XCEL ENERGY INC
Form 8-K
May 04, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported) May 2, 2018

Commission File Number	Exact Name of Registrant as Specified in its Charter; State of Incorporation; Address of Principal Executive Offices; and Telephone Number	IRS Employer Identification Number
001-3034	XCEL ENERGY (a Minnesota corporation) 414 Nicollet Mall Minneapolis, Minnesota 55401 (612) 330-5500	41-0448030
001-03789	SOUTHWESTERN PUBLIC SERVICE COMPANY (a New Mexico corporation) 790 South Buchanan Street Amarillo, Texas 79101 (303) 571-7511	75-0575400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
Emerging growth company £

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. £

Item 8.01 Other Events.

Texas 2017 Electric Rate Case

In August 2017, Southwestern Public Service Company (SPS), a wholly owned subsidiary of Xcel Energy Inc., filed a $55 million, or 5.8 percent, retail electric, non-fuel base rate increase case in Texas with each of its Texas municipalities and the Public Utility Commission of Texas (PUCT). The request was based on a historic test year (HTY) ended June 30, 2017, a requested return on equity (ROE) of 10.25 percent, an electric rate base of approximately $1.9 billion, a 35 percent federal income tax rate and an equity ratio of 53.97 percent. The following table summarizes SPS' rate increase request:

Revenue Request (Millions of Dollars)	
Incremental revenue	$69
Transmission Cost Recovery Factor (TCRF) rider conversion [(a)]	(14)
Total	$55

(a) The roll-in of the TCRF rider into base rates will not impact customer bills or revenue as these costs are recovered through the rider.

The PUCT has opened a docket on the impact of the Tax Cuts and Jobs Act (TCJA). In February 2018, SPS filed supplemental testimony with the PUCT, which indicated that the TCJA would reduce revenue requirements by approximately $32 million and proposed increasing its equity ratio to 58 percent to offset the negative impact of the TCJA on its credit metrics and potentially its credit ratings.

In April and May 2018, intervenors and the PUCT Staff filed testimony. The following table summarizes proposed modifications to SPS' rate request from intervenors, including the Alliance of Xcel Municipalities (AXM), Office of Public Utility Counsel (OPUC), Texas Industrial Energy Consumers (TIEC) and the United States Department of Energy (DOE), as well as the PUCT Staff.

(Millions of Dollars)	AXM	OPUC	TIEC	DOE	PUCT Staff
Incremental revenue request	$69	$69	$69	$69	$69
Reduction to request for the impact of the TCJA	(32)	(32)	(32)	(32)	(32)
Request, including the impact of the TCJA	37	37	37	37	37
ROE	(22)	(13)	(16)	(14)	(13)
Capital structure	(13)	(10)	(9)	(6)	(6)
Accelerated depreciation (Tolk plant)	(7)	—	(7)	—	—
Operation and maintenance expense adjustments	(7)	(4)	—	—	(2)
Regional transmission revenue (adjustment for the TCJA)	(19)	(3)	(3)	—	(3)
Expiration of certain purchase power agreements [(a)]	(11)	—	—	—	—
Other, net	3	(3)	(1)	—	(6)
Incremental revenue	$(39)	$4	$1	$17	$7
TCRF revenue conversion to base rates [(b)]					(14)
Total					$(7)
ROE	8.65 %	9.30%	9.10%	9.20%	9.30%
Equity ratio	50.0 %	51.0%	51.0%	53.9%	53.9%

(a) AXM recommended a reduction for expiring purchase power agreements. Related amounts would be recovered through the fuel clause and not impact revenue.

(b) The impact of the roll-in of the TCRF rider is excluded.

Key dates in the revised procedural schedule are as follows:
- PUCT Staff and intervenors’ cross-rebuttal testimony - May 14, 2018;
- SPS’ rebuttal testimony - May 23, 2018; and
- Hearings - June 4 - 14, 2018.

The final rates are expected to be effective retroactive to Jan. 23, 2018 through a customer surcharge. A PUCT decision is expected in the fourth quarter of 2018.

New Mexico 2017 Electric Rate Case
In October 2017, SPS filed an electric rate case with the New Mexico Public Regulation Commission (NMPRC) seeking an increase in base rates of approximately $43 million. The request was based on a HTY ended June 30, 2017, a ROE of 10.25 percent, an equity ratio of 53.97 percent, a 35 percent federal income tax rate and a rate base of approximately $885 million, including rate base additions through Nov. 30, 2017.

In February 2018, SPS filed supplemental information, which indicated that the TCJA would reduce revenue requirements by approximately $11 million, net of a proposed increase in the equity ratio to 58.0 percent.

In April 2018, the NMPRC Staff, New Mexico Attorney General (NMAG) and several other parties filed testimony.

On May 2, 2018, SPS filed rebuttal testimony reducing its request to $27 million based on a requested ROE of 10.25 percent and an equity ratio of 58.0 percent. The following table summarizes certain parties' proposed modifications to SPS' request and SPS' revised request:

(Millions of Dollars)	NMPRC Staff Testimony	NMAG Testimony	SPS Rebuttal Testimony
SPS request	$ 43	$ 43	$ 43
Reduction to request for the impact of the TCJA	(11)	(11)	(11)
SPS request, including the impact of the TCJA	32	32	32
ROE	(4)	(6)	—
Capital structure	(7)	(3)	—
Accelerated depreciation (Tolk plant)	(3)	(3)	—
Disallow rate case expenses	(2)	(3)	(1)
Regional transmission revenue (adjustment for the impact of the TCJA)	—	(3)	—
Post test year plant (estimated numbers were updated to actual)	(1)	(2)	(3)
Other, net	(4)	(5)	(1)
Recommended rate increase	$ 11	$ 7	$ 27
ROE	9.0 %	9.21 %	10.25 %
Equity ratio	52.0 %	53.97 %	58.0 %

Occidental Permian and Holly-Frontier, industrial consumers, also filed testimony requesting a 9.0 percent ROE and a 51 percent equity ratio. The Federal Energy Agency (Cannon Airforce Base) and Louisiana Energy Services, also industrial consumers, requested a 9.1 percent ROE and a 53.97 percent equity ratio.

Hearings are scheduled for May 14 through June 1, 2018. SPS anticipates a decision and implementation of final rates in the second half of 2018.

Certain information discussed in this Current Report on Form 8-K is forward-looking information that involves risks, uncertainties and assumptions. Forward-looking information includes, among other information, the effective date of new rates, impact on customers, and other statements identified in this document by words such as “may,” “believe,” “expect,” “anticipate,” “would,” or “plan.” Forward-looking statements are subject to certain risks, uncertainties, and assumptions. Although Xcel Energy believes that its expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Factors, in addition to those discussed in Xcel Energy’s and SPS' Annual Report on Form 10-K for the year ended Dec. 31, 2017, and subsequent securities filings, that could cause actual results to differ materially include: general economic conditions, including inflation rates, monetary fluctuations and their impact on capital expenditures and the ability of Xcel Energy Inc. and its subsidiaries (collectively, Xcel Energy) to obtain financing on favorable terms; business conditions in the energy industry; including the risk of a slow down in the U.S. economy or delay in growth recovery; trade, fiscal, taxation and environmental policies in areas where Xcel Energy and SPS have a financial interest; customer business conditions; actions of credit rating agencies; competitive factors including the extent and timing of the entry of additional competition in the markets served by Xcel Energy and its subsidiaries; unusual weather; effects of geopolitical events, including war and acts of terrorism; cyber security threats and data security breaches; state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rates or have an impact on asset operation or ownership; or impose environmental compliance conditions; structures that affect the speed and degree to which competition enters the electric and natural gas markets; costs and other effects of legal and administrative proceedings, settlements, investigations and claims; financial or regulatory accounting policies imposed by regulatory bodies; outcomes of regulatory proceedings; availability or cost of capital; and employee work force factors. Forward-looking statements speak only as of the date they are made, and Xcel Energy expressly disclaims any obligation to update any forward-looking information.

SIGNATURES

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

May 4, 2018 Xcel Energy Inc.
(a Minnesota corporation)
Southwestern Public Service Company (a New Mexico corporation)

/s/ ROBERT C. FRENZEL
Robert C. Frenzel
Executive Vice President, Chief Financial Officer

1pt"> Number of
shares of PSUs Weighted-
Average Grant Date
Fair Value (per share) PSUs outstanding as of January 1, 2013 340 $2.54 PSUs vested — — PSUs outstanding as of April 2, 2013 340 $2.54

The PSUs have performance criteria that require the Company to achieve predetermined EBITDA targets for the second half of fiscal 2012 and the first half of fiscal 2013. The criteria for the second half of fiscal 2012 were met and compensation expense was recognized. The criteria for the first half of fiscal 2013 were not met as of April 2, 2013.

5. FAIR VALUE MEASUREMENT

The following table presents our financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 2, 2013 and April 3, 2012 by level within the fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3
Liabilities:			
Contingent consideration (2)	$ —	$ —	$ 916
January 1, 2013			
Assets:			
Cash invested in money market fund (1)	$ 205	$ —	$ —
Liabilities:			
Contingent consideration (3)	—	—	1,304

(1) $0.2 million included in restricted cash on the consolidated balance sheet at January 1, 2013.
(2) $0.9 million included in other long-term liabilities on the consolidated balance sheet at April 2, 2013.
(3) $0.9 million included in other long-term liabilities and $0.4 million included in other current liabilities on the consolidated balance sheet at January 1, 2013.

For assets that are measured using quoted prices in active markets, fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs.

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Fair value of the contingent consideration is measured using unobservable inputs. Significant inputs and assumptions are management's estimate of operating profits from the related business and the discount rate used to calculate the present value of the liability.

The following table presents our assets that were accounted for at fair value on a non-recurring basis and remaining on our condensed consolidated balance sheets as of April 2, 2013 and January 1, 2013. Total losses include losses recognized from all non-recurring fair value measurements for the 13 week periods ended April 2, 2013 and April 3, 2012:

	Level 1	Level 2	Level 3
April 2, 2013			
Assets:			
Long-lived assets (1)	—	—	$ 671
Total losses recognized for all non-recurring fair value measures for the 13 week period ended April 2, 2013	—	—	$ 107
January 1, 2013			
Assets:			
Long-lived assets (1)	—	—	$ 400
April 3, 2012			
Total losses recognized for all non-recurring fair value measures for the 13 week period ended April 3, 2012	—	—	$ 386

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

The Company classified the fair value of long-lived assets as level 3 because the value is based on unobservable inputs. The significant inputs to the fair value measurement of the long-lived assets are projected future operating results at the store level and the discount rates applied to calculate the present value of the these assets.

6. CREDIT AGREEMENT

On February 14, 2012, the Company entered into a Credit Agreement with Wells Fargo Bank, National Association (the "Lender") which, as amended on November 1, 2012 (as amended, the "Credit Agreement"), provides the Company with a revolving line of credit of up to $10.0 million. The outstanding balance under the amended credit facility bears interest at a LIBOR Market Index Rate based upon the rate for one month U.S. dollar deposits, plus 3.00% per annum. Under the terms of the Credit Agreement, the Company is required to maintain minimum levels of trailing annual consolidated EBITDA and liquidity and is subject to limits on annual capital expenditures. The Credit Agreement terminates January 31, 2014 or may be terminated earlier by the Company or by the Lender. This credit facility is subject to customary affirmative and negative covenants for credit facilities of this type, including limitations on the Company with respect to liens, indebtedness, guaranties, investments, distributions, mergers and acquisitions and dispositions of assets. The credit facility is evidenced by a revolving note made by Company in favor of the Lender, is guaranteed by the Company and is secured by substantially all of its assets including the assets of its subsidiaries and a pledge of stock of its subsidiaries. In addition, the Credit Agreement replaced restricted cash requirements established in prior periods, as the line of credit also collateralizes the Company’s outstanding letters of credit of $1.1 million as of April 2, 2013.

During the 13 week period ended April 2, 2013, there were no borrowings under the Credit Agreement. To acquire the credit facility, the Company incurred upfront fees which are being amortized over the term of the Credit Agreement. As of April 2, 2013 and January 1, 2013, the unamortized commitment fee amount was not material and is recorded in prepaid expenses and other current assets on the consolidated balance sheet. As of April 2, 2013, the Company was in compliance with all related covenants and the unused borrowing capacity under the agreement was $8.9 million.

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7. INCOME TAXES

At the end of each interim period, the Company calculates an estimated annual effective tax rate based on the Company's best estimate of the tax expense (benefit) that will be provided for the full year. The year-to-date income tax expense (benefit) is a result of applying the estimated annual effective tax rate to the year-to-date actual pre-tax income (loss). The interim period tax expense (benefit) is the difference between the year-to-date amount and the amounts reported for previous interim periods adjusted for discrete tax items, if any.

A valuation allowance is recognized if, based on the weight of available evidence, it is more-likely-than-not that all or some portion of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management has concluded that it is not more likely than not that the deferred tax assets will be realized and a full valuation allowance has been maintained against the Company's net deferred tax assets.

The Company has recorded a tax benefit for the 13 week period ended April 2, 2013. The Company's effective tax rate is 11.4%. The effective tax rate is affected by the pretax loss, a change in the valuation allowance related to deductible temporary differences originating during the current year, the foreign withholding and the U.S. alternative minimum taxes.

As of April 2, 2013, there have been no material changes to the Company's uncertain tax positions disclosure as provided in Note 13 in the Notes to the Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2013.

8. OTHER OPERATING, NET

For the 13 week periods ended April 2, 2013 and April 3, 2012, the components of other operating, net were as follows (in thousands):

	April 2, 2013	April 3, 2012
Gift card breakage, net	$ (389)	$ (434)
Franchise expense	290	191
CPG expense	247	145
Loss on disposal of fixed assets	219	92

Store pre-openings and closures	183	241
Settlements and other	69	198
	$ 619	$ 433

9. COMMITMENTS AND CONTINGENCIES

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

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

You should read the following discussion and analysis in conjunction with our financial statements and related notes included elsewhere in this report. Except for historical information, the discussion in this report contains certain forward-looking statements that involve risks and uncertainties. We have based these forward-looking statements on our current expectations and assumptions about future events. In some cases, you can identify forward-looking statements by terminology, such as "may," "should," "could," "predict," "potential," "continue," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," "forecast" and similar expressions (or the negative of such expressions.) Forward-looking statements include, but are not limited to, statements concerning projected new store openings, 2013 revenue growth rates, and capital expenditures. Forward-looking statements are based on our beliefs as well as assumptions based on information currently available to us, including financial and operational information, the volatility of our stock price, and current competitive conditions. As a result, these statements are subject to various risks and uncertainties. For a discussion of material risks and uncertainties that the Company faces, see the discussion titled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2013.

JAMBA, INC. OVERVIEW

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

EXECUTIVE OVERVIEW

Key Overall Strategies

Jamba's strategic priorities were established in order to support our objective to accelerate growth and develop Jamba as a global healthy, active lifestyle brand, offering consumers compelling and differentiated products and experiences at Jamba Juice stores and through other retail distribution channels.

In 2013, we are focusing our resources on initiatives designed to drive transformative growth through multi-channel brand building, product and menu innovation, new and improved store format and design, and by leveraging unique partnerships. Our BLEND Plan continues to provide the blueprint for growing our global footprint and expanding our business model. Our key strategic priorities as described in our BLEND Plan 3.0 include:

- Brand Building and Total Innovation
- Lifestyle Engagement
- Expand Growth Initiatives
- New Products, Partners, Channels and Markets
- Drive Enterprise Efficiencies

2013 First Quarter Financial Highlights

- Net loss was $(1.2) million for the 13 weeks ended April 2, 2013 compared to $(1.5) million for the 13 weeks ended April 3, 2012. The decrease in net loss was driven primarily by an
- Increase in comparable Company Store sales of 3.6%, including 130 basis points related to increased traffic and 230 basis points related to average check increase.
- Increase in franchise and other revenue of $0.9 million.
- Diluted loss per share was $(0.02) per share for the 13 weeks ended April 2, 2013, compared to $(0.03) per share for the 13 weeks ended April 3, 2012.
- Company Store comparable store sales increased 3.6% for the 13 weeks ended April 2, 2013.

- System-wide comparable store sales increased by 1.3% for the 13 weeks ended April 2, 2013 and Franchise Stores comparable sales decreased 0.9% for the 13 weeks ended April 2, 2013. System-wide and Franchise Store comparable store sales are non-GAAP financial measures representing the change in year-over-year sales for all Company Stores and Franchise Stores (system-wide) and for all Franchise Stores, respectively, opened for at least one full fiscal year.
- Total revenue increased to $55.1 million for the 13 weeks ended April 2, 2013, compared to $53.0 million for the 13 weeks ended April 3, 2012. The change in total revenue was primarily due to the increase in comparable store sales and increase in franchise and other revenue.
- General and administrative expenses were $9.2 million for the 13 weeks ended April 2, 2013, compared to $8.6 million for the 13 weeks ended April 3, 2012.
- Franchisees opened 14 new Jamba Juice stores, globally; eight new Franchise Stores in the United States and six new International Stores during the 13 weeks ended April 2, 2013.
- JambaGO locations served increased by 144 to 548.

2013 First Quarter Business Highlights

Brand Building and Total Innovation

We focus on building total brand value through multi-channel marketing and total innovation initiatives, including consumer loyalty and engaging marketing programs and partnerships. We address consumer health and wellness needs by offering specialty beverages and new product platforms that will meet consumer needs across all day-parts.

During the 13 week period ended April 2, 2013, sales at system-wide Jamba Juice Stores opened more than one full fiscal year increased 1.3%, reflecting an increase of 3.6% for Company Stores and a decrease of 0.9% for Franchise Stores compared to the 13 week period ended April 3, 2012. The increase in Company Store comparable sales during the quarter was largely attributable to improved traffic and an average check increase.

We partnered with the Jamba® Healthy Living Council to design our new Jamba Kids™ Meals line. As a result, in January 2013, we launched our kids-focused smoothie offerings in three all-fruit and one fruit and veggie flavors together with two baked goods, which can be mixed and matched with the kid-sized smoothie offerings to make meals.

We continue to seek ways to become more relevant to the consumer through product introductions like our Fresh Squeezed Juice, which utilizes fresh vegetables and fruits and is hand-crafted for the consumer. At the end of the quarter, we have three California locations, Emeryville, Palo Alto and Santa Monica that offer this platform, with the target of up to 100 locations before the end of fiscal 2013. The fresh juices provide at least two servings of fruit and/or vegetables, along with vitamins, nutrients and micronutrients.

Lifestyle Engagement

Our focus continues to be on how we communicate with consumers, and engage them on achieving and maintaining a healthy, active lifestyle. We continue to develop integrated programs that will deepen and broaden the health and wellness knowledge of the Jamba workforce across the system.

During the quarter, we implemented various marketing promotions and consumer communications including our second annual Healthy Habits Sweepstakes on Facebook. We also recently announced our year-three launch of “Team Up for a Healthy America™” campaign established to help raise awareness of our nation’s obesity epidemic. We remain focused on opportunities to refine our promotional and communication efforts to drive traffic, build loyalty and to make Jamba a top-of-mind, better-for-you food and beverage brand through media, social media, public relations, and our website, JambaJuice.com.

In connection with the launch of our new Jamba Kids Meals platform, we sponsored a New York media tour with our Healthy Living Council member, Elizabeth M. Ward, and our Jamba Kids spokesperson, Summer Sanders, an Olympian and mother of two children. We supported the launch throughout the quarter with print and online media, a strong blogger outreach strategy and an interactive web experience. Also, we began our year-long sponsorship of the Rock & Roll Marathon series as the Official Smoothie Partner, with a kick-off at the Phoenix, AZ race in January.

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Expand Growth Initiatives

Our growth initiatives encompass the multiple portfolio opportunities we have to expand our restaurant business on a global basis, including traditional and non-traditional stores, smaller footprint Jamba Smoothie Stations and the JambaGO format. We believe these opportunities will position us for growth in market share, reduce capital outlays, provide better overall margins, allow us to open more locations at an accelerated rate, increase our brand presence to support other Company initiatives such as consumer products licensing and direct selling, and increase customer frequency.

As of April 2, 2013, we had 820 Jamba Juice stores, globally, represented by 300 Company Stores and 479 Franchise Stores in the United States, and 41 International Stores. The system is comprised of approximately 63% Franchise and International Store locations and 37% Company Store locations. We expect to open 60 to 80 stores in fiscal 2013, globally, primarily through franchisees. The actual number of openings may differ from our expectations due to various factors, including franchisee access to capital and economic conditions.

In January 2013, we also launched our store format and design program that will transform the store layout and design across the entire concept platform. The new formats include our limited menu Smoothie Stations, drive-thru store locations and our fresh juice bar concept in Jamba Juice stores. Along with the new concept stores and formats, we will also refresh and redesign existing stores over the next four years.

<u>Domestic</u>

During the 13 week period ended April 2, 2013, franchisees developed and opened eight new Franchise Stores, all of which were non-traditional stores, including four Jamba Smoothie Stations. In January 2013, we also announced a development agreement to open 15 Jamba Juice stores in Missouri and Kansas over the next nine years.

We continued to expand our JambaGO concept in K-12 schools, convenience stores and other similar locations during the quarter. As of April 2, 2013, JambaGO was served at 548 locations and we expect to serve approximately 1,400 to 1,500 locations by the end of fiscal 2013.

<u>International</u>

During the 13 week period ended April 2, 2013, we entered into a master franchise agreement with Casa Operadora de Franquicias MAV S.A.P.I de C.V., to develop 80 Jamba Juice stores in Mexico over the next ten years. The first Jamba Juice store in Mexico is expected to open during late 2013. Our other master developers opened a total of six international store locations during the 13 week period ended April 2, 2013, five in Canada and one in the Philippines.

New Products, Partners, Channels and Markets

Our CPG business continues to enjoy strong partnerships in licensing and our direct sales businesses. We continue to explore new partnerships to extend the brand into relevant categories providing additional points of accessibility for consumers. We launched a new fruit and veggie flavor for Jamba branded Make-at-Home Frozen Smoothie Kit and extended distribution of our snacks, energy drinks and frozen novelties offerings. The brand has a presence in all 50 states with additional distribution channels being added as we expand the reach of our direct sales businesses.

We plan to further extend the presence of the Jamba CPG Portfolio through a combination of licensing and direct selling. This growth will expand accessibility of the brand, will offer consumers unique new Jamba branded product solutions and reinforce Jamba as a healthy, active lifestyle brand.

Drive Enterprise Efficiencies

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

In January 2013, Systems Services of America (“SSA”) became our primary distributor service provider on the West Coast of the United States. Our alliance with SSA is expected to reduce costs and increase productivity through access to value-added resources and technology over time. We anticipate improved supply chain efficiencies and enhanced services to our existing Jamba store locations.

During the 13 week period ended April 2, 2013, our operating margin increased by 70 basis points or $0.3 million due to growth in our CPG model and our improved store portfolio economics.

We continue to drive enterprise efficiencies by focusing on increasing traffic into our stores through our Light User Strategy. During the 13 week period ended April 2, 2013, our comparable store sales growth provided 160 basis points of leverage on our fixed costs. We in turn reinvested 170 basis points into the business from pricing strategies and customer expansion initiatives that will continue to grow the business and improve profitability. We continue to experience commodity pricing, wage rate and tenancy cost pressure and continue to focus on cost savings initiatives to offset them.

RESULTS OF OPERATIONS — 13 WEEK PERIOD ENDED APRIL 2, 2013 AS COMPARED TO 13 WEEK PERIOD ENDED APRIL 3, 2012 (UNAUDITED)

(In thousands)	13 week period ended April 2, 2013	% [(1)]	13 week period ended April 3, 2012	% [(1)]
Revenue:				
Company stores	$ 51,140	92.9 %	$ 50,025	94.3 %
Franchise and other revenue	3,916	7.1 %	3,022	5.7 %
Total revenue	55,056	100.0 %	53,047	100.0 %
Costs and operating expenses:				
Cost of sales	12,404	24.3 %	11,611	23.2 %
Labor	15,755	30.8 %	15,408	30.8 %
Occupancy	7,376	14.4 %	7,418	14.8 %
Store operating	8,157	16.0 %	7,875	15.7 %
Depreciation and amortization	2,772	5.0 %	2,922	5.5 %
General and administrative	9,169	16.7 %	8,639	16.3 %
Impairment of long-lived assets	107	0.2 %	386	0.7 %
Other operating, net	619	1.1 %	433	0.8 %
Total costs and operating expenses	56,359	102.4 %	54,692	103.1 %
Loss from operations	(1,303)	(2.4)%	(1,645)	(3.1)%
Other expense, net:				
Interest income	—	—	20	0.0 %
Interest expense	(78)	(0.1)%	(117)	(0.2)%
Total other income (expense), net	(78)	(0.1)%	(97)	(0.2)%
Loss before income taxes	(1,381)	(2.5)%	(1,742)	(3.3)%
Income tax benefit	139	0.3 %	232	0.4 %
Net loss	(1,242)	(2.2)%	(1,510)	(2.9)%
Preferred stock dividends and deemed dividends	(484)	(0.9)%	(481)	(0.9)%
Net loss attributable to common stockholders	$ (1,726)	(3.1)%	$ (1,991)	(3.8)%

(1) Cost of sales, labor, occupancy and store operating percentages are calculated using Company Stores revenue. All other line items are calculated using total revenue.

Revenue

(In thousands)

	13 Week Period Ended April 2, 2013	% of Total Revenue	13 Week Period Ended April 3, 2012	% of Total Revenue
Revenue:				
Company Stores	$ 51,140	92.9 %	$ 50,025	94.3 %
Franchise and other revenue	3,916	7.1 %	3,022	5.7 %
Total revenue	$ 55,056	100.0 %	$ 53,047	100.0 %

Total revenue is comprised of revenue from Company Stores, royalties and fees from Franchise Stores and International Stores, and revenue from CPG licensing and direct selling.

Total revenue for the 13 week period ended April 2, 2013 was $55.1 million, an increase of $2.0 million, or 3.8%, compared to $53.0 million for the 13 week period ended April 3, 2012 primarily due to improved Company Store comparable store sales, increases in the number of Franchise and International Stores and an increase in our CPG business.

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Company Store revenue

Company Store revenue for the 13 week period ended April 2, 2013 was $51.1 million, an increase of $1.1 million or 2.2%, compared to Company Store revenue of $50.0 million for the 13 week period ended April 3, 2012. The increase in Company Store revenue was due primarily to the increase in comparable store sales partially offset by a net decrease of five Company Stores operating since the prior year quarter, which includes opening one new Company Store and closing or selling six Company Stores as illustrated by the following table:

	Company Store Increase in Revenue (in 000's) First quarter 2013 vs. First quarter 2012		
Increase in Company Stores revenue	$	1,762	
Reduction in number of Company Stores		(647	)
Total change in Company Stores revenue	$	1,115	

Company Store comparable store sales increased by $1.8 million for the 13 week period ended April 2, 2013, or 3.6%, attributable to an increase of 2.3% in average check and in transaction count of 1.3% as compared to the same period in the prior year. Company Store comparable sales represents the change in year-over-year sales for all Company Stores opened for at least a full fiscal year. As of April 2, 2013, approximately 100% of our Company Stores had been open for at least one full fiscal year.

Franchise and other revenue

Franchise and other revenue was $3.9 million for the 13 week period ended April 2, 2013 compared to $3.0 million for the 13 week period ended April 3, 2012. The increase was primarily due to the net increase in the number of Franchise and International Stores (approximately $0.2 million) and in revenue generated by our CPG business (approximately $0.6 million).

The aggregate number of Franchise and International Stores as of April 2, 2013 and April 3, 2012 was 520 and 468, respectively.

Cost of Sales

Cost of sales is mostly comprised of fruit, dairy, and other products used to make smoothies and juices, paper products, costs related to managing our procurement program and vendor rebates. As a percentage of Company Store revenue, cost of sales increased to 24.3% for the 13 week period ended April 2, 2013, compared to 23.2% for the 13 week period ended April 3, 2012. The increase of cost of sales as a percentage of Company Store revenue was primarily due to a reduction in price point resulting from promotional tactics (approximately 0.8%) and increases in commodity costs (approximately 0.3%). Cost of sales for the 13 week period ended April 2, 2013 was $12.4 million, an increase of $0.8 million, or 6.8%, compared to $11.6 million for the 13 week period ended April 3, 2012.

Labor

Labor costs are comprised of store management salaries and bonuses, hourly team member payroll, training costs and other associated fringe benefits. As a percentage of Company Store revenue, labor costs were flat at 30.8% for the 13 week period ended April 2, 2013 compared to the 13 week period ended April 3, 2012. Labor costs for the 13 week period ended April 2, 2013 were $15.8 million, an increase of $0.3 million, or 2.3%, compared to $15.4 million for the 13 week period ended April 3, 2012, which increase is primarily due to staffing requirements related to our increase in Company Store sales.

Occupancy

Occupancy costs include both fixed and variable portions of rent, common area maintenance charges, property taxes, licenses and property insurance for all Company Store locations. As a percentage of Company Store revenue, occupancy costs decreased to 14.4% for the 13 week period ended April 2, 2013, compared to 14.8% for the 13 week period ended April 3, 2012. The decrease in occupancy costs as a percentage of Company Store revenue was primarily due to the impact of leverage as a result of the increase in Company Store comparable sales (approximately 0.6%). Occupancy costs for the 13 week period ended April 2, 2013 was flat compared to the 13 week period ended April 3, 2012 at $7.4 million.

Store Operating

Store operating expenses consist primarily of various store-level costs such as utilities, marketing, repairs and maintenance, credit card fees and other store operating expenses. As a percentage of Company Store revenue, total store operating expenses increased to 16.0% for the 13 week period ended April 2, 2013, compared to 15.7% for the 13 week period ended April 3, 2012. The increase in total store operating expenses as a percentage of Company Store revenue was primarily due to an increase in marketing expense (approximately 0.9%) partially offset by leverage gained from higher sales on fixed expenses (approximately 0.7%). Total store operating expenses for the 13 week period ended April 2, 2013 were $8.2 million, an increase of $0.3 million, or 3.6%, compared to $7.9 million for the 13 week period ended April 3, 2012 primarily due to increased marketing expenditures.

Depreciation and Amortization

Depreciation and amortization expenses include the depreciation of fixed assets and the amortization of intangible assets. As a percentage of total revenue, depreciation and amortization decreased to 5.0% for the 13 week period ended April 2, 2013, compared to 5.5% for the 13 week period ended April 3, 2012. The decrease in depreciation and amortization as a percentage of total revenue was primarily due to the impact of leverage as a result of the increase in Company Store comparable sales (approximately 0.2%) and leverage gained from non-Company Store revenue (approximately 0.1%). Depreciation and amortization for the 13 week period ended April 2, 2013 was $2.8 million, a decrease of $0.1 million, or 5.4%, compared to $2.9 million for the 13 week period ended April 3, 2012 primarily due to five fewer Company Stores than in the 13 week period ended April 3, 2012.

General and Administrative

General and administrative (“G&A”) expenses include costs associated with our corporate headquarters in Emeryville, CA, field supervision, bonuses, outside and contract services, accounting and legal fees, travel and travel-related expenses, share-based compensation and other. As a percentage of total revenue, total G&A expenses increased to 16.7% for the 13 week period ended April 2, 2013 compared to 16.3% for the 13 week period ended April 3, 2012. Total G&A expenses for the 13 week period ended April 2, 2013 were $9.2 million, an increase of $0.5 million, or 6.1%, compared to $8.6 million for the 13 week period ended April 3, 2012. The increase of total G&A expenses was primarily due to expense on growth initiatives (approximately $0.1 million), an increase in health insurance costs (approximately $0.1 million) and an increase in share-based compensation related to employee performance and non-employee option grants ($0.1 million).

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when indicators of impairment are present. Expected future cash flows associated with an asset, in addition to other quantitative and qualitative analyses, including certain assumptions about expected future operating performance and changes in economic conditions are the key factors in determining undiscounted future cash flows. If the sum of the undiscounted cash flows is less than the carrying value of the asset, we recognize an impairment loss equal to the amount by which carrying value exceeds the fair value of the asset.

Impairment of long-lived assets for the 13 week period ended April 2, 2013 was $0.1 million, a decrease of $0.3 million, or 72.3%, compared to $0.4 million for the 13 week period ended April 3, 2012. The decrease of impairment charge for long-lived assets was primarily due to fewer underperforming stores that had not been previously partially impaired compared to the prior year period.

Other operating, net

Other operating, net consists primarily of gain or loss on disposals, income from jambacard breakage, store lease termination, and closure and pre-opening costs, jambacard-related fees, and expenses related to our franchise and consumer packaged goods activities. For the 13 week period ended April 2, 2013, other operating, net was $0.6 million of expense, compared to expense of $0.4 million for the 13 week period ended April 3, 2012. The increase in expense is primarily due to higher franchise and CPG expenses (approximately $0.2 million).

Interest expense

Interest expense was $0.1 million for the 13 week periods ended April 2, 2013 and April 3, 2012. During the 13 week period ended April 2, 2013 we paid cash dividends on Series B Preferred Stock of $0.1 million. During the 13 week period ended April 3, 2012, we paid cash dividends on the Series B Preferred Stock totaling $0.4 million. We recognized an accelerated charge for accretion of $0.4 million due to conversion by holders of 19,649 shares of Series B-1 Preferred Stock and 37,131 shares of Series B-2 Preferred Stock to a total of 5,678,000 shares of common stock.

Income tax expense

We have recorded income tax benefit for both the 13 week periods ended April 2, 2013 and April 3, 2012, respectively. Our effective income tax rate was 11.4% for the 13 week period ended April 2, 2013. The effective tax rate was primarily affected by pretax loss, a change in the valuation allowance related to deductible temporary differences originating during the current year, the foreign withholding and the U.S. alternative minimum taxes.

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Our effective income tax rate was 13.7% for the 13 week period ended April 3, 2012. The effective tax rate was primarily affected by pretax loss, a change in the valuation allowance related to deductible temporary differences originating during the current year and the foreign withholding taxes.

KEY FINANCIAL METRICS AND NON-GAAP MEASURES

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

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

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

System–wide comparable store sales, a non-GAAP financial measure, represents the change in year-over-year sales for all Company Stores and Franchise Stores opened for at least one full fiscal year and is based on sales by both company-owned and franchise-operated stores, as reported by franchisees, which are in the store base. System-wide comparable store sales do not include International Stores and JambaGO served locations.

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

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

The following table sets forth operating data that do not otherwise appear in our consolidated financial statements as of and for the 13 week periods ended April 2, 2013 and April 3, 2012:

	13 Week Period Ended April 2, 2013	13 Week Period Ended April 3, 2012
Percentage change in Company Store comparable sales [1]	3.6 %	12.7 %
Percentage change in Franchise Store comparable sales [2]	(0.9)%	10.5 %
Percentage change in system-wide comparable sales [2]	1.3 %	11.6 %
Total Company Stores	300	305
Total Franchise Stores	479	444
Total International Stores	41	24
Total JambaGO locations	548	88

(1) Percentage change in Company Store comparable sales compares the sales of Company Stores during a full fiscal year 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 Stores are not included in the Company Store comparable sales.

(2) Percentage change in system-wide comparable sales compares the combined sales of Company and Franchise-operated Stores during a full fiscal year to the combined sales from the same Company and Franchise Stores for the equivalent period in the prior year. A Company or Franchise Store is included in this calculation after its first full fiscal year of operations. System-wide comparable store sales do not include International Stores and JambaGO locations.

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

	13 Week period ended April 2, 2013		13 Week period ended April 3, 2012	
	Domestic	International	Domestic	International
Company Stores:				
Beginning of period	301	—	307	—
Company Stores opened	—	—	—	—
Company Stores closed	—	—	(2)	—
Company Stores sold to franchisees	(1)	—	—	—
Total Company Stores	300	—	305	—
Franchise Stores:				
Beginning of period	473	35	443	19
Franchise Stores opened	8	6	4	6

Franchise Stores closed	(3)	—	(3)	(1)
Franchise Stores purchased from Company	1	—	—	—
Total Franchise Stores	479	41	444	24

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Summary

The following table summarizes our cash flows for the 13 week periods ended April 2, 2013 and April 3, 2012 (in thousands):

	13 Week Period Ended April 2, 2013	13 Week Period Ended April 3, 2012
Net cash (used in) provided by operating activities	$ (5,912)	$ 1,292
Net cash used in investing activities	(2,780)	(1,272)
Net cash provided by (used in) financing activities	243	(368)
Net decrease in cash and cash equivalents	$ (8,449)	$ (348)

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Liquidity

As of April 2, 2013, we had cash and cash equivalents of $23.0 million compared to $31.5 million in cash and cash equivalents as of January 1, 2013. As of April 2, 2013 and January 1, 2013, we had no short term or long term debt. Our primary sources of liquidity are cash flows provided by operating activities. In addition, we have an existing $10 million revolving line of credit which we may utilize as described further below. In the future, and as permitted under the Securities Purchase Agreement for the Series B Preferred Stock, we may enter equipment leasing arrangements and incur additional indebtedness as necessary up to an aggregate amount of $10 million. We cannot assure, however, that such financing will be available on favorable terms or at all.

We expect that our cash on hand and future cash flows provided by operating activities will be sufficient to fund our working capital and general corporate needs, Series B Preferred Stock dividend payments and the non-discretionary capital expenditures for the foreseeable future. Our primary liquidity and capital requirements are for working capital and general corporate needs and the planned fiscal 2013 capital expenditures. The use of cash to fund discretionary capital expenditures will be based on the need to conserve our capital.

On February 14, 2012, we entered into a Credit Agreement with Wells Fargo Bank, National Association (the “Lender”) which, as amended on November 1, 2012 (as amended, the “Credit Agreement”), provides us with a revolving line of credit of up to $10.0 million. The outstanding balance under the amended credit facility bears interest at a LIBOR Market Index Rate based upon the rate for one month U.S. dollar deposits, plus 3.00% per annum. Under the terms of the Credit Agreement, we are required to maintain minimum levels of trailing annual consolidated EBITDA and liquidity and are subject to limits on annual capital expenditures. The Credit Agreement terminates January 31, 2014, or may be terminated earlier by us or by the Lender. This credit facility is subject to customary affirmative and negative covenants for credit facilities of this type, including limitations on us with respect to liens, indebtedness, guaranties, investments, distributions, mergers and acquisitions and dispositions of assets. The credit facility is evidenced by a revolving note made by us in favor of the Lender, is guaranteed by us and is secured by substantially all of our assets including the assets of our subsidiaries and a pledge of stock of our subsidiaries. In addition, the Credit Agreement replaced restricted cash requirements established in prior periods, as the line of credit also collateralizes our outstanding letters of credit of $1.1 million.

During the quarter ended and as of April 2, 2013, there were no borrowings under the credit agreement. To acquire the credit facility we incurred upfront fees which are being amortized over the term of the credit agreement. As of April 2, 2013, the unamortized commitment fee amount was not material and is recorded in prepaid expenses and other current assets on the consolidated balance sheet. As of April 2, 2013, we were in compliance with all related covenants and the unused borrowing capacity under the agreement was $8.9 million.

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

Operating Activities

Net cash used in operating activities was $5.9 million for the 13 week period ended April 2, 2013, compared to cash provided by operating activities of $1.3 million for the 13 week period ended April 3, 2012, reflecting a net decrease of cash flows of $7.2 million. This decrease was primarily due to disbursements for outstanding payables (approximately $5.0 million) and a net decrease in cash flows related to prepayments, other assets and liabilities (approximately $2.2 million).

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

Investing Activities

Net cash used in investing activities increased $1.5 million for the 13 week period ended April 2, 2013, compared to the 13 week period ended April 3, 2012 primarily due to expenditure on property and equipment (approximately $2.0 million), partially offset by front end cash payment made in the prior year period for our acquisition of Talbott Teas (approximately $0.4 million).

In fiscal 2013, we expect capital expenditures to be in the range of $9.0 million to $10.0 million depending on our liquidity needs, including investing in improvements to our technology infrastructure, store refreshes and redesigns as well as maintenance capital. We expect to open five to nine new Company Stores as we focus our growth on implementing our new retail growth formats including juice bars and drive-thru locations. As part of our capital expenditure, we expect to incur $4.0 million to $6.0 million on the refresh and remodel of up to 100 Company Store locations, some of which will include the new fresh juice bar concept.

Financing Activities

Net cash provided by financing activities was $0.2 million for the 13 week period ended April 2, 2013 and net cash used in financing activities was $0.4 million for the 13 week period ended April 3, 2012. The increase in net cash provided by financing activities was primarily due to receipts from exercise of stock options by employees (approximately $0.3 million) and the decrease in dividend payments on our Series B preferred stock (approximately $0.3 million).

Contractual Obligations

There have been no significant changes to our contractual obligations table as disclosed in our Annual Report on Form 10-K for the year ended January 1, 2013, other than obligations with respect to dividends payable in connection with, or payments for redemption of our outstanding Series B-1 and Series B-2 Preferred Stock. The decreases in the obligations relating to our preferred stock were a result of voluntary conversions of some of the shares of previously outstanding preferred stock into common stock by the holders thereof that occurred after January 1, 2013. The following table summarizes contractual obligations with respect to the Series B redeemable preferred stock as of April 2, 2013, and the timing and effect that such commitments are expected to have:

	Payments Due by Period (in 000's)				
	Total	Less Than 1 Year	1-2 Years	3-4 Years	5 or More Years
Series B redeemable preferred stock redemption	$1,853	$ —	$ —	$ 1,853	$ —
Dividends for Series B redeemable preferred stock	$482	$ 155	$ 297	$ 30	$ —

COMMODITY PRICES, AVAILABILITY AND GENERAL RISK CONDITIONS

We contract for significant amounts of individually quick frozen fruit, fruit concentrate and dairy products to support the needs of both our Company Stores and Franchise Stores. The price and availability of these commodities directly impacts our results of operations and can be expected to impact our future results of operations.

SEASONALITY AND QUARTERLY RESULTS

Our business is subject to seasonal fluctuations. We expect to realize significant portions of our revenue during the second and third quarters of the fiscal year, which align with the warmer summer season. In addition, quarterly results are affected by the timing of the opening of new stores and weather conditions. However, geographic diversification of our store locations may conceal or diminish the financial statement impact of such seasonal influences. Because of the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year or any subsequent quarter.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. There have been no significant changes to the policies and estimates as discussed in our Annual Report on Form 10-K for the year ended January 1, 2013.

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of market risks contains forward-looking statements. Actual results may differ materially from the following discussion based on general conditions in the financial and commodity markets.

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

Our pricing philosophy is not to attempt to change consumer prices with every move up or down of the commodity market, but to take a longer term view of managing margins and the value perception of our products in the eyes of our customers. Management's objective is to maximize our revenue through increased customer frequency. However, management has the ability to increase certain menu prices in response to food commodity prices.

We do not purchase derivative instruments on the open market.

We are subject to changes in the risk free interest rate in connection with the cash we hold in interest-bearing accounts.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that material information relating to the Company and our subsidiaries required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only a reasonable assurance of achieving the desired control objectives, and management was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of April 2, 2013.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the fiscal quarter ended April 2, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to various legal proceedings arising in the ordinary course of its business. Based on the information currently available, the Company 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 1A. Risk Factors

The Company's risk factors are included in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2013 and have not materially changed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of May, 2013.

JAMBA, INC.

By: /S/ JAMES D. WHITE
James D. White
Chairman of the Board, Chief Executive Officer and President

By: /S/ KAREN L. LUEY
Karen L. Luey
Chief Financial Officer, Chief Administrative Officer, Executive Vice President and Secretary (Principal Financial Officer and Chief Accounting Officer)

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