting a net decrease in cash flows of \$7.1 million. This decrease in cash provided by operating activities was primarily due to a net increase of cash used in accounts payable and other liabilities and a net decrease in cash provided by accounts receivable and other assets (approximately \$6.3 million) and a decrease in net income after adjustments for noncash items (approximately \$0.8 million). The increase in cash used relate to various events that occurred at the end of fiscal 2013 and for which cash was received or expected to be received after year end (approximately \$2.0 million) and the timing of certain payments due to the fiscal year end coinciding with the calendar year end.

The amount of cash provided by our operating activities during any particular fiscal year is highly subject to variations in the seasons. The first and fourth quarters of the fiscal year encompasses the winter and holiday season when we traditionally generate our lowest revenue, and our second and third quarters of the fiscal year encompasses the warmer seasons where a significant portion of our revenue and cash flows are realized. For more information on seasonality, refer to the section below entitled *Seasonality and Quarterly Results*. We also expect to have increased expenditures during the first part of the fiscal year as we invest in product development and domestic expansion with the goal to have new products released and new stores open by mid-year to take advantage of the busier summer months.

## TABLE OF CONTENTS

Net cash provided by operating activities was \$17.6 million in fiscal 2012, compared to net cash used in operating activities of \$1.1 million in fiscal 2011, reflecting a net increase of cash flows of \$18.6 million. The increase was primarily due to improved cash flows related to receivables and prepaid rent (approximately \$10.5 million) and accounts payable (approximately \$5.6 million), an increase in net income adjusted for noncash items (approximately \$5.3 million), partially offset by a net decrease in cash flows related to other operating assets and liabilities (approximately \$2.8 million). Collections of receivables during fiscal 2012 included amounts (approximately \$7.0 million) from Costco which were not included in fiscal 2011, as we recommenced our jambacard program in the fall of 2011. In the Costco jambacard program, we sell jambacards to Costco who resells them to its customers.

## **Investing Activities**

Net cash used in investing activities was \$10.2 million in fiscal 2013, compared to \$4.5 million in fiscal 2012. Net cash used in investing activities increased \$5.7 million in fiscal 2013, primarily due to increased expenditure on property and equipment (approximately \$9.5 million) primarily for the refresh and remodel program, a reduction in proceeds from sale of investment (approximately \$1.0 million), partially offset by proceeds from the sale of Company Stores to new and existing franchise partners (approximately \$4.8 million).

Net cash used in investing activities was \$4.5 million in fiscal 2012, compared to \$7.0 million in fiscal 2011. Net cash used in investing activities decreased \$2.5 million for fiscal 2012, compared to fiscal 2011 primarily due to a decrease in spending for the purchase of property and equipment (approximately \$5.2 million) and proceeds from the sale of our investment in JJC Hawaii, LLC (approximately \$1.0 million), partially offset by proceeds from our refranchising initiative which were included in fiscal 2011 (approximately \$3.7 million) and which were not included in fiscal 2012 due to the completion of the refranchising initiative in April 2011 and cash used in the acquisition of Talbott Teas in fiscal 2012 (approximately \$0.4 million).

In fiscal 2014, we expect capital expenditures to be approximately \$12 – \$13 million depending on our liquidity needs, including investing in improvements to our technology infrastructure, store refreshes and redesigns as well as maintenance capital. We expect to open up to two new Company Stores. We intend to embark on a significant refresh of all Jamba stores to provide a contemporary and fresh experience for our customers and that includes the whole food nutrition and premium platform.

## **Financing Activities**

Net cash provided by financing activities was \$0.7 million in fiscal 2013, compared to net cash used in financing activities of \$1.2 million in fiscal 2012. The \$1.9 million increase in net cash provided by financing activities was primarily due to the increase in receipts from our stock issuance plans including from the exercise of stock options (approximately \$0.7 million) and the decrease in dividend payments on our Series B preferred stock (approximately \$1.2 million). We no longer have payments of dividend on Series B preferred stock as the conversion to common stock was completed on June 14, 2013.

Net cash used in financing activities was \$1.2 million in fiscal 2012, compared to \$1.3 million in fiscal 2011, primarily due to lower preferred stock dividend payments resulting from the conversion of preferred stock to common stock (approximately \$0.3 million), partially offset by a decrease in proceeds from employee stock plan activities (approximately \$0.2 million).



TABLE OF CONTENTS**Contractual Obligations**

The following table summarizes contractual obligations and borrowings as of December 31, 2013, and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods. We expect to fund these commitments primarily with operating cash flows generated in the normal course of business.

	Payments Due by Period (in \$ 000s)				
	Total	Less Than 1 Year	1 2 Years	3 4 Years	5 or More Years
Operating lease obligations <sup>(1)</sup>	\$ 106,536	\$ 29,300	\$ 23,485	\$ 31,794	\$ 21,957
Purchase obligations <sup>(2)</sup>	65,339	38,788	3,270	5,357	17,924
Total	\$ 171,875	\$ 68,088	\$ 26,755	\$ 37,151	\$ 39,881

Our wholly owned subsidiary, Jamba Juice Company, is a party to each Company Store lease obligation. The operating lease obligations represent future minimum lease payments under non-cancelable operating leases and lease termination fees as of December 31, 2013. The minimum lease payments do not include common area (1) maintenance ( CAM ) charges, insurance, contingent rent obligations or real estate taxes, which are also required contractual obligations under our operating leases. In the majority of our operating leases, CAM charges are not fixed and can fluctuate from year to year. Total CAM charges, insurance, contingent rent obligations, license, permits and real estate taxes for our fiscal year ended December 31, 2013 were \$7.1 million. We negotiate pricing and quality specifications for many of the products used in Company Stores and Franchise Stores. This allows for volume pricing and consistent quality of products that meet our standards. Although we negotiate and contract directly with manufacturers, co-packers or growers for our products, we purchase these (2) products from third-party centralized distributors. These distributors source, warehouse and deliver specified products to both Company Stores and Franchise Stores. The Company has purchase obligations with certain suppliers for certain fruits and dairy for various terms typically ranging from one year to five years. The Company has one contract with a supplier for a 15 year term that ends in 2024.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

**New Accounting Standards**

See the Recent Accounting Pronouncements section in Note 1 of our Notes to Consolidated Financial Statements for a summary of new accounting standards.

**SEASONALITY AND QUARTERLY RESULTS**

Our business is subject to day-to-day volatility based on weather and varies by season. A significant portion of our revenue is realized during the second and third quarters of the fiscal year, which include the summer months. The fourth quarter of the fiscal year, which encompasses the winter months and the holiday season, has traditionally been our lowest revenue volume quarter. Although we have expanded the number of stores offering our hot oatmeal, hot beverages, sandwiches and California Flatbread selections, our business will likely continue to be subject to seasonal patterns for the foreseeable future, given that the largest portion of our sales continues to be from the sale of smoothies during the warmer parts of the year. Because of the seasonality of the business, results for an individual quarter are not

necessarily indicative of the results which may be achieved for the full fiscal year.

## **INFLATION**

We do not believe that inflation has had a material impact on our results of operations in recent years. However, we cannot predict what effect inflation may have on our operations in the future.

51

---

TABLE OF CONTENTS

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  
**Interest Rates**

We do not enter into market risk sensitive instruments for trading purposes. We are exposed to financial market risks due primarily to changes in interest rates in our interest bearing accounts. We do not believe a change in interest rate will materially affect our financial position or results of operations. A one percent change of the interest rate would result in an annual change in the results of operations of \$0.3 million.

**Commodities Prices**

We are exposed to the impact of commodity and utility price fluctuations related to unpredictable factors such as weather and various market conditions over which we do not have control. We purchase significant amounts of fruits and dairy products to support the needs of our Company Stores. The price and availability of these commodities directly impacts the results of operations and can be expected to impact the future results of operations.

We purchase fruit based on short-term seasonal pricing agreements. These short-term agreements generally set the price of procured frozen fruit and 100% pure fruit concentrates for less than one year based on estimated annual requirements. In order to mitigate the effects of price changes in any one commodity on our cost structure, we contract with multiple suppliers both domestically and internationally. These agreements typically set the price for some or all of our estimated annual fruit requirements, protecting us from short-term volatility. Nevertheless, these agreements typically contain a *force majeure* clause, which, if utilized (such as hurricanes in 2004 that destroyed the Florida orange crop and more recently with the 2007 freeze that affected California citrus), may subject us to significant price increases.

Our pricing philosophy is not to attempt to change consumer prices with every move up or down of the commodity market, but to take a longer term view of managing margins and the value perception of our products in the eyes of our customers. Our objective is to maximize our revenue through increased customer traffic.

TABLE OF CONTENTS

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	Page No.
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-1</u>
<u>Consolidated Balance Sheets at December 31, 2013 and January 1, 2013</u>	<u>F-2</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2013, January 1, 2013 and January 3, 2012</u>	<u>F-3</u>
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2013, January 1, 2013 and January 3, 2012</u>	<u>F-4</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, January 1, 2013 and January 3, 2012</u>	<u>F-5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-7</u>

53

---



TABLE OF CONTENTS

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders  
Jamba, Inc.:

We have audited the accompanying consolidated balance sheets of Jamba, Inc. and subsidiaries (the Company) as of December 31, 2013 and January 1, 2013, and the related consolidated statements of operations, stockholders' equity, and cash flows for the fiscal years ended December 31, 2013, January 1, 2013 and January 3, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jamba, Inc. and subsidiaries as of December 31, 2013 and January 1, 2013 and the results of their operations and their cash flows for the fiscal years ended December 31, 2013, January 1, 2013 and January 3, 2012, 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), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 7, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP  
San Francisco, California  
March 7, 2014

F-1

---

TABLE OF CONTENTS**JAMBA, INC.****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except share and per share amounts)	December 31, 2013	January 1, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$32,386	\$31,486
Restricted cash		205
Receivables, net of allowances of \$291 and \$103	14,110	11,327
Inventories	2,670	3,143
Prepaid and refundable taxes	483	655
Prepaid rent	307	3,080
Prepaid expenses and other current assets	6,727	1,681
Total current assets	56,683	51,577
Property, fixtures and equipment, net	37,485	38,442
Goodwill	1,233	1,336
Trademarks and other intangible assets, net	1,317	1,412
Other long-term assets	1,198	846
Total assets	\$97,916	\$93,613
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$5,086	\$8,206
Accrued compensation and benefits	5,538	7,566
Workers' compensation and health insurance reserves	1,046	1,087
Accrued jambacard liability	37,121	33,634
Other current liabilities	13,082	11,141
Total current liabilities	61,873	61,634
Deferred rent and other long-term liabilities	9,201	10,467
Total liabilities	71,074	72,101
Commitments and contingencies (Notes 9 and 17)		
Series B redeemable preferred stock, \$.001 par value, 304,348 shares authorized; 0 and 72,889 shares issued, and outstanding, respectively	\$	\$7,916
Stockholders' equity:		
Common stock, \$.001 par value, 30,000,000 shares authorized; 17,154,655 and 15,481,782 shares issued, and outstanding, respectively	17	78
Additional paid-in capital	391,234	380,007
Accumulated deficit	(364,409)	(366,489)
Total stockholders' equity	26,842	13,596
Total liabilities and stockholders' equity	\$97,916	\$93,613

Share and per share data have been adjusted for all periods presented to reflect a five-for-one reverse stock split effective May 31, 2013.

See Notes to Consolidated Financial Statements.

F-2

---

TABLE OF CONTENTS**JAMBA, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except share and per share amounts)	Fiscal Year Ended December 31, 2013	Fiscal Year Ended January 1, 2013	Fiscal Year Ended January 3, 2012
Revenue:			
Company stores	\$212,887	\$215,125	\$214,837
Franchise and other revenue	16,362	13,664	11,597
Total revenue	229,249	228,789	226,434
Costs and operating expenses (income):			
Cost of sales	52,211	50,215	49,503
Labor	62,015	63,086	67,868
Occupancy	29,350	29,473	31,092
Store operating	34,986	33,612	32,847
Depreciation and amortization	10,974	11,062	12,463
General and administrative	37,771	40,771	37,798
Store pre-opening	880	604	965
Impairment of long-lived assets	728	711	1,291
Store lease termination and closure	148	421	721
Other operating, net	(2,182 )	(1,779 )	210
Total costs and operating expenses	226,881	228,176	234,758
Income (loss) from operations	2,368	613	(8,324 )
Other income (expense):			
Interest income	9	61	159
Interest expense	(242 )	(217 )	(473 )
Total other expense, net	(233 )	(156 )	(314 )
Income (loss) before income taxes	2,135	457	(8,638 )
Income tax (expense) benefit	(55 )	(155 )	340
Net income (loss)	2,080	302	(8,298 )
Redeemable preferred stock dividends and deemed dividends	(588 )	(2,181 )	(2,331 )
Net income (loss) attributable to common stockholders	\$1,492	\$(1,879 )	\$(10,629 )
Weighted-average shares used in the computation of earnings (loss) per share:			
Basic	16,793,235	14,139,888	13,262,131
Diluted	17,222,030	14,139,888	13,262,131
Earnings (loss) per share:			
Basic	\$0.09	\$(0.13 )	\$(0.80 )
Diluted	\$0.09	\$(0.13 )	\$(0.80 )

Share and per share data have been adjusted for all periods presented to reflect a five-for-one reverse stock split effective May 31, 2013.

See Notes to Consolidated Financial Statements.

F-3

---

TABLE OF CONTENTS**JAMBA, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Dollars in thousands, except share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Stockholders Equity
Balance as of December 28, 2010	12,746,992	\$64	\$365,817	\$(358,493)	\$7,388
Share-based compensation expense			1,256		1,256
Issuance of common stock pursuant to stock plans	117,585	1	942		943
Conversion of redeemable preferred stock	581,920	3	3,343		3,346
Accretion of redeemable preferred stock			(672 )		(672 )
Redeemable preferred stock dividends			(1,659 )		(1,659 )
Restricted stock units vested	9,600				
Net loss				(8,298 )	(8,298 )
Balance as of January 3, 2012	13,456,097	\$68	\$369,027	\$(366,791)	\$2,304
Share-based compensation expense			2,091		2,091
Issuance of common stock pursuant to stock plans	57,284	1	97		98
Conversion of redeemable preferred stock	1,910,000	9	10,973		10,982
Accretion of redeemable preferred stock			(1,018 )		(1,018 )
Redeemable preferred stock dividends			(1,163 )		(1,163 )
Exercise of warrant	58,400				
Net income				302	302
Balance as of January 1, 2013	15,481,782	\$78	\$380,007	\$(366,489)	\$13,596
Share-based compensation expense			2,550		2,550
Issuance of common stock pursuant to stock plans	215,505	1	827		828
Conversion of redeemable preferred stock	1,457,780	7	8,375		8,382
Accretion of redeemable preferred stock			(466 )		(466 )
Redeemable preferred stock dividends			(122 )		(122 )
Repurchase of fractional shares due to reverse stock split	(412 )	(69)	63		(6 )
Net income				2,080	2,080
Balance as of December 31, 2013	17,154,655	\$17	\$391,234	\$(364,409)	\$26,842

Share and per share data have been adjusted for all periods presented to reflect a five-for-one reverse stock split effective May 31, 2013.

See Notes to Consolidated Financial Statements.



TABLE OF CONTENTS**JAMBA, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)	Fiscal Year Ended December 31, 2013	Fiscal Year Ended January 1, 2013	Fiscal Year Ended January 3, 2012
Cash provided by (used in) operating activities:			
Net income (loss)	\$2,080	\$ 302	\$(8,298 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,974	11,062	12,463
Impairment of long-lived assets	728	711	1,291
Lease termination, store closure costs and gain on disposals	(3,308 )	820	1,501
Gain from sale of investment in joint venture		(545 )	
Contingent consideration fair value measurement	(651 )	(57 )	
Jambacard breakage income	(3,177 )	(4,275 )	(3,685 )
Share-based compensation	2,550	2,091	1,256
Bad debt, purchase obligation reserves and trade credits	645	600	164
Deferred rent	(1,186 )	(1,138 )	(457 )
Deferred income taxes			40
Equity income from joint ventures		(70 )	(51 )
Changes in operating assets and liabilities:			
Receivables	(2,998 )	1,637	(6,716 )
Inventories	(157 )	(1,348 )	149
Prepaid and refundable taxes	172	(319 )	(35 )
Prepaid rent	2,773	(81 )	(2,253 )
Prepaid expenses and other current assets	(2,842 )	(172 )	95
Other long-term assets	243	(215 )	1,937
Restricted cash from operating activities	205	1,147	473
Accounts payable	(2,809 )	3,115	(2,494 )
Accrued compensation and benefits	(2,028 )	1,000	1,005
Workers' compensation and health insurance reserves	(41 )	(5 )	(214 )
Accrued jambacard liability	6,664	4,653	7,185
Other current liabilities	2,387	(517 )	(2,793 )
Other long-term liabilities	246	(828 )	(1,643 )
Cash provided by (used in) operating activities	10,470	17,568	(1,080 )
Cash used in investing activities:			
Capital expenditures	(14,711)	(5,249 )	(10,744 )
Business acquisition		(390 )	
Purchase of investment	(300 )		
Proceeds from the sale of stores	4,777	4	3,734



Edgar Filing: JAMBA, INC. - Form 10-K

Proceeds from sale of investment in joint venture		1,032	
Capital distributions from investment, net		105	
Cash used in investing activities	(10,234)	(4,498 )	(7,010 )

See Notes to Consolidated Financial Statements.

F-5

---

TABLE OF CONTENTS**JAMBA, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)	Fiscal Year Ended December 31, 2013	Fiscal Year Ended January 1, 2013	Fiscal Year Ended January 3, 2012
Cash provided by (used in) financing activities:			
Proceeds pursuant to stock plans	822	98	314
Redeemable preferred stock dividends paid	(158 )	(1,289 )	(1,621 )
Payment on capital lease obligations			(20 )
Cash provided by (used) in financing activities	664	(1,191 )	(1,327 )
Net increase (decrease) in cash and cash equivalents	900	11,879	(9,417 )
Cash and cash equivalents at beginning of period	31,486	19,607	29,024
Cash and cash equivalents at end of period	\$ 32,386	\$ 31,486	\$ 19,607
Supplemental cash flow information:			
Cash paid for interest	\$ 51	\$ 168	\$ 237
Income taxes paid	187	277	36
Noncash investing and financing activities:			
Noncash property, fixtures and equipment additions	\$ 311	\$ 937	\$ 202
Accretion of redeemable preferred stock	466	1,018	672
Accrued redeemable preferred stock dividends		36	38
Conversion of redeemable preferred stock	8,382	10,982	3,346

See Notes to Consolidated Financial Statements.

TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**Business** Jamba, Inc. consummated its initial public offering in July 2005. On March 10, 2006, Jamba, Inc. entered into an Agreement and Plan of Merger with Jamba Juice Company (the Merger Agreement). On November 29, 2006 (the Merger Date), the Jamba, Inc. consummated the merger with Jamba Juice Company (the Merger) whereby Jamba Juice Company became its wholly owned subsidiary. Jamba, Inc. was incorporated in January 2005, and went public through an initial public offering later that year. In November 2006, the Company completed its acquisition of Jamba Juice Company, which first began operations in 1990.

Jamba, Inc. through its wholly-owned subsidiary, Jamba Juice Company, is a healthy, active lifestyle brand with a global business driven by a portfolio of company-owned and franchised Jamba Juice® stores, innovative product platforms that utilize our JambaGO® and Jamba Smoothie Station™ formats, and Jamba-branded consumer packaged goods. As a leading better-for-you, specialty food and beverage brand, Jamba offers great tasting, whole fruit smoothies, fresh squeezed juices and juice blends, hot teas, and a variety of food items including, hot oatmeal, breakfast wraps, sandwiches, Artisan Flatbreads™, baked goods and snacks in our restaurants. Jamba Juice Company has expanded the Jamba brand by direct selling of consumer packaged goods (CPG) products and licensing its trademarks.

As of December 31, 2013, there were 851 Jamba Juice stores globally, consisting of 268 Company-owned and operated stores (Company Stores), 535 franchise-operated stores (Franchise Stores) in the United States, and 48 franchise-operated stores at international locations (International Stores).

**Basis of Presentation** The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Jamba Juice Company. All intercompany balances and transactions have been eliminated. The equity method of accounting is used to account for the joint venture owned by Jamba Juice Company because Jamba Juice Company exercises significant influence over operating and financial policies of its partners. Accordingly, the carrying value of this investment is reported in other long-term assets, and the Company's equity in the net income and losses of this investment is reported in other operating, net.

**Fiscal Year End** Our fiscal year ends on the Tuesday closest to December 31. The Company's most recently completed fiscal year, referred to as fiscal 2013, started on January 2, 2013, and ended on December 31, 2013, and had 52 weeks. The Company's fiscal 2012, started on January 4, 2012 and ended on January 1, 2013, and had 52 weeks, and fiscal 2011, started on December 29, 2010, and ended on January 3, 2012, and had 53 weeks.

**Significant Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods.

**Reverse Stock Split** Effective May 31, 2013, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation, as amended, and consummated a five-for-one reverse stock split ( Reverse Stock Split ) of its issued and outstanding common stock, \$0.001 par value per share. The Reverse Stock Split and the Certificate of Amendment were approved by the Company's stockholders at the Company's Annual Meeting of Stockholders held on May 14, 2013 for stockholders of record as of the close of business on March 20, 2013.

On the effective date of the Reverse Stock Split, every five shares of the Company's issued and outstanding common stock were combined into one issued and outstanding share of the Company's common stock, without any change in the par value per share. No fractional shares were issued as a result of the Reverse Stock Split. Stockholders who otherwise were entitled to receive a fractional share in connection with

F-7

---

TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

the Reverse Stock Split instead were eligible to receive a cash payment, which was not material in the aggregate, instead of shares. All share and per share information in the accompanying financial statements have been restated retroactively to reflect the stock split.

**Reclassifications** Certain prior year amounts have been reclassified to conform to current year presentation in the consolidated financial statements.

**Concentrations of Risk** During fiscal 2013, fiscal 2012, and fiscal 2011, the Company maintained food distribution contracts primarily with one supplier. For fiscal 2013 the single supplier was Systems Service of America who provided approximately 92% of foods and products sold in Company Stores during fiscal 2013. If the supplier had operational problems or ceased making product available to the Company, operations could be adversely affected. For fiscal 2012 and fiscal 2011, that single supplier was Southwest Traders, Inc. This supplier provided approximately 98% and 94% of foods and products sold in Company Stores, in fiscal 2012 and fiscal 2011, respectively, which potentially subjected the Company to a concentration of business risk.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company places its cash and cash equivalents with high-quality financial institutions. Balances in the Company's cash accounts frequently exceed the Federal Deposit Insurance Corporation insurance limit. The Company has not experienced any losses related to these balances and believes the credit risk to be minimal.

**Cash and Cash Equivalents** The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

**Restricted Cash and Investments** Restricted cash represents cash held in money market accounts or certificates of deposits. As of December 31, 2013, the Company had no restricted cash. As of January 1, 2012, restricted cash was \$0.2 million representing obligations under the Company's contract termination arrangements with Southwest Traders, Inc.

**Receivables** Receivables primarily represent amounts due from sale of jambacards, royalty fees, advertising fees, construction allowances, amounts receivable from suppliers and CPG customers, jambacards issued by the franchisees and rent receivable from franchisees. The allowance for doubtful accounts is the Company's estimate of the amount of

probable credit losses in the Company's existing accounts receivable. As of December 31, 2013, receivables include \$1.6 million due from a franchise partner. This Note has a maturity date of May 1, 2014 and the interest rate is 4% per annum.

***Inventories*** Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method (FIFO). Inventories consist of food, beverages and available-for-sale promotional products. The Company records inventory reserves for obsolete and slow-moving inventory and for estimated shrinkage between physical inventory counts.

***Property, Fixtures and Equipment*** Property, fixtures and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life. The estimated useful life for leasehold improvements is the lesser of 10 years or the term of the underlying lease. The estimated useful life for furniture, fixtures and equipment is three to 10 years.

***Impairment of long-lived assets*** The Company evaluates long-lived assets for impairment when facts and circumstances indicate that the carrying values of long-lived assets may not be recoverable. The impairment evaluation is generally performed at the individual store asset group level. The Company first compares the carrying value of the asset to the asset's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying value of the asset, the Company measures an

TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

impairment loss based on the asset's estimated fair value. The fair value of a store's assets is estimated using a discounted cash flow model based on internal projections and taking into consideration the view of a market participant. The estimate of cash flows is based on, among other things, certain assumptions about expected future operating performance. Factors considered during the impairment evaluation include factors related to actual operating cash flows, the period of time since a store has been opened or remodeled, refranchising expectations and the maturity of the relevant market.

Impairment charges include the write-down of long-lived assets at stores that were assessed for impairment because of management's intention to close the store or because of changes in circumstances that indicate the carrying value of an asset may not be recoverable. The Company recorded impairment charges of \$0.7 million, \$0.7 million and \$1.3 million for fiscal 2013, fiscal 2012 and fiscal 2011, respectively.

**Goodwill, Trademarks and Other Intangible Asset Impairment**

Goodwill is evaluated for impairment on an annual basis during the Company's fourth fiscal quarter, or more frequently if circumstances, such as material deterioration in performance, indicate carrying values may exceed their fair values. The goodwill impairment analysis is a two-step process: First, the reporting unit's estimated fair value is compared to its carrying value, including goodwill. If the Company determines that the estimated fair value of the reporting unit is less than its carrying value, it moves to the second step to determine the implied fair value of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment loss is recognized. In September 2011, the FASB issued new guidance allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. If impairment is deemed more likely than not, management would perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The Company applies the qualitative approach when appropriate. When reviewing goodwill for impairment, the Company assesses whether goodwill should be allocated to operating levels lower than its single operating segment for which discrete financial information is available and reviewed for decision-making purposes. These lower levels are referred to as reporting units. Currently, the Company's one reporting unit was determined to be its one operating segment. During the fiscal year ended December 31, 2013 no goodwill impairment was recorded.

Intangible assets not subject to amortization (primarily trademarks) are evaluated for impairment on an annual basis

during the fourth fiscal quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The test for impairment on the intangible assets is performed by comparing the fair value of the trademarks to their carrying amounts. An impairment loss is generally recognized when the carrying amount of the trademarks exceeds the fair value. The fair value of trademarks was estimated using the income approach, which is based on assumptions about future cash flows resulting from our franchise, license agreements and acquired businesses.

Intangible assets subject to amortization (primarily franchise agreements, reacquired franchise rights and a favorable lease portfolio intangible asset recognized in the purchase of Jamba Juice in 2006) are tested for impairment if changes in circumstances indicate that their carrying amounts may not be recoverable. The Company first compares the carrying value of the asset to the asset's estimated future undiscounted cash flows. If the estimated future cash flows are less than the carrying value of the asset, the Company measures an impairment loss based on the asset's estimated fair value. Intangible assets are amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. The useful life for the franchise agreements is 13.4 years. The useful life of reacquired franchise rights represents the remaining term of the franchise agreement. The useful life of the favorable lease portfolio intangible is based on the related lease term.

F-9

---



TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**Jambacards** The Company, through its subsidiary, Jamba Juice Company, has been selling jambacards to its customers in its retail stores, through its website and through resellers since November 2002. The Company's jambacards do not have an expiration date. An obligation is recorded at the time of either an initial load or a subsequent reload in accrued jambacard liability on the Company's consolidated balance sheets. The Company recognizes income from jambacards when (i) the jambacard is redeemed by the customer or (ii) the likelihood of the jambacard being redeemed by the customer is remote (also referred to as breakage) and the Company determines that it does not have a legal obligation to remit the unredeemed jambacards to the relevant jurisdictions. The Company determines the jambacard breakage amount based upon its historical redemption patterns. When the likelihood of redemption becomes remote, the Company recognizes breakage income. Jambacard breakage income is included in other operating, net in the consolidated statements of operations.

**Self-Insurance Reserves** The Company is self-insured for healthcare benefits, and liabilities are based on statistical analyses of historical industry data as well as actual historical trends. The estimated accruals for these liabilities could be significantly affected if future occurrences and claims differ from these assumptions and historical trends. For workers' compensation benefits, the Company was self-insured for existing and prior years' exposures through September 30, 2008. Liabilities associated with the risks that the Company retains for workers' compensation benefits are estimated in part, by considering historical claims experience, demographic factors, severity factors, and other actuarial assumptions.

**Rent Expense** Under the provisions of certain of our leases, there are rent holidays and/or escalations in payments over the base lease term, as well as renewal periods. The effects of rent holidays and escalations are reflected in rent costs on a straight-line basis over the expected lease term, which includes cancelable option periods when it is deemed to be reasonably assured that the Company will exercise such option periods due to the fact that the Company would incur an economic penalty for not doing so. The lease term commences on the date when the Company becomes legally obligated for the rent payments which generally coincides with the time when the landlord delivers the property for the Company to develop. All rent costs recognized during construction periods are classified as pre-opening expenses. Pursuant to the refranchising strategy, the Company recorded liabilities for rent concessions over the remaining term of certain store leases of refranchised stores.

**Construction Allowances** The Company receives construction allowances from certain landlords, which are deferred and amortized on a straight-line basis over the lease term as a reduction of rent expense. Construction allowances are recorded in deferred rent and other long-term liabilities.

**Revenue Recognition** Revenue from Company Stores is recognized when product is sold. Revenue is presented net of any taxes collected from customers and remitted to government entities. Revenue from jambacards is recognized upon redemption in exchange for product. Until redemption, outstanding customer balances are recorded as a liability.

See jambacards section above for discussion on recognition of jambacard breakage.

Franchise revenue is generated from royalties, development fees, initial franchise fees and revenue from sales of the Company's flexible format franchise locations, which are our Smoothie Stations and JambaGO units.

Royalties from Franchise Stores are determined as a percentage of revenue and are recognized in the same period as the related franchise store revenue. If collection of the franchise royalty fee is doubtful, revenue is recognized at the time of collection.

Development fees are paid to the Company as part of an agreement to open and operate a specific number of stores in a specified territory. The amount of the fee is based on the number of stores to be opened

F-10

---

TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

pursuant to the development agreement and secures the territory for exclusivity during the development. The nonrefundable fees collected for these services are recognized as the franchise stores under these agreements open. The Company's multi-unit development agreements specify the number of stores to be opened. Any changes to the specific number of stores would be stated in a subsequent contractual agreement (see Note 2).

The Company charges an initial franchise fee for providing operational materials, new store opening planning, and functional training courses. Initial franchise fees, if any, are due for payment at the time the franchise agreement for a particular store is executed. Franchise fees are recognized as revenue when all material services or conditions have been substantially performed or satisfied and no other material conditions or obligations related to the determination of substantial performance exist. Duties and services that are completed prior to approval include training, facilities inspection, receipt of operating license(s), and clearance from appropriate agencies. These duties and services are substantially complete prior to the approval of the opening of a store. Duties and services relating to the earning of the franchise fees are necessary for the stores to open. Revenue is recognized when the store opens. Revenue from sales at the Company's flexible format franchise locations are recognized when the products are delivered to the operators of the Smoothie Stations or JambaGO units.

Other revenue primarily consists of revenue from sales of CPG products sold to retail outlets and online and royalties from licensed CPG products. Revenue from sale of CPG products is recognized when the products are delivered to the customer. License revenue from CPG products is based on a percentage of product sales and is recognized as revenue upon the sale of the product to retail outlets.

**Cost of Sales** The Company includes in cost of sales, costs incurred to acquire fruit, dairy and other products used to make smoothies and juices, paper products, as well as the costs related to managing our procurement program, and payments received from vendors.

**Advertising Fund** The Company participates with its franchisees in an advertising fund, established in fiscal 2010, to collect and administer funds contributed for use in advertising and promotional programs which are designed to increase sales and enhance the reputation of the Company and its franchise owners. Contributions to the advertising fund are required for Company Stores and traditional Franchise Stores and are generally based on a percent of store sales. The Company has control of the advertising fund. The fund is consolidated and the Company reports all assets and liabilities of the fund.

The advertising fund assets, consisting primarily of cash received from the Company and franchisees and accounts receivable from franchisees, can only be used for selected purposes and are considered restricted. The advertising fund liabilities represent the corresponding obligation arising from the receipts of the marketing program. In accordance with ASC Topic 952-605-25, the receipts from the franchisees are recorded as a liability against which specified advertising costs are charged. The Company does not reflect franchisee contributions to the fund as revenue in its consolidated statements of operations or consolidated statements of cash flows.

Advertising fund assets as of December 31, 2013 include \$0.8 million of receivables from franchisees, which is recorded in receivables on the consolidated balance sheet. Advertising fund liabilities as of December 31, 2013, of \$0.6 million are reported in other current liabilities and accounts payable on the consolidated balance sheet.

Advertising fund assets as of January 1, 2013 include \$1.0 million of receivables from franchisees, which is recorded in receivables on the consolidated balance sheet. Advertising fund liabilities as of January 1, 2013, of \$0.5 million are reported in other current liabilities and accounts payable on the consolidated balance sheet.

**Advertising Costs** Advertising costs are expensed as incurred and were \$10.4 million, \$8.5 million and \$7.3 million in fiscal 2013, fiscal 2012 and fiscal 2011, respectively, and are included in store operating

TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

expenses. The Company received advertising contributions from its franchisees, which contributions were recorded as an offset to advertising expense, and were \$4.8 million, \$3.1 million and \$2.8 million for fiscal 2013, fiscal 2012 and fiscal 2011, respectively.

***Store Pre-opening Costs*** Costs incurred in connection with start-up and promotion of new store openings as well as rent from possession date to store opening date are expensed as incurred.

***Comprehensive Income*** Comprehensive income is defined as the change in equity during a period from transactions and other events, excluding changes resulting from investments from owners and distributions to owners. The Company currently has no components of Comprehensive Income other than net income, therefore no separate statement of comprehensive income is presented.

***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 basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date. In establishing deferred income tax assets and liabilities, judgments and interpretations are made based on enacted tax laws and published tax guidance applicable to our operations. The Company records deferred tax assets and liabilities and evaluate the need for valuation allowances to reduce deferred tax assets to amounts more likely than not of being realized. Changes in the valuation of the deferred tax assets or changes in the income tax provision may affect the Company's annual effective income tax rate.

Uncertain tax positions are recognized as the greatest amount more than 50% likely of being sustained upon audit based on the technical merits of the position. On a quarterly basis, the Company reviews and updates its inventory of tax positions as necessary to add any new uncertain tax positions taken, or to remove previously identified uncertain positions that have been effectively settled. Additionally, uncertain positions may be re-measured as warranted by changes in facts or law. Accounting for uncertain tax positions requires significant judgments, including estimating the amount, timing and likelihood of ultimate settlement. Although the Company believes that these estimates are reasonable, actual results could differ from these estimates. The Company classifies interest and penalties related to income taxes as a component of income taxes in the consolidated statements of operations.

**Earnings (Loss) Per Share** Basic earnings (loss) per share is computed based on the weighted-average of common shares outstanding during the period. Diluted earnings (loss) per share is computed based on the weighted-average number of common shares and potentially dilutive securities, which includes preferred stock outstanding, outstanding warrants and outstanding options and restricted stock awards granted under the Company's stock option plans.

For purposes of determining the net income available (loss attributable) to common stockholders used in the computation of earnings (loss) per share, the amount of the income (loss) was increased (decreased) by the preferred stock dividends and deemed dividends. The deemed dividend represents the accretion of the issuance costs and beneficial conversion feature of the Company's preferred stock.

All outstanding shares of preferred stock were converted to shares of common stock as of June 14, 2013. For fiscal 2013, the impact of the assumed conversion of preferred stock is anti-dilutive and the incremental shares from assumed exercise of restricted stock awards, warrants and stock options were dilutive. The number of incremental shares from the assumed exercise of restricted stock awards, warrants and options was calculated by applying the treasury stock method. Shares and per share data have been adjusted for all periods presented to reflect the Reverse Stock Split effective May 31, 2013.

F-12

---

TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

For fiscal 2012, the Company had net loss attributable to common stockholders and as a result, incremental shares from assumed exercise of restricted stock awards, warrants and options and from the assumed conversion of preferred stock were anti-dilutive. Therefore, net loss attributable to common stockholders has not been decreased by preferred stock dividends and related deemed dividends. Also the number of preferred shares and common stock equivalents associated with the assumed exercise of restricted stock awards, warrants and options have not been included in the diluted earnings per share calculation, resulting in the Company's basic weighted-average shares outstanding being equal to its diluted weighted-average shares outstanding. For fiscal 2011, the Company's basic weighted-average shares outstanding were equal to its diluted weighted-average shares outstanding since the Company experienced a net loss in fiscal 2011.

Anti-dilutive shares of 2.0 million, 4.1 million and 4.8 million have been excluded from diluted weighted-average shares outstanding in fiscal 2013, fiscal 2012 and fiscal 2011, respectively.

**Share-based compensation** The Company measures and recognizes all share-based compensation under the fair value method.

Stock options for a fixed number of shares are granted to certain employees and directors with an exercise price based on the grant date fair value of the Company's common stock. The Company also grants restricted stock with a fair value determined based on the closing price of the Company's common stock on the date of grant (see Note 12). Stock options generally vest over a four-year period. Share-based compensation expense is recognized ratably over the service period.

The fair value of restricted stock units is determined based on the Company's closing stock price on the date of grant. For employees, these restricted stock units typically vest and become unrestricted over the three year period following the date of grant. For non-employee directors, these restricted stock units typically vest and become unrestricted one year after the date of grant. Share-based compensation expense is recognized ratably over the vesting periods for restricted stock units.

The fair value of performance stock units ( PSUs ) is determined based on fair value at the date of grant. The Company records compensation expense on PSUs with criteria based on market performance by recognizing grant date fair value over the vesting period. For PSUs with criteria based on predetermined internal performance targets such as EBITDA, the Company records compensation expense when it is probable that the performance criteria will be met.

***Fair Value of Financial Instruments*** The following instruments are not measured at fair value on the Company's consolidated balance sheets but require disclosure of their fair values: cash and cash equivalents, accounts receivables and accounts payable. The estimated fair value of such instruments approximates their carrying value as reported on the consolidated balance sheets. The fair value of such financial instruments is determined using the income approach based on the present value of estimated future cash flows. The fair value of these instruments would be categorized as Level 2 in the fair value hierarchy, with the exception of cash and cash equivalents, which would be categorized as Level 1.

***Segment Reporting*** The Company has one reportable retail segment.

## **Recent Accounting Pronouncements**

The Financial Accounting Standards Board ( FASB ) issued ASU 2013-11 Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, in July 2013. This standard prescribes that a liability related to an unrecognized tax benefit to be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is

F-13

---



TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

disallowed. In situations in which a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of a jurisdiction or the tax law of a jurisdiction does not require it, and the Company does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statement as a liability and should not be combined with deferred tax assets. This guidance becomes effective for fiscal years beginning after December 15, 2013, and will be applied on a prospective basis. The Company does not anticipate the adoption of this guidance will have a material impact on its financial statements.

**2. DEVELOPMENT AGREEMENTS**

The Company's wholly owned subsidiary, Jamba Juice Company, has entered into multi-unit license agreements with area developers to develop stores in certain geographic regions. Under typical multi-unit license agreements, the area developer generally pays one-half of the initial nonrefundable fee multiplied by each store to be developed as a nonrefundable development fee upon execution of the multi-unit development agreement. The agreements are generally for a term of 10 years. Each time a store is opened under the multi-unit license agreement, the Company credits the franchisee one-half of the initial fee paid as part of the development fee and the franchisee is required to pay the remaining one-half of the initial fee.

The following table summarizes data about the development agreements for Franchise and International Stores as of December 31, 2013 and January 1, 2013:

	December 31, 2013	January 1, 2013
Number of developers with Franchise Store contractual commitments	35	21
Number of Franchise Stores for which commitments exist	161	95
Number of developers with International Stores contractual commitments	5	3
Number of International Stores for which commitments exist	432	285

The Company generally executes franchise agreements for each store that establishes the terms of its arrangement with the franchisee. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to the Company's approval and the franchisee's payment of a

renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

Franchise revenue consists of royalties, and fees from franchisees and revenue from sales of products sold at JambaGO and Smoothies Station locations.

The Company recognizes initial fees received from a franchisee as revenue when it has performed substantially all initial services required by the franchise agreement, which is generally upon the opening of a store. The Company recognizes continuing royalties based upon a percentage of franchisee revenue as earned and revenue from sales of certain Jamba-branded products when they are delivered to the express format franchisees. The Company is not required to contribute capital as part of multi-unit development agreements or franchise agreements.

Deferred franchise revenue is included in other current liabilities and other long-term liabilities on the consolidated balance sheets. As of December 31, 2013 and January 1, 2013 deferred franchise revenue included \$1.3 million and \$0.8 million, respectively, relating to non-refundable development fees and initial fees paid by domestic franchisees whose stores have not yet opened. In addition, deferred franchise revenue as of December 31, 2013 and January 1, 2013 included \$0.9 million and \$0.7 million, respectively, relating to non-refundable international development fees.

F-14

---

TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**3. PROPERTY, FIXTURES AND EQUIPMENT**

Property, fixtures, and equipment as of December 31, 2013 and January 1, 2013 consisted of the following (in thousands):

	December 31, 2013	January 1, 2013
Leasehold improvements	\$ 49,532	\$ 50,358
Furniture, fixtures and equipment	57,529	57,457
Construction in progress (primarily stores under construction)	164	79
Total	107,225	107,894
Less accumulated depreciation and amortization	(69,740 )	(69,452 )
Total	\$ 37,485	\$ 38,442

Depreciation expense related to property, fixtures and equipment for fiscal 2013, fiscal 2012 and fiscal 2011 was \$10.9 million, \$11.0 million, and \$12.3 million, respectively.

**4. ACQUISITION**

On January 27, 2012, the Company completed its acquisition of certain assets of Talbott Teas, LLC ( Talbott ), a Chicago based boutique, premium tea company. The acquisition of Talbott is consistent with the Company's strategy for growth through lifestyle specialty brands that fit well with the Jamba brands and its positioning as a leading health and wellness company. The pro forma effect of the acquisition on the Company's results of operations is not significant. The revenue and earnings of Talbott, included in the Company's results since the January 27, 2012 acquisition, and acquisition related expenses included in the statements of operations are not significant.

This purchase was accounted for using the acquisition method of accounting and the purchase price comprises an upfront cash payment plus contingency payments based on the future performance (the earn-out arrangement) of the assets acquired. The purchase price was determined to be the aggregate of the upfront payment and the fair value of the payments subject to the earn-out arrangement, and was allocated to the assets purchased based upon their estimated fair values at the date of acquisition. Identifiable intangible assets acquired include a trade name and customer relationships totaling \$0.4 million and are included in trademarks and other intangible assets, net on the balance sheet. The excess purchase price over the net tangible and intangible assets acquired of \$1.3 million was recorded as goodwill, which is expected to be nondeductible for tax purposes until certain conditions are met. The purchase price cash consideration paid by the Company at closing was \$0.4 million and the fair value of the earn-out

arrangement was recorded as a liability, at \$1.4 million, as of January 27, 2012. As of December 31, 2013, the fair value of the earn-out liability was \$0.6 million which is included in deferred rent and other long-term liabilities on the consolidated balance sheets. As of January 1, 2012, the fair value was \$1.3 million of which \$0.9 million is included in deferred rent and other long-term liabilities and \$0.4 million is in current liabilities on the consolidated balance sheets.

F-15

---

TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**5. TRADEMARKS AND OTHER INTANGIBLE ASSETS**

The carrying amount and accumulated amortization of trademarks and other intangible assets as of December 31, 2013 and January 1, 2013, were as follows (in thousands):

	Gross Amount	Accumulated Amortization	Net Amount
Intangible Assets			
As of December 31, 2013			
Favorable leases	\$ 1,971	\$ (1,965 )	\$ 6
Trademarks	716		716
Franchise agreements and customer lists	1,059	(474 )	585
Reacquired franchise rights	275	(265 )	10
Total	\$ 4,021	\$ (2,704 )	\$ 1,317

	Gross Amount	Accumulated Amortization	Net Amount
As of January 1, 2013			
Favorable leases	\$ 2,051	\$ (2,015 )	\$ 36
Trademarks	608		608
Franchise agreements and customer lists	1,100	(364 )	736
Reacquired franchise rights	325	(293 )	32
Total	\$ 4,084	\$ (2,672 )	\$ 1,412

Intangible assets are amortized over their expected useful lives. Amortization expense for intangible assets for fiscal 2013, fiscal 2012 and fiscal 2011 was \$0.1 million, \$0.2 million and \$0.3 million, respectively. Expected annual amortization expense for intangible assets recorded as of December 31, 2013 is as follows (in thousands):

Fiscal Year	Amortization Expense
2014	\$ 104
2015	98
2016	96

2017	94
2018	94
Thereafter	115

Trademarks are not subject to amortization and the Company evaluates for impairment on an annual basis during the fourth quarter or more frequently if events or changes in circumstances indicate that the asset might be impaired.

There was no impairment charge for trademarks in fiscal 2013 and fiscal 2012. As of December 31, 2013 and January 1, 2013, the Company had trademarks of approximately \$0.7 million and \$0.6 million, respectively.

F-16

---

TABLE OF CONTENTS**JAMBA, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012****6. OTHER LONG-TERM ASSETS**

As of December 31, 2013 and January 1, 2013, other long-term assets consisted of the following (in thousands):

	December 31, 2013	January 1, 2013
Notes receivable	\$ 300	\$
Deposits and other	898	846
Total	\$ 1,198	\$ 846

As of December 31, 2013, the Company had a 15% investment in JJC Washington I, LLC, a joint venture with its franchisee in the Washington, D.C. area, and accounts for its investment under the equity method. The Company has suspended recording losses on this investment and will record equity earnings when the unrecognized equity losses are fully offset by unrecognized equity earnings.

**7. TRADE CREDIT AGREEMENT**

In 2012, the Company entered into a Trade Credit Agreement with a California advertising agency to provide product from the Company's wholly owned subsidiary, Talbott Teas, Inc. ( Talbott ), in exchange for future advertising credits ( trade credits ). The trade credits will expire in November 2017. During fiscal 2013, the Company exchanged Talbott product for trade credits of \$1.1 million. At December 31, 2013, trade credits of approximately \$0.9 million are remaining and are included on the consolidated balance sheets in prepaid expenses and other current assets. These trade credits are charged to expense as they are used to purchase advertising services. The transaction was recorded at the fair value of the Talbott products provided to the advertising agency on the date of the transaction. During fiscal 2012 and fiscal 2011, the Company did not have trade credit agreements in place.

**8. DEFERRED RENT AND OTHER LONG-TERM LIABILITIES**

As of December 31, 2013 and January 1, 2013, other long-term liabilities consisted of the following (in thousands):

December 31, 2013	January 1, 2013
----------------------	--------------------

Deferred rent	\$ 4,033	\$ 4,708
Deferred revenue	2,598	2,292
Construction allowance	1,359	1,871
Contingent consideration	553	894
Other liabilities	658	702
Total deferred rent and other long-term liabilities	\$ 9,201	\$ 10,467

## 9. LEASE COMMITMENTS

The Company leases its office, retail stores, and some equipment under operating leases, with terms expiring through 2023. Most store leases have an initial term of 10 years, with renewal options of up to 10 years and provide for payment of common area operating expenses and real estate taxes. When the Company refranchises Company Stores, usually the franchisees become sublessees and the Company continues to be obligated under the existing lease agreements for the remainder of the lease terms.

Rental expense, net of sublease income was \$23.5 million in fiscal 2013, \$23.5 million in fiscal 2012 and \$24.8 million in fiscal 2011, respectively, and was recorded in occupancy costs and general and administrative expenses in the statements of operations. The Company recognized sublease income of \$8.3 million in fiscal

F-17

---



TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**9. LEASE COMMITMENTS (continued)**

2013, \$8.4 million in fiscal 2012 and \$8.0 million in fiscal 2011, respectively. Contingent rent included in occupancy costs in the statements of operations was \$0.5 million, \$0.4 million and \$0.4 million in fiscal 2013, fiscal 2012 and fiscal 2011, respectively.

The aggregate future minimum noncancelable lease payments and minimum rentals to be received from sublessees as of December 31, 2013, were as follows (in thousands):

Fiscal Year Ending:	Minimum lease payments	Minimum rentals to be received
2014	\$ 29,300	\$ (8,427 )
2015	23,485	(6,591 )
2016	18,618	(5,477 )
2017	13,176	(3,883 )
2018	7,692	(1,922 )
Thereafter	14,265	(2,933 )
Total	\$ 106,536	\$ (29,233 )

**10. CREDIT AGREEMENT**

On February 14, 2012, the Company entered into a Credit Agreement with Wells Fargo Bank, National Association (the Lender) which, as amended on November 1, 2012, July 22, 2013 and November 4, 2013 (as amended, the Credit Agreement), makes available to the Company a revolving line of credit in the amount of \$15.0 million. The outstanding balance under the amended credit facility bears interest at a LIBOR Market Index Rate based upon the rate for one month U.S. dollar deposits, plus 2.50% per annum. Under the terms of the Credit Agreement, the Company is required to maintain maximum consolidated leverage ratios, minimum levels of tangible net worth and a minimum fixed charge coverage ratio. The Credit Agreement terminates July 22, 2016 or may be terminated earlier by the Company or by the Lender. This credit facility is subject to customary affirmative and negative covenants for credit facilities of this type, including limitations on the Company with respect to liens, indebtedness, guaranties, investments, distributions, mergers and acquisitions and dispositions of assets. The credit facility is evidenced by a revolving note made by the Company in favor of the Lender, is guaranteed by the Company and is secured by substantially all of its assets including the assets of its subsidiaries and a pledge of stock of its subsidiaries. In addition, the Credit Agreement replaced restricted cash requirements established in prior periods, as the line of credit

also collateralizes the Company's outstanding letters of credit of \$0.9 million as of December 31, 2013.

During fiscal 2013, there were no borrowings under the Credit Agreement. To acquire the credit facility, the Company incurred upfront fees which are being amortized over the term of the Credit Agreement. As of December 31, 2013 and January 1, 2013, the unamortized commitment fee amount was not material and is recorded in prepaid expenses and other current assets on the consolidated balance sheet. As of December 31, 2013, the Company was in compliance with all the financial covenants to the Credit Agreement. The unused borrowing capacity under the agreement on December 31, 2013, was \$14.1 million.

F-18

---

TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**11. REDEEMABLE PREFERRED STOCK**

A summary of redeemable preferred stock activity for fiscal years 2013 and 2012 is presented below (dollars in thousands, except share amounts):

	Redeemable preferred stock	
	Shares	Amount
Balance as of January 3, 2012	168,389	\$ 17,880
Conversion of redeemable preferred stock	(95,500 )	(10,982 )
Accretion of redeemable preferred stock		1,018
Balance as of January 1, 2013	72,889	\$ 7,916
Conversion of redeemable preferred stock	(72,889 )	(7,916 )
Accretion of redeemable preferred stock		
Balance as of December 31, 2013		\$

On June 16, 2009, the Company issued (i) 170,000 shares of its Series B-1 Convertible Preferred Stock, par value \$0.001, (the Series B-1 Preferred ) to affiliates of Mistral Equity Partners at a price of \$115 per share, for an aggregate purchase price of approximately \$19.6 million, and (ii) 134,348 shares of its Series B-2 Convertible Preferred Stock, par value \$0.001, (the Series B-2 Preferred ) to CanBa Investments, LLC at a price of \$115 per share, for an aggregate purchase price of approximately \$15.4 million. The issuance of shares of the Series B-1 Preferred and the B-2 Preferred (together the Series B Preferred Stock or Preferred Stock ) for \$35 million, less approximately \$3.1 million in total transaction costs, which included \$2.2 million in transaction fees and \$885,000 paid to investors, was completed through a private placement to the purchasers as accredited investors and pursuant to the exemptions from the registration requirements of the Securities Act.

The Series B Preferred Stock was classified as temporary stockholders' equity, since the shares were (i) redeemable at the option of the holder in the future after satisfaction of the requisite holding period and (ii) had conditions for redemption which were not solely within the control of the Company.

During fiscal 2013, holders of 19,649 shares of outstanding Series B-1 Preferred Stock and 53,240 shares of outstanding Series B-2 Preferred Stock converted such stock into an aggregate of 1,457,780 shares of common stock at the conversion price of \$5.75 per share (as adjusted for the Reverse Stock Split). During fiscal 2013, the Company paid cash dividends on the Series B Preferred Stock of \$0.1 million. Accretion related to the Series B Preferred Stock in fiscal 2013 was \$0.5 million, including the acceleration of accretion on converted shares. Accretion is fully

amortized as of December 31, 2013. As of December 31, 2013, there are no shares of Series B Preferred Stock outstanding.

During fiscal 2012, holders of 93,500 shares of outstanding Series B-1 Preferred Stock and 2,000 shares of outstanding Series B-2 Preferred Stock converted such stock into an aggregate of 1,910,000 shares of common stock at the conversion price of \$5.75 per share.

During fiscal 2012 and fiscal 2011, the Company paid cash dividends on the Series B Preferred Stock totaling \$1.3 million and \$1.6 million, respectively. Accretion related to the Series B Preferred Stock for the fiscal years ended January 1, 2013 and January 3, 2012 was \$1.0 million and \$0.7 million, respectively, including the acceleration of accretion on converted shares.

F-19

---

TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**12. SHARE-BASED COMPENSATION**

On May 14, 2013, at its 2013 Annual Meeting of Stockholders (the "Annual Meeting"), the Company's stockholders, upon the recommendation of the Board of Directors, approved the Jamba, Inc. 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan authorizes the Company to provide incentive compensation in the form of stock options, stock appreciation rights ("SARs"), restricted stock and stock units, performance shares and units, other stock-based awards, cash-based awards and deferred compensation awards. The 2013 Plan authorizes up to 3,145,122 shares (adjusted for the Reverse Stock Split).

As of December 31, 2013, under the Company's 2013 Plan, there remained 1,755,306 shares available for grant, and under its 2006 Plan, 31,369 shares remained available for grant. Options granted under the 2006 Plan have an exercise price equal to the closing price of the Company's common stock on the grant date. Options under the 2001 Plan and 1994 Plan were granted at an exercise price equal to or greater than the fair market value of the common stock at the date of the grant, are exercisable for up to 10 years, and vest annually over a four year period. Options outstanding under the 1994 Plan and the 2001 Plan became fully vested in 2010.

**Stock Options** The fair value of options granted was estimated at the date of grant using a Black-Scholes option-pricing model. Option valuation models, including Black-Scholes, require the input of highly subjective assumptions. The Black-Scholes option-pricing model was developed for use in estimating fair value of traded options, which do not have vesting restrictions and are transferable. The Company's employee stock options have different characteristics from those of traded options, and changes in the subjective assumptions used can materially affect the grant date fair value of a stock option award.

These assumptions include the risk-free interest rate, the expected life of the award, expected volatility and expected dividend yield. The risk-free interest rate is based on the zero coupon U.S. Treasury rates appropriate for the expected term of the award. For expected life of the award, the Company applies the guidance provided by the SEC Staff Accounting Bulletin No. 110. Expected volatility is based on historic daily stock price observations of the Company's common stock since its inception. Expected dividends are zero based on history of not paying cash dividends on the Company's common stock and its intention not to make dividend payments in the future. The Company makes assumptions for the number of awards that will ultimately not vest ("forfeitures") in determining the share-based compensation expense for these awards. The Company uses historical data to estimate expected employee behaviors related to option exercises and forfeitures. The Company granted 30,000 stock options during fiscal 2013.

The fair value of stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Fiscal Year Ended December 31, 2013		Fiscal Year Ended January 1, 2013		Fiscal Year Ended January 3, 2012	
Weighted-average risk-free interest rate	1.31	%	0.83	%	1.15	%
Expected life of options (years)	6.25		6.25		6.25	
Expected stock volatility	63.8	%	68.7	%	63.4	%
Expected dividend yield	0	%	0	%	0	%

F-20

---

TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**12. SHARE-BASED COMPENSATION (continued)**

A summary of the stock option activities for fiscal years 2013 and 2012 is presented below (shares and dollars in thousands):

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Contractual Term	Aggregate Intrinsic Value
Options outstanding at January 3, 2012	1,236	\$ 11.25		
Options granted	46	10.55		
Options exercised	(7 )	7.30		
Options canceled	(25 )	15.50		
Options outstanding at January 1, 2013	1,250	\$ 11.25		
Options granted	30	10.79		
Options exercised	(98 )	7.42		
Options canceled	(56 )	15.04		
Options outstanding at December 31, 2013	1,126	\$ 11.20	5.7	\$ 5,255
Options vested or expected to vest at December 31, 2013	1,111	\$ 11.21	5.6	\$ 5,219
Options exercisable at December 31, 2013	950	\$ 11.47	5.2	\$ 4,776

The intrinsic value of stock options is defined as the difference between the current market value and the exercise price, which is equal to the market value at the time of the grant. Information regarding options outstanding and exercisable at December 31, 2013 is as follows:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$1.80 \$1.80	9,200	5.21 years	\$ 1.80	9,200	\$ 1.80
\$3.00 \$3.00	298,000	4.92 years	3.00	298,000	3.00
\$5.40 \$5.40	19,000		5.40	19,000	5.40

Edgar Filing: JAMBA, INC. - Form 10-K

			5.46 years			
\$6.55	\$6.55	150,772	4.67 years	6.55	150,772	6.55
\$8.05	\$8.05	117,300	7.66 years	8.05	60,012	8.05
\$8.95	\$9.00	136,490	6.67 years	8.97	115,740	8.97
\$9.70	\$11.10	196,775	7.47 years	10.91	105,219	11.03
\$11.35	\$39.05	112,713	4.68 years	16.23	106,838	16.48
\$45.55	\$57.00	79,849	3.17 years	51.66	79,849	51.66
\$58.85	\$58.85	5,712	2.34 years	58.85	5,712	58.85
		<b>1,125,811</b>		<b>11.20</b>	<b>950,342</b>	<b>11.47</b>

The weighted-average fair value of options granted in fiscal 2013, 2012 and fiscal 2011 was \$6.39, \$6.55 and \$5.30, respectively. At December 31, 2013, stock options vested or expected to vest over the next three years totaled 1.1 million. The remaining expense to amortize is approximately \$0.7 million at December 31, 2013. The weighted average remaining recognition period is approximately 2 years.

F-21

---



TABLE OF CONTENTS**JAMBA, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012****12. SHARE-BASED COMPENSATION (continued)**

**Restricted Stock** Information regarding activities during fiscal 2013 and fiscal 2012 for outstanding RSUs granted under the 2006 and 2013 Plans is as follows (shares in thousands):

	Number of shares of RSUs	Weighted-Average Grant Date Fair Value (per share)
RSUs outstanding as of January 3, 2012	10	\$ 8.95
RSUs granted	145	\$ 12.30
RSUs forfeited (canceled)	(3 )	\$ 12.70
RSU vested	(37 )	\$ 11.19
RSUs outstanding as of January 1, 2013	115	\$ 15.16
RSUs granted	190	\$ 10.17
RSUs forfeited (canceled)	(33 )	\$ 13.25
RSU vested	(63 )	\$ 13.63
RSUs outstanding as of December 31, 2013	209	\$ 11.39

On August 8, 2013, the Company granted 130,000 RSUs to participants in its 2012 Management Incentive Plan at grant date fair value of \$13.49. The RSUs vest over three years. Share-based compensation expense is recognized ratably over the vesting periods. In August 6, 2012, the Company granted 106,500 RSUs to participants in its 2012 Management Incentive Plan at grant date fair value of \$12.70. These RSUs vest over three years. The aggregate grant date fair value of the RSUs granted during the year ended December 31, 2013 was \$2.5 million. The aggregate intrinsic value of RSUs outstanding as of December 31, 2013, was \$2.4 million.

Information regarding activities during fiscal 2013 and fiscal 2012 for outstanding performance stock units ( PSUs ) under the 2006 and 2013 Plans is as follows (shares in thousands):

	Number of shares of PSUs	Weighted-Average Grant Date Fair Value (per share)
PSUs outstanding as of January 1, 2013	68	\$ 12.70
PSUs granted	84	\$ 13.49
PSUs forfeited (canceled)	(23 )	\$ 13.19

Edgar Filing: JAMBA, INC. - Form 10-K

PSUs vested	(22 )	\$ 12.88
PSUs outstanding as of December 31, 2013	107	\$ 13.18

On August 8, 2013, the Company issued 84,000 performance stock units ( PSUs ). These PSUs are RSUs with performance requirements based on external performance criteria, and were granted to Plan participants at the levels of Vice President and above. These PSUs vesting schedule is based on the Company's total shareholder return ( TSR ), relative to a defined group of peer companies over a three-year performance period. The Company records expenses related to the PSUs with criteria based on market performance by recognizing grant date fair value over the service period. Fair value was determined using Monte Carlo Simulation Analysis which incorporated the Company's TSR relative to the defined peer group at the end of each of the three years of performance.

In August 2012, the Company granted 70,500 PSUs to plan participants at the levels of Vice President and above. The PSUs vest over three years from the date when the performance criteria were satisfied. The PSUs granted in fiscal 2012 had performance criteria that required the Company to achieve predetermined EBITDA targets for the second half of fiscal 2012 and the first half of fiscal 2013. The Company records

F-22

---

TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**12. SHARE-BASED COMPENSATION (continued)**

expenses related to these PSUs, with internal performance criteria, when it is probable that the performance criteria would be met, during the fourth quarter of fiscal 2012 and the first half of fiscal 2013.

The aggregate grant date fair value of the PSUs granted during fiscal 2013, 2012 and 2011 was \$0.7 million, \$0.9 million and \$0.0 million, respectively. The aggregate intrinsic value of the PSUs outstanding as of December 31, 2013 and January 1, 2013, was \$1.5 million and \$0.8 million, respectively.

Share-based compensation expense was \$2.6 million, \$2.1 million, and \$1.3 million for fiscal 2013, fiscal 2012 and fiscal 2011, respectively, and is included in general and administrative expenses in the consolidated statements of operations. No income tax benefit was recorded in fiscal 2013, 2012 and 2011. At December 31, 2013, non-vested share-based compensation for stock options and restricted stock awards, net of forfeitures totaled \$2.8 million. This expense will be recognized over the remaining weighted average vesting period of approximately two years.

**13. INCOME TAXES**

The components of the income tax (expense) benefit are as follows (in thousands):

	December 31, 2013	January 1, 2013	January 3, 2012
Current:			
Federal	\$ 79	\$ (81 )	\$
State	(27 )	(10 )	(36 )
Foreign	(107 )	(64 )	(8 )
	\$ (55 )	\$ (155 )	\$ (44 )
Deferred:			
Federal	\$	\$	\$ 300
State			84
Foreign			
	\$	\$	\$ 384
Income tax (expense) benefit	\$ (55 )	\$ (155 )	\$ 340



TABLE OF CONTENTS**JAMBA, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012****13. INCOME TAXES (continued)**

The difference between the effective income tax rate and the United States federal income tax rate is summarized as follows:

	December 31, 2013	January 1, 2013	January 3, 2012
Statutory federal rate	34 %	34.0 %	(34.0 )%
State income taxes less federal benefit	6.1	6.1	(5.7 )
Foreign income taxes	3.5	9.2	0.1
Change in valuation allowance	(47.4 )	(36.1 )	46.3
Meals	0.8	9.0	
Stock options		(1.0 )	0.5
Write-off of goodwill		(0.7 )	(5.4 )
Changes of liability related to uncertain tax positions			(4.5 )
Executive compensation exclusion	1.9		
Alternative minimum taxes	0.8	22.3	
Expired tax attribute carryforwards	6.3	8.7	
Tax credits generated	(0.1 )	(14.3 )	(1.7 )
Other	(3.3 )	(3.3 )	0.5
	2.6 %	33.9 %	(3.9 )%

Deferred income taxes are provided for the temporary differences between the carrying values of the Company's assets and liabilities for financial reporting purposes and their corresponding income tax bases. The temporary differences give rise to either a deferred tax asset or liability in the financial statements that is computed by applying current statutory tax rates to taxable and deductible temporary differences based upon the classification (i.e., current or noncurrent) of the asset or liability in the financial statements that relates to the particular temporary difference. Deferred taxes related to differences that are not attributable to a specific asset or liability are classified in accordance with the future period in which they are expected to reverse and be recognized for income tax purposes. The deferred tax assets (liabilities) consisted of the following temporary differences as of December 31, 2013 and January 1, 2013 (in thousands):

December 31, 2013	January 1, 2013
----------------------	--------------------

Edgar Filing: JAMBA, INC. - Form 10-K

Reserves and accruals	\$ 9,111	\$ 8,107
Total current deferred tax asset	9,111	8,107
Net operating losses	48,680	47,848
Deferred rent	1,881	2,261
Tax credit attributes	1,530	1,589
Basis difference in intangibles	3,918	4,670
Share-based compensation	2,153	1,626
Basis difference in fixed assets	11,164	13,414
Basis difference in investments	19	14
Reserves and accruals		15
Total non-current deferred tax asset	69,345	71,437
Valuation allowance	(78,456 )	(79,544 )
Total net deferred tax asset	\$	\$

F-24

---

TABLE OF CONTENTS

**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**13. INCOME TAXES (continued)**

Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. A valuation allowance is provided for deferred tax assets when it is more likely than not that some portion of the deferred tax asset will not be realized. Because of the Company's recent history of operating losses, management believes the recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a valuation allowance. A valuation allowance has been recorded for the net deferred tax assets at December 31, which decreases the valuation allowance by \$1.0 million for the fiscal year ended December 31, 2013.

At December 31, 2013, the Company has federal and state net operating loss carryovers ( NOL ) of \$115.2 million and \$127.2 million, respectively, which, if not used earlier, will expire between 2017 and 2033. In addition, the Company also has tax credit carryforwards for federal and state purposes of \$1.1 million and \$0.7 million, respectively. Of the federal tax credit carryforwards, approximately \$251,000 will start to expire in 2031 if unused before that year. The remaining federal tax credits and the state tax credits do not expire.

The Company underwent an ownership change as defined in section 382 of the Internal Revenue Code during the second quarter of our 2009 fiscal year, as a result of our issuance of Series B-1 Convertible Preferred Stock and Series B-2 Convertible Preferred Stock and other prior trading in our stock.

The amount of our taxable income for tax years ending after our ownership change which may be offset by NOL and tax credits from pre-change years will be subject to an annual limitation, known as a section 382 limitation. As of December 31, 2013, the amount of pre-change federal NOL is \$54.1 million and the pre-change state NOL is \$69.6 million, the post-change federal NOL is \$61.1 million and the post-change state NOL is \$57.7 million (before considering the annual 382 limitation and any built-in losses).

The Company has determined the annual section 382 limitation to be approximately \$3.5 million. To the extent that the section 382 limitation exceeds the amount of taxable income offset by the net operating loss carryforwards from the pre-change years, the excess may increase the future section 382 limitation. The NOL from the post-change years are generally not subject to the section 382 limitation. However, due to the existence of a net unrealized built-in loss at the ownership change date, section 382 further limits the Company's ability to fully utilize the tax deductions associated with certain of its assets, including depreciation and amortization deductions recognized during the 5 post-change years ending in 2014. Although these deductions will occur in the post-change period, section 382 treats the deductions as pre-change losses subject to the annual 382 limitation. The net unrealized built-in loss associated with these assets at the ownership change date was approximately \$54.3 million. The unrealized built-in losses that are

expected to be fully realized in the 5 post-change years ending in 2014 are estimated to be \$18.1 million and, therefore, to be treated as pre-change losses. As a result, the amount of state NOL that is estimated to expire unused due to the section 382 limitation is approximately \$2.0 million. No federal NOL is expected to expire unused due to the section 382 limitation.

As a result of certain realization requirements of Accounting Standards Codification Topic 718, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets as of December 31, 2013 and January 1, 2013 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. The deferred tax assets include primarily net operating loss carryforwards. Equity will be increased by \$0.9 million if and when such deferred tax assets are ultimately recognized. The Company uses tax law ordering when determining when excess tax benefits have been realized.

F-25

---



TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**13. INCOME TAXES (continued)**

Changes in the Company's unrecognized tax benefits are as follows (in thousands):

	Fiscal Year Ended December 31, 2013	Fiscal Year Ended January 1, 2013
Beginning balance	\$ 185	\$ 176
Increases attributable to tax positions taken during prior periods		9
Decreases resulting from lapse of applicable statutes of limitations		
Ending balance	\$ 185	\$ 185

As of December 31, 2013, the entire unrecognized tax benefits reduce the deferred tax asset for the net operating loss carryforwards. If recognized, none of the unrecognized tax benefits would impact the Company's effective tax rate. As of December 31, 2013, it is reasonably possible that the unrecognized tax benefits will not significantly increase or decrease in the next twelve months.

The Company is subject to taxation in the United States and various state and local jurisdictions. As of December 31, 2013, the Company is subject to U.S. federal income tax examinations for the tax years ended December 28, 2010 through January 1, 2013. With few exceptions, as of December 31, 2013, the Company was no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the tax years ended before December 28, 2010.

**14. FAIR VALUE MEASUREMENT**

**Financial Assets and Liabilities**

There is no difference between the fair value and cost of the Company's cash equivalents. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

Edgar Filing: JAMBA, INC. - Form 10-K

Level 1: Quoted prices are available in active markets for identical assets or liabilities.

Level 2: Inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable.

Level 3: Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions that market participants would use in pricing.

The following table presents financial assets that were accounted for at fair value on a recurring basis as of December 31, 2013 and January 1, 2013 by level within the fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3
<u>December 31, 2013</u>			
Liabilities:			
Contingent consideration <sup>(1)</sup>	\$	\$	\$ 553
<u>January 1, 2013</u>			
Liabilities:			
Contingent consideration	\$	\$	\$ 1,304

<sup>(1)</sup> \$0.6 million included in deferred rent and other long-term liabilities on the consolidated balance sheet at December 31, 2013.

F-26

---

TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**14. FAIR VALUE MEASUREMENT (continued)**

For assets that are measured using quoted prices in active markets, fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. The Company had no cash invested in money market funds as of December 31, 2013 and January 1, 2013.

Contingent consideration was initially recorded at \$1.4 million in January 2012. As of December 31, 2013, the fair value was \$0.6 million, resulting in a gain of \$0.7 million. As of January 1, 2013, the fair value was \$1.3 million, resulting in a gain of \$0.1 million. The gain is recorded in other operating, net on the consolidated statement of operations.

**Non-financial Assets and Liabilities**

The Company's non-financial assets and liabilities primarily consist of long-lived assets, trademarks and other intangibles, and are reported at carrying value. They are not required to be measured at fair value on a recurring basis. The Company evaluates long-lived assets for impairment when facts and circumstances indicate that their carrying values may not be recoverable. Trademarks and other intangibles are evaluated for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The following table presents the Company's assets that were accounted for at fair value on a non-recurring basis as of December 31, 2013 and January 1, 2013. Total losses include losses recognized from all non-recurring fair value measurements for fiscal 2013 and fiscal 2012 (in thousands):

	Level 1	Level 2	Level 3
<u>December 31, 2013</u>			
Assets:			
Long-lived assets <sup>(1)</sup>			\$ 465
Total losses recognized for all non-recurring fair value measures for the fiscal year ended December 31, 2013.			\$ 728
<u>January 1, 2013</u>			
Assets:			
Long-lived assets <sup>(1)</sup>			\$ 400
			\$ 711

Total losses recognized for all non-recurring fair value measures for the fiscal year ended January 1, 2013

(1) Included in property, fixtures and equipment, net on the consolidated balance sheet.

The Company classified the fair value of long-lived assets as level 3 because the value is based on unobservable inputs. The significant inputs to the fair value measurement of the long-lived assets are projected future operating results at the store level and the discount rates applied to calculate the present value of these assets. The fair value of the contingent consideration is classified as level 3 because it is based on unobservable inputs. Significant inputs and assumptions are management's estimate of operating profits from the related business and the discount rate used to calculate the present value of the liability. Significant changes in any level 3 input or assumption would result in increases or decreases to fair value measurements for future impairment of the long-lived assets and for contingent consideration.

F-27

---

TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**15. EMPLOYEE BENEFIT PLAN**

The Company maintains a voluntary defined contribution plan covering all eligible employees. Eligible employees may elect to defer and contribute a percentage of their compensation to the plan, not to exceed the dollar amount set by law. During fiscal 2013, fiscal 2012 and fiscal 2011, respectively, the Company matched employees' contributions on a discretionary basis, resulting in a contribution of \$0.1 million each of these fiscal years.

**16. OTHER OPERATING, NET**

The components of other operating, net are as follows (in thousands):

	Fiscal Year Ended December 31, 2013	Fiscal Year Ended January 1, 2013	Fiscal Year Ended January 3, 2012
Jambacard card breakage income	\$ (3,177 )	\$ (4,275 )	\$ (3,685 )
Jambacard expense	753	1,379	1,175
Franchise expense	763	272	(41 )
CPG and JambaGO direct expense	3,053	625	19
(Gain) Loss on disposal of fixed assets	(3,153 )	648	2,053
Gain on sale of investment		(545 )	
Gain on contingent consideration	(651 )		
Other	230	117	689
	\$ (2,182 )	\$ (1,779 )	\$ 210

**Gain/loss on Disposal of Fixed Assets** The Company recognized a gain on disposal of fixed assets of \$3.2 million, in fiscal 2013 and a loss on disposal of \$0.6 million and \$2.1 million in fiscal 2012 and fiscal 2011, respectively. The gain on disposal of fixed assets in fiscal 2013 includes \$4.6 million relating to sale of fixed assets of refranchised Company Stores. The loss on disposal in fiscal 2011 includes a net loss of \$0.3 million on sale of fixed assets of refranchised stores pursuant to our refranchising initiative which ended in April 2011.

**17. OTHER COMMITMENTS AND CONTINGENCIES**

***Litigation Related*** The Company records a liability for litigation claims and contingencies when payment is probable and the amount of loss can be reasonably estimated.

The Company is a defendant in litigation arising in the normal course of business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company's management, based upon the information available at this time, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the results of operations, liquidity or financial condition of the Company.

***Other*** The Company has purchase obligations with certain suppliers for certain fruits and dairy for various terms typically ranging from one year to five years. The Company has one contract with a supplier for a 15 year term that ends in 2024. These contracts are commitments to purchase a minimum level of fruit and other items used in the production of the Company's products totaling \$65.3 million.

F-28

---

TABLE OF CONTENTS**JAMBA, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012****18. RELATED-PARTY TRANSACTIONS**

The Company paid \$11.6 thousand, \$0.2 million and \$0.4 million in fiscal 2013, fiscal 2012 and fiscal 2011, respectively, to Mistral Capital Management, LLC for monitoring fees pursuant to the securities purchase agreement for the sale of its Series B Preferred Stock. Mistral Capital Management, LLC served as an investment manager to certain funds who held shares of the Company's Series B Preferred Stock. As of December 31, 2013, there are no shares of Series B Preferred Stock outstanding as conversion of all shares of Series B Preferred Stock was completed by June 14, 2013, thereby terminating the rights of preferred stockholders to representation on the Board of Directors.

**19. UNAUDITED QUARTERLY INFORMATION**

(Dollars in thousands, except share and per share amounts)	Thirteen Weeks Ended April 2, 2013	Thirteen Weeks Ended July 2, 2013	Thirteen Weeks Ended October 1, 2013	Thirteen Weeks Ended December 31, 2013
Revenue:				
Company stores	\$ 51,769	\$ 63,365	\$ 57,405	\$ 40,348
Franchise and other revenue	3,916	4,469	4,269	3,708
Total revenue	55,685	67,834	61,674	44,056
Costs and operating expenses (income):				
Cost of sales	12,404	14,858	14,592	10,357
Labor	15,755	16,849	15,862	13,549
Occupancy	7,376	7,319	7,405	7,250
Store operating	8,786	9,090	9,373	7,737
Depreciation and amortization	2,772	2,768	2,808	2,626
General and administrative	9,169	10,237	8,377	9,988
Impairment of long-lived assets	107	167	217	237
Other operating, net	619	(97 )	(284 )	(1,392 )
Total costs and operating expenses	56,988	61,191	58,350	50,352
(Loss) income from operations	(1,303 )	6,643	3,324	(6,296 )
Other income (expense):				
Interest income			1	8

Edgar Filing: JAMBA, INC. - Form 10-K

Interest expense	(78 )	(59 )	(54 )	(51 )
Total other (expense) income, net	(78 )	(59 )	(53 )	(43 )
(Loss) income before income taxes	(1,381 )	6,584	3,271	(6,339 )
Income tax benefit (expense)	139	(234 )	(576 )	616
Net (loss) income	(1,242 )	6,350	2,695	(5,723 )
Redeemable preferred stock dividends and deemed dividends	(484 )	(104 )		
Net (loss) income attributable to common stockholders	\$(1,726 )	\$6,246	\$2,695	\$(5,723 )
(Loss) earnings per share:				
Basic	\$(0.11 )	\$0.37	\$0.16	\$(0.33 )
Diluted	\$(0.11 )	\$0.36	\$0.15	\$(0.33 )

Per share data have been adjusted for all periods presented to reflect the five-for-one reverse stock split effective May 31, 2013.

F-29

---



TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**19. UNAUDITED QUARTERLY INFORMATION (continued)**

During the fourth quarter of fiscal 2013, the Company corrected a classification error in its accounting for payments to resellers of jambacards, for the first three quarters of 2013. Management evaluated the materiality of the errors from qualitative and quantitative perspectives and concluded that the errors were immaterial to the current year and all fiscal quarters of 2013. The Company has revised the amounts related to Q1 through Q3 of fiscal 2013 in preparing the accompanying consolidated financial statements of operations for fiscal quarters of 2013, and will also revise its quarterly historical financial statements when they are published in future filings. The correction of the immaterial error resulted in an increase in Company Store revenue and a corresponding increase in Store operating expense. For the fiscal quarters ended April 2, 2013, July 2, 2013 and October 1, 2013, the correction to Company Store revenue and Store operating expense was \$0.6 million, \$0.6 million and \$0.3 million, respectively.

On June 14, 2013, the holders of Series B preferred stock completed the conversion of all their shares, resulting in no dividend payments after that date. As of December 31, 2013, there were no shares of Series B preferred stock issued and outstanding.

The sum of earnings (loss) per share for all four quarters may not equal the earnings per share of the fiscal year due to rounding.

(Dollars in thousands, except share and per share amounts)	Thirteen Weeks Ended April 3, 2012	Thirteen Weeks Ended July 3, 2012	Thirteen Weeks Ended October 2, 2012	Thirteen Weeks Ended January 1, 2013
Revenue:				
Company stores	\$ 50,025	\$ 62,530	\$ 61,795	\$ 40,775
Franchise and other revenue	3,022	3,514	3,687	3,441
Total revenue	53,047	66,044	65,482	44,216
Costs and operating expenses (income):				
Cost of sales	11,611	13,975	14,918	9,711
Labor	15,408	17,148	16,457	14,073
Occupancy	7,418	7,326	7,353	7,376
Store operating	7,875	8,955	9,328	7,454
Depreciation and amortization	2,922	2,813	2,793	2,534

Edgar Filing: JAMBA, INC. - Form 10-K

General and administrative	8,639	10,823	9,663	11,646
Impairment of long-lived assets	386	175	75	75
Other operating, net	433	(200 )	347	(1,334 )
Total costs and operating expenses	54,692	61,015	60,934	51,535
(Loss) income from operations	(1,645 )	5,029	4,548	(7,319 )
Other income (expense):				
Interest income	20	20	21	
Interest expense	(117 )	22	(52 )	(70 )
Total other (expense) income, net	(97 )	42	(31 )	(70 )
(Loss) income before income taxes	(1,742 )	5,071	4,517	(7,389 )
Income tax benefit (expense)	232	(453 )	(413 )	479
Net (loss) income	(1,510 )	4,618	4,104	(6,910)

F-30

---

TABLE OF CONTENTS**JAMBA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31,  
2013, JANUARY 1, 2013 AND  
JANUARY 3, 2012**

**19. UNAUDITED QUARTERLY INFORMATION (continued)**

(Dollars in thousands, except share and per share amounts)	Thirteen Weeks Ended April 3, 2012	Thirteen Weeks Ended July 3, 2012	Thirteen Weeks Ended October 2, 2012	Thirteen Weeks Ended January 1, 2013
Redeemable preferred stock dividends and deemed dividends	(481 )	(472 )	(1,123 )	(105 )
Net (loss) income attributable to common stockholders	\$ (1,991 )	\$ 4,146	\$ 2,981	\$ (7,015 )
(Loss) earnings per share:				
Basic	\$ (0.15 )	\$ 0.31	\$ 0.21	\$ (0.45 )
Diluted	\$ (0.15 )	\$ 0.31	\$ 0.21	\$ (0.45 )

Per share data have been adjusted for all periods presented to reflect the five-for-one reverse stock split effective May 31, 2013.

During the third quarter of fiscal 2012, holders of 93,500 shares of outstanding Series B-1 Preferred Stock and 2,000 shares of outstanding Series B-2 Preferred Stock converted such stock into an aggregate of 1,910,000 shares of common stock. As a result, related accretion or deemed dividends of \$0.7 million was accelerated and recognized in the quarter.

The sum of earnings (loss) per share for all four quarters may not equal the loss per share of the fiscal year due to rounding.

TABLE OF CONTENTS

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

Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

**Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as the Company's controls are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.

In connection with the preparation of this Annual Report on Form 10-K, as of December 31, 2013, an evaluation was performed under the supervision and with the participation of our management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2013. These conclusions were communicated to the Audit Committee.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control - Integrated Framework (1992). Based on this assessment, our CEO and CFO concluded that our internal control over financial reporting was effective as of December 31, 2013 based on the criteria set forth by COSO in Internal Control - Integrated Framework.

Our independent registered public accounting firm, KPMG LLP, has issued an audit report on the effectiveness of our internal control over financial reporting. This report appears below.

## **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

NONE

54

---

TABLE OF CONTENTS

**REPORT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

The Board of Directors and Stockholders  
Jamba, Inc.:

We have audited Jamba, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Jamba, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Jamba, Inc. and subsidiaries as of December 31, and January 1, 2013, and the related consolidated statements of operations, stockholders' equity, and cash flows for the fiscal years ended December 31, 2013, January 1, 2013 and January 3, 2012, and our report dated March 7, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP  
KPMG LLP  
San Francisco, CA  
March 7, 2014

TABLE OF CONTENTS

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information regarding the Directors of the Company is incorporated herein by reference from the Company's 2014 Proxy Statement to Stockholders to be filed pursuant to Regulation 14A under the Exchange Act no later than 120 days after the end of the Company's 2013 fiscal year.

Information regarding the Executive Officers of the Company is contained in Part I of this Annual Report on Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is incorporated herein by reference from the Company's 2014 Proxy Statement to Stockholders to be filed pursuant to Regulation 14A under the Exchange Act no later than 120 days after the end of the Company's 2013 fiscal year.

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

Except as set forth below, information required by Item 12 is incorporated herein by reference from the Company's 2014 Proxy Statement to Stockholders to be filed pursuant to Regulation 14A under the Exchange Act no later than 120 days after the end of the Company's 2013 fiscal year.

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

The information required by Item 13 is incorporated herein by reference from the Company's 2014 Proxy Statement to Stockholders to be filed pursuant to Regulation 14A under the Exchange Act no later than 120 days after the end of the Company's 2013 fiscal year.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 14 is incorporated herein by reference from the Company's 2013 Proxy Statement to Stockholders to be filed pursuant to Regulation 14A under the Exchange Act no later than 120 days after the end of the Company's 2013 fiscal year.



TABLE OF CONTENTS

**PART IV**

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES  
Documents filed as part of this report:

(1) List of Financial Statements

The following consolidated financial statements are included herein in Part II, Item 8 of this Annual Report on Form 10-K:

<u>Reports of Independent Registered Public Accounting Firm:</u>	<u>F-1</u>
<u>Consolidated Balance Sheets at December 31, 2013 and January 1, 2013:</u>	<u>F-2</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2013, January 1, 2013 and January 3, 2012:</u>	<u>F-3</u>
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2013, January 1, 2013 and January 3, 2012:</u>	<u>F-4</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, January 1, 2013 and January 3, 2012:</u>	<u>F-5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-7</u>

(2) Schedules to Financial Statements:

All financial statement schedules have been omitted because they are either inapplicable or the information required is provided in the Company's Consolidated Financial Statements and Notes thereto or included in Part II, Item 8 of this Annual Report on Form 10-K.

(3) List of Exhibits

Incorporated herein by reference is a list of the Exhibits contained in the Exhibit Index.

TABLE OF CONTENTS

## **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, in the City of Emeryville, State of California, on the 7<sup>th</sup> day of March, 2014.

JAMBA, INC.

/s/ James D. White

By:

**James D. White**  
**Chief Executive Officer and President**

TABLE OF CONTENTS**POWER OF ATTORNEY**

We the undersigned officers and directors of Jamba, Inc., hereby severally constitute and appoint James D. White and Karen L. Luey, or either of them, his attorneys-in-fact, for such person 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 either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

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.

Name	Title	Date
/s/ James D. White James D. White	Chief Executive Officer, President and Chairman of the Board of Directors (Principal Executive Officer)	March 7, 2014
/s/ Karen L. Luey Karen L. Luey	Chief Financial Officer, Chief Administrative Officer, Executive Vice President and Secretary (Principal Financial Officer and Principal Accounting Officer)	March 7, 2014
/s/ Michael A. Depatie Michael A. Depatie	Director	March 7, 2014
/s/ Lorna Donatone Lorna Donatone	Director	March 7, 2014
/s/ Richard L. Federico Richard L. Federico	Director	March 7, 2014
/s/ Andrew Heyer Andrew Heyer	Director	March 7, 2014
/s/ Lesley H. Howe Lesley H. Howe	Director	March 7, 2014
/s/ Marvin Igelman Marvin Igelman	Director	March 7, 2014
/s/ David A. Pace David A. Pace	Director	March 7, 2014
/s/ Brian Swette Brian Swette	Director	March 7, 2014

TABLE OF CONTENTS**JAMBA, INC. AND SUBSIDIARIES**

**SCHEDULE II**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**Years Ended December 31, 2013, January 1, 2013, and**  
**January 3, 2012**  
**(In thousands)**

**Allowance for Doubtful Accounts**

	Balance at the Beginning of the Period	Charged to Expenses	Charged (Credited) to Other Accounts	Deductions	Balance at the End of the Period
Year ended December 31, 2013	\$ 108	\$ 182	\$	\$	\$ 290
Year ended January 1, 2013	\$ 294	\$ 56	\$	\$ (242 )	\$ 108
Year ended January 3, 2012	\$ 200	\$ 94	\$	\$	\$ 294

60

TABLE OF CONTENTS**EXHIBIT INDEX**

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of the Company	8-K	001-32552	3.1	December 5, 2006	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company	8-K	001-32552	3.2	December 5, 2006	
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company	8-K	001-32552	3.1	May 31, 2013	
3.4	Certificate of Designation, Preferences and Rights of the Terms of the Series A Preferred Stock	8-K	001-32552	3.1	October 9, 2008	
3.5	Certificate of Designation of Series B-1 Convertible Preferred Stock and Series B-2 Convertible Preferred Stock	8-K	001-32552	3.1	June 17, 2009	
3.6	Amended and Restated Bylaws of the Company	8-K	001-32552	3.3	August 17, 2010	
4.1	Specimen Common Stock Certificate	S-1	333-122812	4.2	February 14, 2005	
4.2	Rights Agreement, effective as of October 8, 2008 between Jamba, Inc. and Continental Stock Transfer & Trust Company as Rights Agent	8-K	001-32552	4.1	October 9, 2008	
4.3	Amendment No. 1 to Rights Agreement dated June 16, 2009 between Jamba, Inc. and Continental Stock Transfer & Trust Company as Rights Agent	8-K	001-32552	4.3	June 17, 2009	

TABLE OF CONTENTS

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
4.4	Registration Rights Agreement dated June 16, 2009 between Jamba, Inc., the Investors and North Point	8-K	001-32552	4.1	June 17, 2009	
10.1	Form of Indemnity Agreement entered into between the Company and its directors, officers and certain other employees	8-K	001-32552	10.1	December 5, 2006	
10.2	Form of Distribution Agreement by and between Jamba Juice Company and various suppliers	8-K	001-32552	10.4	December 5, 2006	
10.3	Office Lease for the property located at 6475 Christie Avenue, Emeryville, CA 94608, by and between Jamba Juice Company and Bay Center Office, LLC dated July 28, 2006	8-K	001-32552	10.5	December 5, 2006	
10.4	Amended and Restated 1994 Stock Incentive Plan**	8-K	001-32552	10.16	December 5, 2006	
10.5	2001 Equity Incentive Plan**	8-K	001-32552	10.17	December 5, 2006	
10.6	Jamba, Inc. Amended and Restated 2006 Employee, Director and Consultant Stock Plan**	DEF14A	001-32552	Annex A	April 1, 2010	
10.7	Form of Incentive Stock Option Plan under the 2006 Plan**	10-Q	001-32552	10.2	August 17, 2011	
10.8	Form of Non-Qualified Stock Option Agreement under the 2006 Plan**	10-Q	001-32552	10.3	August 17, 2011	
10.9	Form of Restricted Stock Units Agreement under the 2006 Plan**	10-Q	001-32552	10.4	August 17, 2011	
10.10	Jamba, Inc. 2010 Employee Stock Purchase Plan	DEF14A	001-32552	Annex B	April 1, 2010	

TABLE OF CONTENTS

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.11	Non-employee Director Compensation Policy, as amended**	10-K	001-32552	10.11	March 7, 2013	
10.12	Distribution Service Agreement by Systems Services of America and Jamba Juice Company dated as of December 16, 2012*	10-K	001-32552	10.11	March 7, 2013	
10.13	Form of Executive Employment Agreement entered into between Jamba Juice Company and each of Karen L. Luey, Thibault de Chatellus, Steve Adkins, Greg Schwartz and Susan Shields**	8-K	001-32552	10.1	October 14, 2008	
10.14	Employment Agreement dated November 17, 2008 between Jamba Juice Company and James White**	8-K	001-32552	10.1	November 18, 2008	
10.15	Notice of Grant of Non-Qualified Stock Option and Non-Qualified Stock Option Agreement, Dated December 1, 2008, entered into between Jamba, Inc. and James White**	10-K	001-32552	10.22	March 16, 2009	
10.16	Jamba, Inc. Management Incentive Plan	8-K	001-32552	10.1	December 21, 2010	
10.17	Credit Agreement dated as of February 14, 2012 by and among the Company, Jamba Juice company and Wells Fargo Bank, National Association	10-K	001-32552	10.18	March 9, 2012	

TABLE OF CONTENTS

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.18	Amendment to the Credit Agreement dated as of November 1, 2012 by and among the Company, Jamba Juice Company and Wells Fargo Bank, National Association	10-K	001-32552	10.19	March 7, 2013	
10.19	First Amendment to Office Lease for the property located at 6475 Christie Avenue, Emeryville, CA 94608, by and between Jamba Juice Company and Bay Center Investor, LLC, dated March 25, 2011	10-Q	001-32552	10.1	August 2, 2012	
10.20	Second Amendment to Office Lease for the property located at 6475 Christie Avenue, Emeryville, CA 94608, by and between Jamba Juice Company and Bay Center Investor, LLC, dated May 31, 2012	10-Q	001-32552	10.2	August 2, 2012	
10.21	Jamba, Inc. 2013 Equity Incentive Plan**	8-K	001-32552	10.1	May 16, 2013	
10.22	Form of Notice of Grant of Stock Option under 2013 Equity Incentive Plan**	8-K	001-32552	10.2	May 16, 2013	
10.23	Form of Stock Option Agreement under 2013 Equity Incentive Plan**	8-K	001-32552	10.3	May 16, 2013	
10.24	Form of Notice of Grant of Restricted Stock under 2013 Equity Incentive Plan**	8-K	001-32552	10.4	May 16, 2013	
10.25	Form of Restricted Stock Agreement under 2013 Equity Incentive Plan**	8-K	001-32552	10.5	May 16, 2013	
10.26	Form of Notice of Grant of Restricted Stock Unit under 2013 Equity Incentive Plan**	8-K	001-32552	10.5	May 16, 2013	



TABLE OF CONTENTS

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.27	Form of Restricted Stock Unit Agreement under 2013 Equity Incentive Plan	8-K	001-32552	10.7	May 16, 2013	
10.28	Second Amendment to the Credit Agreement dated as of July 22, 2013 by and among the Company, Jamba Juice Company and Wells Fargo Bank, National Association	10-Q	001-32552	10.8	August 6, 2013	
10.29	Executive Retention and Severance Plan**	10-Q	001-32552	10.9	August 6, 2013	
10.30	Amendment to Severance Arrangements with Bruce Schroder, dated as of October 7, 2013**					X
10.31	Amendment and Limited Waiver, dated November 4, 2013, to the Credit Agreement dated as of July 22, 2013 by and among the Company, Jamba Juice Company and Wells Fargo Bank, National Association					X
14.1	Code of Business Conduct and Ethics	8-K	001-32552	14.1	December 5, 2006	
21.1	List of Subsidiaries					X
23.1	Consent of Independent Registered Public Accounting Firm KPMG LLP					X
24	Power of Attorney, included on signature page hereto					X
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended					X

TABLE OF CONTENTS

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
	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					

This exhibit (or portions thereof) has been filed separately with the Securities and Exchange Commission pursuant to \*an application for confidential treatment. The confidential portions of this exhibit have been omitted and are marked by an asterisk.

\*\* Management contract, or compensatory plan or arrangement.