JAMBA, INC.
Form 10-K
March 14, 2016

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 29, 2015

OR

.. **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**
(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 x

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 x

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 x 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 x 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. ¨

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 x
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 x

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 June 30, 2015 was $161,701,132 (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 7, 2016 was 17,947,195 and 15,088,378, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2016 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days of the end of the fiscal year ended December 29, 2015, 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.

JAMBA, INC.

ANNUAL REPORT ON FORM 10-K

FISCAL YEAR ENDED DECEMBER 29, 2015

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Special Note Regarding Forward-Looking Statements

We believe that some of the information in this document constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these statements by forward-looking words such as "may," "will," "would," "could," "should," "mi "project," "potential," "forecast," "designed," "goal," "approximately," "expect," "anticipate," "contemplate," "believe," "estin "plan," and "continue" or the negative of those words or words of similar meaning. Any statement that is not a historical fact, including any other estimates, projections, future trends and the outcome of events that have not yet occurred, is a forward-looking statement. 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 and circumstances 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 and adversely from the expectations described in the forward-looking statements, including among other things:

- our business strategy and financial performance, including our BLEND Plan 3.0 and transition to an asset-light business model;
- our revenue and customer volatility based upon weather and general economic conditions;
- the operating results of our franchisees;
- fluctuations in various food and supply costs;
- competition and other risks related to the food services business; and

- other factors discussed in the “Risk Factors” and “Management Discussion and Analysis of Financial Condition and Results of Operations” portion of this annual report.

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.

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 franchised and company-owned Jamba Juice® stores and licensed JambaGO® and Jamba Juice Express™ formats. The Jamba® brand includes innovative product platforms and both licensed and company driven consumer packaged goods. We are a leading restaurant retailer of “better-for-you” specialty food and beverage offerings which include great tasting, whole fruit smoothies, fresh squeezed juices and juice blends, Energy Bowls, and a variety of food items including, hot oatmeal, breakfast wraps, sandwiches, Artisan Flatbreads, baked goods, and snacks. Jamba Juice Company continues to expand the Jamba brand by direct selling of consumer packaged goods (“CPG”) products, and by licensing its trademarks for 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 Juice", "Jamba", "we", "us" and "our." Information regarding the 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 31st and therefore we have a 52 or 53 week fiscal year. Fiscal Years 2015, 2014, and 2013, all 52 week fiscal years, ended on December 29, 2015, December 30, 2014, and December 31, 2013, respectively.

Narrative Description of Business

As of December 29, 2015, there were 893 Jamba Juice stores globally, consisting of 70 Company-owned and operated stores, all located in the United States ("Company Stores"), 748 franchisee-owned and operated stores ("Franchise Stores") in the United States, and 75 Franchise Stores in international locations ("International Stores"), collectively the ("Jamba System"). The JambaGO® business consists of over 2,000 licensed units located across the United States. JambaGO® units are typically installed in K-12 schools, colleges, universities, Target Cafes®, as well as other captive venues. During 2015, we completed the move from a primarily company-store to a franchise-business model by refranchising 179 locations. Currently 92% of our stores are currently owned and operated by franchisees. As of December 29, 2015, Jamba Juice had a retail consumer products program that included direct selling of CPG products under the Jamba brand name, and licensing its trademarks to CPG products sold through retail channels such as grocery stores, warehouse clubs and convenience stores.

Our Strategic Priorities

The BLEND Plan is our strategic roadmap to continue to transform Jamba into a global lifestyle brand and a best-in-class franchisor, as well as our commitment to creating greater shareholder value through a number of strategic initiatives. Our BLEND Plan priorities include driving the expansion of our franchise base globally, driving store level profitability through four-wall cost optimization plans, continuing to develop brand equity and to be the clear leader in product platforms like smoothies, juices, and bowls. In addition, we will focus on our strategic initiatives of reducing our operating costs through cost-saving reductions and efficiencies and aggressively returning capital to shareholders. Our BLEND Plan consists of the following components:

Brand activation and leadership strength;

Leverage an innovative in-store experience to drive four-wall store profitability;

Expand retail footprint on a global basis;

New products, leadership in smoothies, juice, and bowls; and

Drive our strategic initiatives of an asset-light business model, a reduction of operating costs and an aggressive return of capital to shareholders to enhance shareholder value.

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 our brand. Consistent with our corporate social responsibility efforts, Jamba actively inspires and engages team members to have a broader impact in the communities we serve through volunteering, sponsoring school gardens, youth fitness clinics and youth sports, and fundraising for health- and fitness-related causes. These efforts also inspire our team members to enhance their leadership skills and improve their personal health and wellness. We have 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

Through our ongoing efforts to build total brand value we continue to position Jamba as a leading global health and wellness brand. With 92% of our stores now franchisee-owned, we continue to increase our focus on building the brand on a local level, leveraging multi-channel brand marketing tactics, including the expansion of consumer loyalty programs, the development of engaging local marketing promotions and high-performing social media communications. Local brand activation plays a critical role and we believe it will be a significant revenue and consumer traffic driver for our franchisees. By providing our franchisees with tools and technologies that target their customers through email, social media, radio and out-of-home advertising, we are helping them reach consumers in their immediate trade areas. We continue to test television in key markets in order to assess the potential of the medium for our brand.

Through ongoing innovative product development we continue to meet the needs of today’s increasingly health-conscious consumer. We are addressing our customers’ health and wellness needs on both a national and international level through offerings centered on “Whole Food Nutrition,” which encompass blending juices and combining whole fruits and vegetables into nutritious and convenient beverages and product offerings across all day-parts. Increased trial and awareness of all new products are driven via in-store point of purchase, online and social media and through a robust public relations campaign in major media markets.

By leveraging technology and online services such as text messaging, email, and local social media tools, we enhance and simplify the Jamba experience for today’s socially connected, time-constrained consumers. We continue to upgrade the features of our Jamba Juice mobile application (app), helping customers locate stores, order ahead, speed up transactions and improve the online and in-store experience. We see markedly increased engagement in our social media platforms and on the improved Jamba website. With well over 2 million members, our Jamba Insider Rewards (JIR) program provides incentives for our most loyal customers to make increased visits to Jamba stores. Through JIR, we distribute monthly emails to our members informing them of new products and promotions.

We are actively engaged in the most popular social media platforms, delivering engaging content and the power of influencers to actively promote Jamba to their own followers in Facebook®, YouTube® and other social media platforms. These influencers post about Jamba product nutritional benefits in an authentic voice, exponentially amplifying our own marketing communications and reaching more consumers most interested in health and wellness. We also continue to command a strong following on Facebook, Twitter® and Instagram® with postings that receive increasing favor with Jamba fans. Our YouTube channel attracts fans and increases awareness with fun and informative videos of our high-profile influencers and celebrity athletes.

Serving our communities has been a hallmark of Jamba from the Company’s beginning, and we continued that spirit in 2015. We launched our spring and fall school garden grant program, partnering with the National Gardening

Association® and their Kid's Gardening program. We continued to drive awareness of the need to encourage strong dietary and fitness habits in kids through our Team Up™ For a Healthy America program and through partnerships with the American Heart Association®, National Gardening Association and the GENYOUth Foundation. Our Jamba fundraising card helps support schools in Jamba markets across the country.

Jamba launched several successful marketing campaigns during the year, which are designed to drive significant traffic into our Franchise and Company Stores. We worked closely with local franchisees on numerous local promotions designed to increase trial and awareness.

Leverage an innovative in-store experience to drive four-wall store profitability

We completed our move to an asset-light business model during our 2015 fiscal year and we now have 92% of our locations owned by experienced franchisees. One of the primary areas of focus is on franchisee profitability. Areas that we have highlighted are driving profitable traffic and continuing to find ways to reduce the cost of goods used in our product platforms. Those initiatives will also continue to improve Franchise and Company Store margins, along with ongoing cost control programs in critical areas such as labor, occupancy and other controllable expenses

Our innovative juice and bowls platforms continue to show strong performance, and will be key drivers toward the transformation of the brand and toward driving continued positive growth.

Expand retail footprint on a global basis

As we continue on our path as an asset-light business, our focus will be on expanding our retail footprint globally through franchising. As described below, our focus is on domestic and international growth, and on both traditional and non-traditional store formats, including Jamba Juice Express™ and JambaGO®. Jamba Juice store locations at the end of fiscal 2015 were comprised of approximately 8% Company Store locations and 92% Franchise and International Store locations, globally.

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 premise that exists primarily as a Jamba Juice store. Traditional stores average approximately 1,000 - 1,200 square feet in size. These stores are located either in major urban centers or in suburban strip mall centers. As of December 29, 2015, there were 587 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 29, 2015, there were 231 non-traditional Jamba Juice store locations.

During 2015, we announced a franchise incentive program designed to accelerate our growth and support our asset-light business model by attracting a large number of interested and capable franchise operators in both new and existing markets. We believe this program will help our efforts to double our domestic store openings rate to between 7% and 9% per year.

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 wide range 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 assure them of potentially achieving a higher return on their investment in capital expenditures. In 2015, we expanded on a significant refresh and remodel of our Company Stores in order to provide a contemporary and fresh experience for our customers. We completed 146 store refreshes, which included upgrading the stores' facilities to effectively and efficiently serve our blended, whole food and premium juice platforms.

The Jamba Juice Express™ concept (formerly known as Smoothie Stations™) was launched in 2012. The concept is designed to target venues with a smaller footprint than our historical, non-traditional store. Jamba Juice Express™ units offer a limited menu of the brand's top selling smoothies and juices as compared to our traditional stores. Our Jamba Juice Express™ platform is ideally suited for venues such as colleges and universities, grocery stores, airports, hospitals and business cafeterias. As of December 29, 2015, there were 42 Jamba Juice Expresses™ open in 19 states. Jamba Juice Expresses™ fall within the non-traditional store category and are included in the total Franchise Stores count.

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 machine format, and has proven to be an innovative and differentiated solution for food service 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 29, 2015 was over 2,000.

As of December 29, 2015, we had 818 Jamba Juice store locations in the United States, operating in 34 states and Washington, D.C., consisting of 70 Company Stores and 748 Franchise Stores. We lease the real estate for all of our Company Stores. Our market planning has shown that there is potential for a total of at least 2,700 Jamba Juice stores in the United States which would meet our current store opening criteria. During fiscal 2015, we opened 51 new Franchise Stores, closed 23 Franchise Stores, acquired 2 Franchise Stores that are currently operated as Company Stores, and completed the refranchise of 179 Company Stores under our accelerated refranchising initiative.

Franchise Opportunity

Through our franchising program, we offer franchisees choices in store location, 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 transportation center 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 and geographic area.

As of December 29, 2015, we had 32 development agreements that contain rights to develop additional Franchise Stores. The exclusive territories covered by these agreements include selected markets in the states of Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Kansas, Louisiana, Minnesota, Missouri, Nevada, New York, North Carolina, Oregon, Pennsylvania, Tennessee, Utah, Washington, and Wisconsin. Seventeen of the 32 development agreements were entered in connection with refranchising transactions, where a purchaser of Company Stores also committed to develop new Franchise Stores.

To help maximize the growth of our non-traditional franchise development, we continue to strengthen our relationships with beverage and food concessionaires operating at venues such as colleges, universities, airports and other transportation centers, as well as other retail and entertainment venues. In addition to our own efforts, we are regularly 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 comprehensive market planning and site selection process helps guide 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.

International Franchising Opportunity

Our international partners work closely with us to build the Jamba Juice brand and implement the Jamba Juice system in their local geographic markets, 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 62 as of December 30, 2014 to 75 as of December 29, 2015, with stores located in South Korea, the Philippines, Mexico, Canada, Taiwan, and the Middle East. As of December 29, 2015, we had seven master developers with commitments to open an aggregate of 560 stores internationally, 200 planned during the next three to four years.

At the end of fiscal 2015, we had international master development agreements with partners in Indonesia, Thailand, South Korea, the Philippines, Mexico and the countries of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates). Our partner in Taiwan, Quan Hung Gourmet Company, opened the first Jamba Juice store in Taiwan on October 30, 2015. In 2015, we signed a master franchise development agreement with PT Sari Gemilang Makmur ("PT Sari"), a subsidiary of PT Mitra Adiperkasa Tbk, in Indonesia for 70 stores over 10 years. PT Sari operates over 1,800 retail outlets in 65 cities throughout Indonesia. We expect the first store in Indonesia to open in the first half of 2016. In 2015, we signed a master franchise development agreement with King of Juices Company, LTD ("King of Juices"), in Thailand for 30 stores over 10 years. King of Juices is a new entity led by Ms. Ausanee Mahagitsiri, a seasoned executive who successfully operates other food & beverage concepts in Thailand. We expect the first store in Thailand to open by third quarter 2016.

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 international developer 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.

New products - leadership in smoothies, juices, and bowls

Our long-term growth prospects are driven by our product innovation around our core offerings of smoothies, juices, and bowls. Product innovation is a high priority, and our menu items are designed to offer our customers products that are relevant to 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 healthy, innovative and great tasting 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.

Drive to an asset-light business model and other strategic initiatives to enhance shareholder value

We have moved aggressively to an asset-light business model that now incorporates a 92% franchise-location organization, increased from 70% in 2014. This transition to an asset-light business model is designed to facilitate a more flexible cost structure which would enable faster execution and enhanced focus on growth initiatives and allow us to pursue additional cost savings.

We previously announced our plan to repurchase up to $45 million of our stock as a way to aggressively return capital to shareholders to enhance shareholder value. In addition, we plan to continue to examine our capital allocation strategies to continue to return value to our shareholders.

7

Domestic Store Operations

Franchise Store Management

We continuously review Franchise Store operations, principally through our Franchise Business Consultants ("FBCs") who are Company representatives that work closely with franchise owners to review the financial health, operations, practices and procedures of our franchisees. 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 our business. Our franchise 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 FBCs, who also provide feedback whenever appropriate.

Company Store Management

We believe operational excellence throughout the Jamba System is vital to our success. Our Company Store field and store operations teams play a critical role in maximizing the performance of our Company 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 an Operational Director and District Managers to support our Company Store operations.

Our Store Excellence Program 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, we implemented a bonus program that offers Company Store managers rewards on achievement of customer experience, sales, and profit goals. 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 lifestyles 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, Franchise Business Consultants, District Managers and Senior 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

In 2015, much of our advertising and marketing efforts focused on the roll out of our juice platform and on social media. We also continued to reaffirm our commitment to providing healthier food and beverage options to consumers, leveraging our blending and juicing heritage to address the fast-growing consumer trend focused on juicing. As consumers increasingly turned to healthy beverages to get their daily requirement of fruits and vegetables, we accelerated the expansion of our freshly-squeezed juices, blended with nutritious whole foods such as kale, ginger, cucumbers, oranges and chia seeds. In June, we became the leading retailer of made-to-order, freshly-squeezed juice with availability in over 500 Jamba stores across the U.S., maintaining our position as a leading health and wellness brand. With a strong focus on the juice platform and other product introductions, we continued our mission to deliver 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.

Through our “Blend in the Good®” consumer communication platform, we focused consumers’ attention on the fresh produce, fruit and vegetables that are used to make Jamba juices, smoothies and bowls, underscoring our commitment to providing healthier food and beverage options. The Blend in the Good campaign reached across multiple mediums, including print, radio, public relations, in-store point-of-purchase material, online and in social media. The number of Jamba Facebook followers increased to approximately 1.8 million in 2015, and we made strong progress in leveraging other social media platforms such as Twitter, Instagram and YouTube. Membership in our “Jamba Insiders” loyalty program accelerated, passing the one million milestone in July. We partnered with the technology company Spendgo® to provide consumers with an easy-to-use way to participate in the loyalty program.

Jamba 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 and we continuously endeavor to improve our social responsibility and environmental practices to achieve long-term sustainability. In 2015, we officially launched our core CSR platform, “Team Up For a Healthy Whirl’d”, through which we encourage our consumers, business and community partners, employees and store Team Members to join Jamba Juice in making a difference for consumers and the communities we serve.

The Jamba Healthy Living Council, comprised of nationally recognized nutrition and fitness experts, helped us to encourage consumers to consume more fruits and vegetables via our broad offering of healthy beverages through videos, articles, online webinars, and podcasts, on the Jamba website, and at live events. In 2015, these nutrition and fitness experts offered insights at key industry conferences like the American Dietetic Association’s Food and Nutrition Conference & Expo and the School Nutritionist Association Convention. As some are parents themselves, the members of the Healthy Living Council relate to the dietary and fitness concerns of parents and families. The council also provided easy-to-follow nutrition and fitness tips for families and those seeking to live healthy lifestyles.

We continued to work toward improving childhood nutrition and fitness though 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 2015, our Team Up For a Healthy America campaign again provided schools across the country with much-needed athletic equipment. We leveraged our partnership with the National Gardening Association to award 38 garden grants to schools across the nation, and with the GENYOUth Foundation we hosted a series of events including a town hall in St. Louis that gathered local leaders in business, education, politics, medicine, and community service in an engaging discussion focused on building partnerships across the private and public sectors to advance childhood wellness in that city.

We enhanced our relevance to Millennials through popular lifestyle platforms. We leveraged influencers and cultural icons like YouTube fitness entrepreneur Cassie Ho to encourage Millennials to include Jamba in their daily diets.

The Jamba brand continued to be included in the culture and conversations of consumers, as we were featured in stories appearing in nationally syndicated journals and newspapers, including Nation's Restaurant News, Franchise World, QSR Magazine, Forbes, and The Wall Street Journal. Jamba had a strong presence in national health-oriented publications such as Men's Fitness, Shape, and cultural publications like STAR and OK TV!. We were highly visible on numerous popular websites including mensfitness.com, OKTV!.com, and RadarOnline, the number one online resource for celebrity news. Tennis superstar Venus Williams promoted Jamba on national television talk shows and on Extra!, the nightly entertainment show. Our participation in local fundraising events also helped capture a significant amount of coverage from local television and radio stations. Jamba was recognized by the White House for the fourth year in a row 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.

Our marketing efforts in 2015 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 charge to improve the health and wellness of our nation's youth, we have continued to inspire and simplify healthy living and have made significant progress toward our goal of being a leading health and wellness brand.

Product Supply

We are committed to providing only the finest smoothies, juices, bowls, and other food products. Smoothie, juice, and bowl products depend heavily upon supplies of fresh and individually quick-frozen (IQF) fruit and vegetables. We have an established nationwide fresh produce supply chain in order to facilitate our new made-to-order freshly squeezed juice platform. The quality of each beverage depends to a large degree on the quality of the basic fruit and vegetable ingredients from which it is made. It is essential that the supply of fruit and vegetables 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 and vegetables are dependent upon the supply and demand at the time of 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 produce 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 produce and dairy for various terms typically ranging from one year to three years. We depend on our relationships with our suppliers for our supply of produce, dairy and other products. While two distributors accounted for approximately 98% of the supplies delivered to our Company and Franchise Stores, we believe, based on our established relationships with our suppliers, the risk of non-delivery on our purchase commitments is remote.

Our supply chain, purchasing and product organization are completely funded by all stores across the Jamba System. This funding contributes to the cost of system-wide 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 remains 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. We compete 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. Competition in the beverage and food market is fragmented, and increasingly so, and a major competitor with substantially greater resources than us 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 increased 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.

Additionally, we face increasing competition from specialty juice bars and stores, which focus on made-to-order juices, juice blends, cold-press juices and fasting/cleansing packages. Many of these brands have cold-press direct-to-consumer capabilities that multiply the geographic reaches of their stores.

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 we or our franchisees will be able to continue to secure adequate sites at acceptable rent levels or that we or franchisees will be able to attract a sufficient number of qualified personnel to operate our stores.

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Government Regulation and Environmental Matters

Government Regulation. We and our franchisees 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 or our franchisees 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 or a Franchise 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 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, (h) regulate the amount or type of ingredients in food and beverages, and (i) regulate or ban the use of particular packaging materials.

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 and our franchisees pay a significant number of our hourly staff at rates consistent with, but higher than, the applicable federal, state or local 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.

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Environmental Matters

We and our franchisees are subject to federal, state and local environmental laws and regulations concerning the use of, among others, polystyrene products, and several counties in which our stores are located have already banned the use of our polystyrene cups. We continued to make progress on certain eco-sustainability initiatives first launched in 2009, including phasing out the use of polystyrene cups, as well as increasing the use of recyclable products, and reducing waste. At the beginning of 2016 we launched plastic cups, which are more easily recycled than the double-walled coated paper cups we introduced in 2013. 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

We own and/or have applied to register numerous trademarks and service marks in the United States and in other jurisdictions throughout the world. Some of our 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.*”

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

David A. Pace, Chief Executive Officer, age 56

Mr. Pace was appointed Chief Executive Officer in January 2016. Mr. Pace served as Executive Vice President and President of Carrabba's Italian Grill from 2014 to 2016. From 2010 to 2014, he served as Bloomin' Brands' Chief Resources Officer. Mr. Pace has also held executive positions with Starbucks Coffee Company, PepsiCo and Yum! Brands, Inc.

Karen L. Luey, Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Secretary, age 55

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 50

Ms. Washington has served as the Company's Senior Vice President and Chief Brand Officer 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.

Steve Adkins, Senior Vice President, US Operations, age 50

Mr. Adkins has served as the Company's Senior Vice President, US Operations since August 2015. Previously Mr. Adkins served as Senior Vice President, US West, and Senior Vice President of Operations Services from April 2010. Mr. Adkins joined Jamba Juice Company in December 2002 as a Regional Director of Operations in charge of opening the new Midwestern market including Chicago and Minneapolis. In 2005, Mr. Adkins became Zone Vice President East in charge of both Company Stores and overseeing the franchise partners located in the Midwest to the East Coast including New York, Miami, and Texas markets. In October of 2008, he took on the role of Senior Vice President of Company Stores before assuming the role of Senior Vice President, Operations Services. Prior to joining Jamba Juice, Mr. Adkins held the position of Senior Vice President, Operations at Fresh Choice where he worked for 11 years.

Arnaud Joliff, Senior Vice President, Supply Chain, Operation Services and IT, age 46

Mr. Joliff has served as the Company's Senior Vice President, Supply Chain, Operation Services and IT since October 2015. Previously, Mr. Joliff served as Senior Vice President, Supply Chain and Operations Services from January 2015. Mr. Joliff joined Jamba Juice Company as Vice President, Supply Chain in October 2013. Prior to joining Jamba Juice, from 2011 through 2013, Mr. Joliff was Head of Supply Chain Planning for Nestle USA / DSD Division. From 2007 through 2010, Mr. Joliff was Vice President, Supply Chain US for Cott Corporation.

Employees

As of December 29, 2015, we employed approximately 1,313 persons, approximately 149 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 seasons of 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 we 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. Further, our references to the URLs for these websites are intended to be inactive textual references only. Stockholders may request free copies of these documents from:

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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.

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

The loss of our Chief Executive Officer, or one or more of our executive management team could adversely affect our business.

On January 22, 2016, David A. Pace who has been on our Board of Directors since 2012 was appointed Chief Executive Officer of the Company. Our success depends substantially on the contributions and abilities of our executive management team as well as 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 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 retain and motivate executive management, key employees and Chief Executive Officer sufficient to maintain a competitive position within our industry, and to implement our strategic priorities, would adversely affect our results of operations.

Our revenue is subject to volatility based on weather and varies by season and our operational results may be subject to unusual weather conditions.

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). Unusual weather conditions, which may or may not result from climate change or other changes in global meteorological conditions, may add to this volatility. Unusual weather conditions may also have an adverse impact on agriculture, result in increased ingredients and raw materials costs, and adversely affect our results of operations.

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 costs 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. For instance, changes in the prevailing climate may result in a reduction in, or increased prices of available produce, which may adversely affect our revenue and operating margins.

Our financial results depend upon the operating results of our franchisees.

Following the implementation of our significant refranchising initiative, we receive a substantial portion of our revenues in the form of royalties and other franchise revenues, which are generally based on development fees, initial franchise fees and a percentage of sales at franchise-operated stores, Jamba Juice Expresses™ and JambaGO® units. Accordingly, our financial results to a large extent are dependent upon the operational and financial success of our franchisees. If sales trends or economic conditions worsen for our franchisees, their financial results may deteriorate and our royalty and other revenues may decline and our accounts receivable from franchisees and related allowance for doubtful accounts for our franchisees may increase.

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, 2014, and 2015 we worked to implement 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. For fiscal 2016, we are focused on a number of initiatives that we have incorporated into 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. There can be no assurance that we will be able to continue to successfully implement our strategic priorities or whether these strategic priorities will be successful, and a failure of either could impede our growth and negatively affect our operating results.

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

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

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Failure to establish and maintain our internal control over financial reporting may result in us not being able to accurately report our financial results which could result in the loss of investor confidence and adversely affect the market price of our common stock.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. For fiscal 2014 we disclosed a material weakness in our internal control over financial reporting related to identifying and accounting for non-standard transactions. The material weakness we identified was due to an insufficient complement of finance and accounting resources within the organization to ensure the proper application of generally accepted accounting principles ("GAAP") with respect to the Company's non-routine transactions, which was in part attributable to employee turnover related to recently implemented cost reductions and infrastructure changes. As a result of this material weakness, our management concluded that our internal control over financial reporting was not effective for Fiscal 2014. As described in Item 9A, we developed and implemented a remediation plan designed to address the material weakness in our internal control over financial reporting.

We cannot, however, be certain that other material weaknesses and control deficiencies will not be discovered in the future. If additional material weaknesses or significant deficiencies in our internal controls are discovered or occur in the future, we may be unable to report our financial results accurately or on a timely basis, which could result in the loss of investor confidence and adversely affect the market price of our common stock.

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 economic conditions have been 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 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.

Fluctuations in various food and supply costs, particularly produce 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 produce 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 produce 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 price, purchase commitments for a portion of our produce 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 produce 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 two regional distributors, Systems Services of America (“SSA”) and Gordon Food Services (“GFS”), which also service a majority of our Franchise Stores. SSA distributes to the Western United States, and GFS primarily distributes to the Eastern United States. Although we believe our relationship with these distributors will result in operational 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 GFS or SSA has operational problems. Should GFS or SSA have operational problems, our operations and our operating margins 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, Jamba Juice Express™, and/or the JambaGO® platform, or introduce new products with special manufacturing, 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.

The Company's success depends on the value of the Jamba Juice® 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 brands in order to be successful in building our business, and particularly in building a consumer products growth platform under the Jamba brands. 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 brands to help support our licensing efforts. Our brand building initiatives involve increasing our product offerings, opening new Franchise Stores, expanding the JambaGO® and Jamba Juice Express™ platforms, and entering into licensing arrangements to increase awareness of our brands and create and maintain brand loyalty. Our franchisees and 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 franchisees and 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 that 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 material 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 any material claims in the future. 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’s minimum wage increased to $10.00 per hour effective January 1, 2016.

Moreover, municipalities may set minimum wages above the applicable state standards, such as in San Francisco, which raised the minimum wage to $12.25 on May 1, 2015, will again rise to $13.00 as of July 1, 2016, and will reach $15.00 on July 1, 2018. 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. The Company has a guaranteed cost Worker’s Compensation policy effective October 1, 2015. Prior to October 1, 2015 the Company had a retrospective policy for its Worker’s Compensation risks. Liabilities associated with our self-insured plans the Company retains are estimated in part, by considering historical claims experience, reserves 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 continue to monitor and evaluate any impact the Patient Protection and Affordable Care Act may have on our business.

We are reliant on our outsourcing partner to provide effective administrative functions.

During the latter part of 2014, we engaged a third party service provider to provide outsourced accounting, IT, human resources, and contract management services. This may allow us to achieve efficiencies and cost savings, in part, through a reduction in our workforce. If our outsourcing partner fails to perform at a sufficient level to ensure our efficient operation, we may not have the resources to timely and efficiently take over those functions, and our financial performance might be adversely impacted as a result.

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

We, and our franchisees, compete in the market 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 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 71% of Company Stores and generate a significant portion of our Company Store revenue. These stores also comprise over 51% of our total global 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 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 or 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 and National Labor Relations 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 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 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

Termination of an arrangement with a master developer could adversely impact our revenues.

We enter into relationships with “master developers” to develop and operate restaurants in defined domestic and international geographic areas. Master developers are granted exclusive rights with respect to larger territories than our typical franchisees. The termination of an arrangement with a master developer or a lack of expansion by certain master developers could result in the delay of the development and expansion of our business in our targeted markets. Any such delay or interruption could result in lower revenues for us, particularly if we were to choose to close Stores following the termination of an arrangement with a master developer.

Our growth strategy depends on increasing franchise ownership.

Our current growth strategy is to continue to pursue an asset-light business model, including selling Company Stores, and increasing the number of franchise locations as a percentage of all stores in the Jamba System. By emphasizing 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, which may be concentrated where any particular franchisee owns a significant number of franchise locations. 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 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 2014 and 2015. 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.

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 2016. 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 developmental shortcomings of our Franchise Stores, including their failure to comply with 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 and other 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 laws, securities and derivative lawsuits claiming violations of state and federal securities law, and employee lawsuits, including wage and hour claims. We may also be impacted by litigation involving our relationship with franchisees and the legal distinction between our franchisees and us for employee claims based on, among other things, wage and hour violations, discrimination, harassment, or wrongful termination, as these types of claims are increasingly asserted against franchisors on a co-employer theory by employees of franchisees.

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 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 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. As disclosed in Item 9A, management remediated the material weakness identified in fiscal 2014 on our internal control over financial reporting related to identifying and accounting for non-standard transactions.

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, the Company's amended and restated certificate of incorporation and bylaws include 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 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.

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 29, 2015, the Company served its customers primarily through a combination of Company Stores, Franchise Stores and International Stores in 34 different States, the District of Columbia, Taiwan, South Korea, Canada, the Philippines, Mexico and the Middle East.

	Store Count as of December 29, 2015		
	Company Stores	Franchise & International Stores	Total
United States			
Arizona	-	39	39
California	50	356	406
Colorado	-	27	27
Connecticut	-	3	3
Delaware	-	1	1
District of Columbia	-	3	3
Florida	-	29	29
Georgia	-	6	6
Hawaii	-	35	35
Idaho	-	10	10
Illinois	14	8	22
Indiana	-	1	1
Kentucky	-	1	1
Louisiana	-	4	4
Maryland	-	5	5
Massachusetts	-	1	1
Michigan	-	3	3
Minnesota	-	7	7
Missouri	-	8	8
Montana	-	1	1
Nevada	-	17	17
New Jersey	1	8	9
New York	5	17	22
North Carolina	-	7	7
Ohio	-	5	5
Oklahoma	-	8	8
Oregon	-	24	24
Pennsylvania	-	7	7
Tennessee	-	4	4
Texas	-	34	34
Utah	-	23	23
Virginia	-	6	6
Washington	-	34	34
Wisconsin	-	5	5
Wyoming	-	1	1
Total in United States	70	748	818
International			
South Korea	-	29	29
Philippines	-	20	20
Canada	-	13	13
Mexico	-	4	4
Middle East	-	7	7
Taiwan	-	2	2

Total International	-	75	75
Grand Total	70	823	893

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.

PART II

ITEM 5. MARKET FOR JAMBA, INC.'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND 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 7, 2016, was $13.59.

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
2014 First Quarter	13.10	11.58
2014 Second Quarter	12.30	9.95
2014 Third Quarter	14.84	11.34
2014 Fourth Quarter	14.63	12.07
2015 First Quarter	16.80	13.71
2015 Second Quarter	16.77	14.98
2015 Third Quarter	16.33	12.92
2015 Fourth Quarter	14.75	12.75

We have not historically paid any cash dividends on our common stock and do not currently have plans to pay any cash dividends.

The securities authorized for issuance under equity compensation plans information is incorporated herein by reference from the Company's 2015 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 2015 fiscal year.

As of March 7, 2016, there were 89 holders of record of our common stock.

On October 29, 2014, the Company’s Board of Directors authorized the repurchase of up to $25 million of shares of common stock over a period of 18 months. The Company’s Board of Directors authorized to increase the Company’s stock repurchase program by $15 million to $40 million in May 2015 and by $5 million to $45 million in September 2015, with the authorizations expiring on May 4, 2016. During the fiscal 2015 and fiscal 2014, the Company repurchased 1,948,004 and 910,813 shares, respectively, under the 2014 Stock Repurchase Program. The average price per share during fiscal 2015 and during fiscal 2014 was $14.38 and $13.17, respectively, at an aggregate of cost of $28.0 million and $12.0 million for fiscal 2015 and fiscal 2014, respectively, leaving $5.0 million available for share repurchase that expires in May 2016. Shares repurchased under the 2014 Stock Repurchase Program are considered treasury stock until retired. The following table presents information related to repurchases of shares of the Company's common stock from inception through the fourth quarter of 2015 (in thousands except share and per share amounts):

	Total Number of Shares Purchased	**Average Price Paid per Share** [(1)]	Total Number of Shares Purchased as Part of Publicly Announced Plans	**Remaining Maximum Amount Available to be Purchased Under the Plans (1) (in 000's)**
October 29, 2014 - December 30, 2014	910,813	$ 13.17	910,813	$ 13,009
December 31, 2014 - March 31, 2015	445,414	15.00	445,414	6,326
April 1, 2015 - June 30, 2015	195,171	16.09	195,171	3,186
July 1, 2015 - September 29, 2015	1,174,882	13.87	1,174,882	6,887
September 30, 2015 - October 27, 2015	131,837	14.31	131,837	5,000
October 28, 2015 - November 24, 2015	700	12.94	700	4,991
November 25, 2015 - December 29, 2015	-	-	-	$ 4,991
Total	2,858,817	$ 13.99	2,858,817	

(1) The amounts exclude commission costs.

Performance Graph

The following graph compares our cumulative total stockholder return since December 28, 2010 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 28, 2010. 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. This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act.

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 29, 2015, December 30, 2014, December 31, 2013, January 1, 2013 and January 3, 2012. 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 29, 2015 (2)	Fiscal Year Ended December 30, 2014 (2)	Fiscal Year Ended December 31, 2013 (2)	Fiscal Year Ended January 1, 2013 (2)	Fiscal Year Ended January 3, 2012 (1) (2)
Revenue:					
Company stores	$ 137,025	$ 198,737	$ 212,887	$ 215,125	$ 214,837
Franchise and other revenue	24,651	19,311	16,362	13,664	11,597
Total revenue	161,676	218,048	229,249	228,789	226,434
Costs and operating expenses (income):					
Cost of sales	33,737	52,236	52,211	50,215	49,503
Labor	44,732	61,749	62,015	63,086	67,868
Occupancy	18,951	27,630	29,350	29,473	31,092
Store operating	25,152	33,089	34,802	33,524	32,847
Depreciation and amortization	6,569	10,084	10,974	11,062	12,463
General and administrative	36,872	37,278	37,771	40,771	37,798
Gain on disposal of assets	(21,609)	(2,957)	(3,153)	648	2,053
Store pre-opening	1,031	763	880	604	965
Impairment of long-lived assets	2,523	175	728	711	1,291
Store lease termination and closure	1,669	575	148	421	721
Other operating, net	1,795	726	1,155	(2,339)	(1,843)
Total costs, operating expenses, and gain	151,422	221,348	226,881	228,176	234,758
Income (loss) from operations	10,254	(3,300)	2,368	613	(8,324)
Other (expense) income:					
Interest income	137	74	9	61	159
Interest expense	(220)	(195)	(242)	(217)	(473)
Total other expense	(83)	(121)	(233)	(156)	(314)
Income (loss) before income taxes	10,171	(3,421)	2,135	457	(8,638)

Income tax (expense) benefit	(701)	(168)	(55)	(155)	340
Net income (loss)	9,470	(3,589)	2,080	302	(8,298)
Preferred stock dividends and deemed dividends	-	-	(588)	(2,181)	(2,331)
Less: Net income attributable to noncontrolling interest	52	43	-	-	-
Net income (loss) attributable to Jamba, Inc.	$ 9,418	$ (3,632)	$ 1,492	$ (1,879)	$ (10,629)
Weighted-average shares used in the computation of earnings (loss) per share attributable to Jamba, Inc.:					
Basic	15,787,806	17,197,904	16,793,235	14,139,888	13,262,131
Diluted	16,228,033	17,197,904	17,222,030	14,139,888	13,262,131
Earnings (loss) per share attributable to Jamba, Inc. common stockholders:					
Basic	$ 0.60	$ (0.21)	$ 0.09	$ (0.13)	$ (0.80)
Diluted	$ 0.58	$ (0.21)	$ 0.09	$ (0.13)	$ (0.80)

(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 29, 2015	December 30, 2014	December 31, 2013	January 1, 2013	January 3, 2012
Cash and cash equivalents	$ 19,730	$ 17,750	$ 32,386	$ 31,486	$ 19,607
Total assets	69,537	92,489	97,916	93,613	88,293
Total liabilities	64,625	75,744	71,074	72,101	68,109
Series B redeemable preferred stock	-	-	-	7,916	17,880
Total stockholders’ equity	4,912	16,745	26,842	13,596	2,304
Total liabilities and stockholders’ equity	69,537	92,489	97,916	93,613	88,293

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, franchise and other revenue and income from operations.

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 29, 2015 and December 30, 2014:

	Fiscal Year Ended			
	December 29, 2015		December 30, 2014	
Percentage change in Company Store comparable sales [1]	1.5	%	2.8	%
Total Company Stores	70		263	
Total Franchise Stores - Domestic	748		543	
Total International Stores	75		62	
Total Stores	893		868	

(1) 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 December 29, 2015	December 30, 2014	December 31, 2013
Company Stores:			
Beginning of year	263	268	301
Company Stores opened	-	-	2
Company Stores acquired from franchisees	2	26	-
Company Stores closed	(16)	(13)	(4)
Company Stores sold to franchisees	(179)	(18)	(31)
Total Company Stores	70	263	268

	Fiscal year ended December 29, 2015	December 30, 2014	December 31, 2013
Franchise Stores - Domestic:			
Beginning of year	543	535	473
Franchise Stores opened	51	43	52
Franchise Stores purchased by Company	(2)	(26)	-
Franchise Stores closed	(23)	(27)	(21)
Franchise Stores purchased from Company	179	18	31
Total Franchise Stores - Domestic	748	543	535

	Fiscal year ended December 29, 2015	December 30, 2014	December 31, 2013
International Stores:			
Beginning of year	62	48	35
International Stores opened	22	24	15
International Stores closed	(9)	(10)	(2)
Total International Stores	75	62	48

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 robust global business driven by a portfolio of franchised and company-owned Jamba Juice® stores and licensed JambaGO® and Jamba Juice Express™ formats. The Jamba® brand includes innovative product platforms and both licensed and company driven consumer packaged goods. We are a leading restaurant retailer of "better-for-you" specialty food and beverage offerings which include great tasting, whole fruit smoothies, fresh squeezed juices and juice blends, Energy Bowls, and a variety of food items including, hot oatmeal, breakfast wraps, sandwiches, Artisan Flatbreads, baked goods, and snacks. Jamba Juice Company continues to expand the Jamba brand by direct selling of CPG products, and by licensing its trademarks for CPG products sold through retail channels such as grocery stores, warehouse clubs, and convenience stores.

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 29, 2015, there were 893 Jamba Juice stores globally, consisting of 70 Company Stores, 748 Franchise Stores in the United States, and 75 International Stores.

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

Fiscal Year

Our fiscal year ends each year on the Tuesday closest to December 31st and therefore we have a 52 or 53 week fiscal year. 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. 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 2015	December 31, 2014 to December 29, 2015	52
Fiscal Year 2014	January 1, 2014 to December 30, 2014	52
Fiscal Year 2013	January 2, 2013 to December 31, 2013	52

EXECUTIVE OVERVIEW

Key Overall Strategies

Our BLEND Plan, launched in 2009, continues to guide the Company's strategy toward transforming Jamba into a globally recognized healthy, active lifestyle brand. Since the introduction of the BLEND Plan, we have accelerated our growth and profitability by following a disciplined set of strategic priorities. The BLEND Plan guides the Company in building Jamba® into a global lifestyle brand that delivers increased earnings and return to shareholders by offering consumers differentiated products and retail experiences at Jamba Juice® stores, ongoing cost-savings initiatives, and through expansion into broader retail distribution channels.

We continue to focus on increasing brand awareness and building our leadership in the fast-growing and highly competitive juice category through differentiated, on-trend new product introductions, an accelerated juice expansion plan and enhanced marketing and communication activation to support our better-for-you brand positioning and to attract new consumers. Our key product categories will be juices, smoothies and bowls. Our priorities will also include the expansion of our global footprint, drive store-level profitability through four-wall cost optimization plans, and transform our model through an aggressive refranchising plan and franchise recruiting efforts.

Fiscal 2015 Financial Summary

- Net income was $9.4 million compared to $(3.6) million net loss for the prior year.
- Company Stores comparable sales increased 1.5% for the year compared to the prior year, reflecting a fifth consecutive fiscal year of comparable store sales growth.
- System-wide comparable sales increased 2.3% and Franchise Store comparable sales increased 2.7% 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 25.9% to $161.7 million from $218.0 million for the prior year, primarily as a result of the refranchise of 179 Company Stores, partially offset by the 1.5% increase in Company Store comparable sales and 2.7% increase in Franchise store comparable sales.
- General and administrative expenses for the year decreased 1.1% to $36.9 million for the year compared to $37.3 million for the prior year.
- Gain on disposal of assets was $21.6 million for the year compared to $3.0 million for the prior year as a result of refranchising 179 stores in fiscal 2015.
- Income from operations was $10.3 million and operating margin was 6.3% for the year.
- Franchisees opened 73 new Jamba Juice stores globally; which included seven Jamba Juice Express™ in the United States and 22 new International Stores. At December 29, 2015, there were 893 stores globally; 70 Company Stores, 748 Franchise Stores and 75 International Stores.
- During fiscal 2015, 1.9 million shares were repurchased at an average cost of $14.38 under our share repurchase plan.

Fiscal 2015 Business Highlights

Brand activation and leadership

Our consumer messaging for 2015 was centered around the theme "Blend In The Good", designed to focus consumers on the benefits of the fresh fruits and vegetables that are used to make our smoothies, juices and bowls. This campaign was executed over multiple media sources, including digital, social, public relations, TV, radio and print. We reached millions of Millennials through the power of social media in partnership with DanceOn, the number one ranked YouTube channel, and with Pharrell Williams.

In 2015 we re-launched our corporate social responsibility initiatives under the banner of "Team Up For a Healthy Whirl'd" a platform that encourages consumers, partners, and employees to join us in our efforts to inspire healthy people, products, planet, and community. Through Team Up For a Healthy Whirl'd we lead sustainability initiatives, programs to inspire healthier employees, and a number of community engagement activities in the markets we serve.

As we continue to strengthen our brand, we also entered into or expanded programs with strategic partners including with Spendgo, Google, Twitter, SoftCard, Groupon, and others to enhance the customer experience in our stores and in the digital and social media space. Our Jamba Insider Rewards ("JJR") program was introduced in February of 2014 and today we have 2 million loyalty members. Our loyalty members are rewarded with promotional offers such as discounts, free product and advance notice of in-store events. Through JIR, we distribute monthly emails to our members, informing them of new products and promotions. We recently launched our new Jamba Juice mobile application ("app"), helping customers locate stores, order ahead, speed up transactions and improve the online and in-store experience. We see markedly increased engagement in our social media platforms and on the improved Jamba website, which we launched earlier in the year.

As we move to our new asset-light model, we are also building the brand on a local level through multi-channel brand marketing, including the expansion of consumer loyalty programs, the development of engaging local marketing promotions and robust social media communications. By providing our franchisees with tools and technologies that target their customers through email, social media, radio and out-of-home advertising, we are helping them target consumers in their immediate trade areas. In the third quarter, we piloted a television ad campaign in key markets, our first-ever television ads.

We are building the brand on both a national and global level through innovative product development as we continue to meet the needs of today's increasingly health-conscious consumer. We are addressing our customers' health and wellness needs by our offerings centered on "Whole Food Nutrition," which encompass blending juices and combining whole fruits and vegetables into nutritious and convenient beverages and product offerings across all day-parts. We are now also offering consumers a great-tasting and nutritious alternative with our new Almond Milk Smoothies. Awareness of both products was generated via in-store point of purchase, online and social media and through a robust public relations campaign in major media markets.

Continuing in our mission to serve the community, we launched our fall grant program, partnering with the National Gardening Association and their Kid’s Gardening program. We continued to drive awareness of the need to encourage better dietary and fitness habits in kids through our Team Up For a Healthy America program and through partnerships with the American heart Association, National Gardening Association and the GenYouth Foundation. Our recently launched fundraising card helps support schools in Jamba markets across the country.

Leverage an innovative in-store experience to drive four-wall profitability

As we transition to 2016 and with the completion of our move to a franchise business model, we are highly focused in improving franchisee profitability and 4-wall store margins. Areas that we will highlight are driving profitable traffic and continuing to find ways to reduce costs of goods and other costs used in our product platforms.

During 2015, we accelerated the launch of innovative, on-trend products that reaffirmed Jamba’s category leadership in juices and smoothies, which resulted in increases in labor costs due to a strain on speed-of-service and increases in cost of goods sold. This resulted in 4-wall store profit margin decreases in the early part of the year. By the third quarter, we operationalized several key initiatives that had a significant positive impact on COGS and labor. As our innovative juice and bowls platforms continue to show strong performance, we believe that with these course-corrections, these product introductions will be key drivers toward the transformation of the brand and continued positive growth.

Expand retail footprint on a global basis

Our growth initiatives embody the multiple portfolio opportunities we have to expand our world-wide restaurant business, including traditional and non- traditional stores, smaller footprint Jamba Juice Express™ and the JambaGO® formats. As of December 29, 2015, there were 893 Jamba Juice® stores globally, represented by 70 Company Stores and 823 Franchise Stores, of which 42 were Jamba Juice Express™ in the United States, and 75 International Stores. The system is comprised of approximately 92% Franchise and International Store locations and 8% Company Store locations. As of December 29, 2015, we were over 2,000 JambaGO® units in operation nationwide.

A primary growth driver of our enterprise will be new unit development on a global basis. Domestically, we plan on our franchisees opening up to 500 new units over the next four to five years, in both traditional and small format venues. We have a variety of formats to expand our global footprint, including traditional and non-traditional stores, smaller footprint ™ and the JambaGO® formats. During 2015, we announced the launch of a new franchise recruiting campaign focusing on single store development in existing and new domestic markets in order to enhance the implementation of our asset-light model. We are engaged in an aggressive marketing campaign, supported by a rigorous application and selection process. Jamba is leveraging a variety of media, including print and online resources as well as multiple-market road shows to attract potential local franchise owners.

During the year, 51 new locations were opened in the United States, of which 7 locations were new Jamba Juice Express™. In addition, 22 stores were opened at International locations. All International Stores are operated by master franchise partners.

At the end of fiscal 2015, we had international master development agreements with partners in Indonesia, Thailand, South Korea, the Philippines, Mexico and the countries of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates). Our partner in Taiwan, Quan Hung Gourmet Company, opened the first Jamba Juice store in Taiwan on October 30th, 2015. In 2015, we signed a master franchise development agreement with PT Sari Gemilang Makmur ("PT Sari"), a subsidiary of PT Mitra Adiperkasa Tbk, in Indonesia for 70 stores over 10 years. PT Sari operates over 1,800 retail outlets in 65 cities throughout Indonesia. We expect the first store in Indonesia to open in the first half of 2016. In 2015, we signed a master franchise development agreement with King of Juices Company, LTD ("King of Juices"), in Thailand for 30 stores over 10 years. King of Juices is a new entity led by Ms. Ausanee Mahagitsiri, a seasoned executive who successfully operates other food & beverage concepts in Thailand. We expect the first store in Thailand to open by third quarter 2016.

New products - leadership in smoothies, juices and bowls

During fiscal 2014, we launched our made-to-order, fresh fruit and vegetable juice platform in over 500 locations, and currently operate this platform in 550 locations. This platform is primarily comprised of made-to-order juices and smoothies blended with fresh, whole fruits and vegetables like kale, apples, cucumbers, ginger and chia seeds. We believe that we are in the forefront of the consumer trend towards healthier beverage options.

We also introduced a new line of made-to-order bowls in stores nationwide during late fiscal 2014. Jamba Energy Bowls, served in convenient, portable servings, are a nutritious blend of real, whole fruit and soymilk or fresh Greek yogurt, topped with an assortment of dry toppings and fresh fruits. Jamba Energy Bowls™ are a convenient way to get fruit, antioxidants like Vitamin C, and protein and will satisfy consumers looking for a meal replacement they can eat with a spoon.

Drive the asset-light business model to enhance shareholder value

We have moved aggressively to an asset-light business model that now incorporates a greater than 90% franchise-location organization, increased from 70% in 2014 after the completion of our refranchising initiative in 2015 involving 179 operating Company Stores and one unopened store. This transition to an asset-light business model is designed to facilitate a more flexible cost structure which would enable faster execution and enhanced focus on growth initiatives and allow us to pursue additional cost savings.

We previously announced our plan to repurchase up to $45 million of our stock as a way to aggressively return capital to shareholders to enhance shareholder value and have $5.0 million available for share repurchase at the end of fiscal 2015. In addition, we plan to continue to examine our capital allocation strategies to continue to return value to our shareholders.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with 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

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. 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.