Services Acquisition Corp. International
Form 10-Q
August 09, 2006
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2006
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 001-32552

SERVICES ACQUISITION CORP. INTERNATIONAL

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-2122262 (I.R.S. Employer Identification No.)
401 East Olas Boulevard, Suite 1140 Fort Lauderdale, Florida 33301 (Address of principal executive offices)	33301 (Zip Code)

(954) 713-1165
Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 8, 2006, 21,000,000 shares of the registrant's common stock, par value $0.001 per share, were outstanding.

SERVICES ACQUISITION CORP. INTERNATIONAL
Table of Contents

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

SERVICES ACQUISITION CORP. INTERNATIONAL AND SUBSIDIARY
(a corporation in the development stage)

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2006	December 31, 2005

	(unaudited)	(As Restated)
ASSETS		
Current assets		
Cash	$ 302,207	$ 976,915
Prepaid expenses and other assets	47,534	56,772
Total current assets	349,741	1,033,687
Other assets		
Cash held in trust	130,131,537	128,174,091
Deferred transaction costs	1,566,138	
Total assets	$ 132,047,416	$ 129,207,778
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 471,900	$ 54,919
Accrued expenses	945,804	114,933
Derivative liabilities	69,765,000	13,987,103
Total current liabilities	71,182,704	14,156,955
Common stock, subject to possible redemption, 3,448,275 shares at redemption value	25,241,373	25,241,373
Stockholders' equity		
Preferred stock, $.001 par value, authorized 1,000,000 shares; none issued		
Common stock, $.001 par value, authorized 70,000,000 shares; issued and outstanding 21,000,000 shares (which includes the 3,448,275 shares subject to possible redemption)	21,000	21,000
Paid-in capital in excess of par	86,492,551	86,492,551
Equity accumulated during the development stage	(50,890,212)	3,295,899
Total stockholders' equity	35,623,339	89,809,450
Total liabilities and stockholders' equity	$ 132,047,416	$ 129,207,778

See accompanying notes to financial statements.

Table of Contents

SERVICES ACQUISITION CORP. INTERNATIONAL AND SUBSIDIARY
(a corporation in the development stage)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended June 30, 2006 (unaudited)	Three months ended June 30, 2005 (unaudited)	Six Months ended June 30, 2006 (unaudited)	From inception to June 30, 2005 (unaudited)	From inception to June 30, 2006 (unaudited)
Interest and dividend income	$ 1,070,398	$ —	$ 1,971,184	$ —	$ 3,425,275
	4,207,500	—	(55,777,897)	—	(53,653,277)

Gain (loss) from derivative liabilities					
Formation and operating costs	107,849	966	281,661	966	478,275
Interest expense	—	1,103	—	1,103	1,265
Income (loss) before taxes	5,170,049	(2,069)	(54,088,374)	(2,069)	(50,707,542)
Provision for income taxes	58,357	—	97,737		182,670
Net income (loss)	$ 5,111,692	$ (2,069)	$ (54,186,111)	$ (2,069)	$ (50,890,212)
Weighted average shares outstanding:					
Basic	21,000,000	3,750,000	21,000,000	3,532,897	15,636,647
Diluted	28,951,657	3,750,000	21,000,000	3,532,897	15,636,647
Net income (loss) per share, basic	$ 0.24	$ (0.00)	$ (2.58)	$ (0.00)	$ (3.25)
Net income (loss) per share, diluted	$ 0.18	$ (0.00)	$ (2.58)	$ (0.00)	$ (3.25)

See accompanying notes to financial statements.

Table of Contents

SERVICES ACQUISITION CORP. INTERNATIONAL AND SUBSIDIARY
(a corporation in the development stage)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2006 (unaudited)	From inception to June 30, 2005 (unaudited, As Restated)	From inception to June 30, 2006 (unaudited, As Restated)
Cash flows from operating activities			
Net loss	$ (54,186,111)	$ (2,069)	$ (50,890,212)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Derivative liabilities	55,777,897	—	53,653,277
Increase (decrease) in cash attributable to change in			
Deferred transaction costs	(1,566,138)	—	(1,566,138)
Prepaid expenses	9,238	—	(47,534)
	1,247,852	1,103	1,417,704

Accounts payable and accrued expenses			
Net cash provided by (used in) operating activities	1,282,738	(966)	2,567,097
Cash flows from financing activities			
Proceeds from note payable, stockholders	—	160,000	160,000
Payment of note payable, stockholders	—	—	(160,000)
Proceeds from sale of stock	—	29,179	29,179
Gross proceeds of public offering	—	—	120,000,000
Payments of costs of public offering	—	(176,734)	(9,082,632)
Gross proceeds of over-allotment option offering	—	—	18,000,000
Payments of costs of over-allotment option offering	—	—	(1,080,000)
Proceeds from issuance of option	—	—	100
Net cash provided by financing activities	—	12,445	127,866,647
Net cash used in investing activity, cash held in trust	(1,957,446)	—	(130,131,537)
Net (decrease) increase in cash	(674,708)	11,479	302,207
Cash, beginning of period	976,915	—	—
Cash, end of period	$ 302,207	$ 11,479	$ 302,207
Supplemental schedule of non-cash financing activities:			
Accrual of offering costs	$ 1,173,793	73,750	$ 1,173,793

See accompanying notes to financial statements.

4

Table of Contents

SERVICES ACQUISITION CORP. INTERNATIONAL AND SUBSIDIARY

Notes to Unaudited Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements include the accounts of Services Acquisition Corp. International and its wholly owned subsidiary, JJC Acquisition Company, collectively (the ‘‘Company’’). The unaudited condensed consolidated financial statements for the three and six months ended June 30, 2006 and for the period from January 6, 2005 (inception) to June 30, 2005 and 2006, respectively, included herein have been prepared in accordance with the instructions for Form 10-Q under the Securities Exchange Act of 1934, as amended, and Article 10 of Regulation S-X under the Securities Act of 1933, as amended. Certain information and footnote disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments necessary to present fairly the Company’s financial position as of June 30, 2006 and the results of its operations for the three and six months ended June 30, 2006, and for the period from January 6, 2005 (inception) to June 30, 2006 and 2005, respectively and cash flows for the six months ended June 30, 2006, and for the period from January 6, 2005 (inception) to June 30, 2005 and 2006, respectively. The results of operations for the three months ended June 30, 2006 and 2005, the six months ended June 30, 2006 and for the period from January 6, 2005 (inception) to June 30, 2005, are unaudited and are not necessarily indicative of the results to be expected for the full year. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the financial statements and related footnotes included in the Company’s 2005 Form 10-K/A. The results of operations for the six months ended June 30, 2006, are not necessarily indicative of the results to be expected for the full year. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

1. Nature of operations and summary of significant accounting policies

The Company was incorporated in Delaware on January 6, 2005 as a blank check company whose objective is to acquire through a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. The Company selected December 31 as its fiscal year end. On March 9, 2006, Services Acquisition Corp. International incorporated a wholly-owned subsidiary, JJ Acquisition Company (‘‘JJC’’). As of June 30, 2006, there are no assets or liabilities and there was no activity for JJC.

The registration statement for the Company’s initial public offering (the ‘‘Offering’’) was declared effective June 29, 2005. The Company consummated the offering on July 6, 2005 and received net proceeds of approximately $110,917,000 and executed the over-allotment option offering on July 7, 2005 and received net proceeds of approximately $16,920,000. The Company’s management has broad discretion with respect to the specific application of the net proceeds of the Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with an operating company. As used herein, a ‘‘target business’’ shall include an operating business that provides services and a ‘‘business combination’’ shall mean the acquisition by the Company of such a target business.

The Company’s efforts in identifying a prospective business target are not limited to a particular industry, although management intends to focus on high margin service businesses with recurring revenue. The success and ongoing profitability of such business will not necessarily be predicated on continually generating new revenue, but rather on forging a valued bond for which switching costs may be high or alternatives of lower value. Within this context, the Company expects to seek companies displaying a number of characteristics: recurring revenues, focus on a service rather than a product, high gross margins, stable cash flow and opportunities for organic and acquisition growth.

Table of Contents

Upon the closing of the Offering, an amount of $126,720,000 was placed in a trust account at JP Morgan Chase NY Bank maintained by Continental Stock Transfer & Trust Company to be invested until the earlier of (i) the consummation of the Company’s first business combination or (ii) the liquidation of the Company. As of June 30, 2006, the balance in the trust account is $130,131,357. The remaining proceeds are available to the Company to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the outstanding stock excluding, for this purpose, those persons who were stockholders prior to the Offering, vote against the business combination, the business combination will not be consummated. All of the Company's stockholders prior to the Offering, including all of the officers and directors of the Company (''Initial Stockholders''), have agreed to vote their 3,750,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company (''Public Stockholders'') with respect to any business combination. After consummation of the Company's first business combination, none of these voting safeguards will be applicable.

With respect to the first business combination, which is approved and consummated, any Public Stockholder who voted against the business combination may demand that the Company redeem his or her shares. The per share redemption price will equal the amount in the Trust Fund as of the record date for determination of stockholders entitled to vote on the business combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek redemption of their shares in the event of a business combination. Such Public Stockholders are entitled to receive their pro rata interest in the trust fund computed without regard to the shares held by Initial Stockholders. As of June 30, 2006, the pro rata interest in the trust fund was $7.54 per share.

The Company's Certificate of Incorporation provides for mandatory liquidation of the Company, without stockholder approval, in the event that the Company does not consummate a business combination within 18 months from the date of the consummation of the Offering, or 24 months from the consummation of the Offering, if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including trust fund assets) will be less than the offering price per share in the Offering.

The Company formed JJC Acquisition Company (a wholly owned subsidiary), a California corporation, on March 9, 2006 for the sole purpose of the acquisition of Jamba Juice Company, as described in Note 4 below. There is no assurance that the Company will be successful consummating this business combination or in finding and consummating another business combination. Therefore, there is a risk of substantial loss to the stockholders.

Accounting for Warrants and Derivative Instruments

On July 6, 2005, the Company consummated its initial public offering of 15,000,000 units. On July 7, 2005, the Company consummated the closing of an additional 2,250,000 units that were subject to the underwriters' over-allotment option. Each unit consists of one share of common stock and one redeemable common stock purchase warrant. Each warrant entitles the holder to purchase from the Company one share of its common stock at an exercise price of $6.00.

The Company sold to the representative of the underwriter, for $100, an option to purchase up to a total of 750,000 units. The units issuable upon exercise of this option are identical to those sold in the initial public offering, except that the warrants included in the option have an exercise price of $7.50 (125% of the exercise price of the warrants included in the units sold in the offering). This option is exercisable at $10.00 per unit commencing on the later of the consummation of a business combination and June 27, 2006 and expires on June 27, 2010.

In September 2000, the Emerging Issues Task Force issued EITF 00-19, ''Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in, a Company's Own Stock,''

6

Table of Contents

(‘‘EITF 00-19’’) which requires freestanding contracts that are settled in a company's own stock, including common stock warrants, to be designated as an equity instrument, asset or a liability. Under the provisions of EITF 00-19, a contract designated as an asset or a liability must be carried at fair value on a company’s balance sheet, with any changes in fair value recorded in the company’s results of operations. A contract designated as an equity instrument must be included within equity, and no fair value adjustments are required from period to period. In accordance with EITF 00-19, the 17,250,000 warrants issued to purchase common stock are separately accounted for as liabilities. The fair value of these warrants is shown on the Company’s balance sheet and the unrealized changes in the values of these derivatives are shown in the Company’s consolidated statement of operations as ‘‘Gain (loss) on derivative liabilities.’’ These warrants are freely traded on the American Stock Exchange, consequently, the fair value of these warrants is estimated as the market price of a warrant at each period end. To the extent that the market price increases or decreases, the Company’s derivative liability will also increase or decrease, impacting the Company’s consolidated statement of operations.

Fair values for exchange-traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates. The purchase option to purchase 750,000 shares is considered an equity instrument, as the underlying shares do not need to be registered, and all other criteria to be accounted for as an equity instrument have been fulfilled. The embedded derivative, the warrant to purchase 750,000 shares for $7.50 each, follow the same accounting guidelines, as the 17,250,000 warrants discussed previously, and is considered a liability.

Statement of Financial Accounting Standard (‘‘SFAS’’) No. 133, ‘‘Accounting for Derivative Instruments and Hedging Activities,’’ as amended, requires all derivatives to be recorded on the balance sheet at fair value. Furthermore, paragraph 11(a) of SFAS No. 133 precludes contracts issued or held by a reporting entity that are both (1) indexed to its own stock and (2) classified as stockholders’ equity in its statement of financial position from being treated as derivative instruments. We have determined that the option to purchase 750,000 units, each unit consisting of one warrant and one share of common stock, is a derivative that also contains an embedded derivative. The option to purchase 750,000 shares of common stock and the warrant to purchase an additional 750,000 shares, the latter being the embedded derivative, are separately valued and accounted for on the Company’s balance sheet. While the warrant to purchase the additional 750,000 shares is indexed to the Company’s common stock, the fact that the shares underlying the warrants require future registration in accordance with the warrant agreement, requires the Company to classify these instruments as a liability in accordance with EITF 00-19, paragraph 14.

As such, the option to purchase 750,000 units is considered an equity instrument, as the underlying shares do not need to be registered, and all other criteria in EITF 00-19 required for the instrument to be accounted for as an equity instrument have been fulfilled. The embedded derivative which is the warrant to purchase 750,000 shares for $7.50 each, follows the same accounting guidelines as the 17,250,000 warrants disclosed in our 10-K/A and is considered a liability. These derivative liabilities have been, and will continue to be adjusted to fair value in our quarterly filings.

The Company performed a valuation of the option to purchase 750,000 units, and then allocated its fair value to its two components, the underlying 750,000 shares and the embedded warrant to purchase an additional 750,000 shares. The fair value at inception was calculated at $894,909, or $1.19 per unit, of which $653,186 was allocated to the purchase option of 750,000 shares and $241,723 was allocated to the warrants to purchase an additional 750,000 shares, according to their respective fair values.

The pricing model the Company uses for determining fair values of the purchase option and the embedded derivative is the Black Scholes Pricing Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates, market prices and volatilities. Selection of these inputs involves management's judgment and may impact net income.

Table of Contents

In particular, the Company uses volatility rates based upon a sample of comparable companies in its industry, special purpose acquisition corporations. At the time a company to be acquired has been identified and agreements to acquire are in place, the volatility rates will be based on comparable companies to the acquired company. The Company uses a risk-free interest rate, which is the rate on U. S. Treasury instruments, for a security with a maturity that approximates the estimated remaining contractual life of the derivative. The volatility factor used in Black Scholes has a significant effect on the resulting valuation of the derivative liabilities on the Company's balance sheet. The volatility for the calculation of the embedded derivatives was approximated at 41.4%, this volatility-rate will likely change in the future. The Company uses the closing market price of its common stock at the end of a quarter when a derivative is valued at fair value. The Company's stock price will also change in the future. To the extent that the Company's stock price increases or decreases, its derivative liabilities will also increase or decrease, absent any change in volatility rates and risk-free interest rates.

Income per Common Share

Basic earnings-per-share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period, increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued, by application of the treasury stock method. During the six months ended June 30, 2006, the dilutive potential common shares were not included in the computation of diluted loss per share, because the inclusion of convertible warrants would be anti-dilutive or because the exercise prices were greater than the average market prices of the common shares. The dilutive impact of 6,830,604 shares and 3,699,376 shares from the 18,000,000 warrants outstanding with exercise prices ranging from $6.00 to $10.00 were not included in the computation of diluted loss per share in the six months ended June 30, 2006 and period from inception to June 30, 2006 and 2005, respectively, since their inclusion would be antidilutive.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company complies with SFAS 109, ‘‘Accounting for Income Taxes,’’ which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Principles of Consolidation

The consolidated financial statements include the accounts of Services Acquisition Corp. International and its wholly owned subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation.

2. Deferred transaction costs

Deferred transaction costs consist principally of accounting fees, legal fees and other fees incurred through the balance sheet date that are related to the proposed private placement and the proposed

---

Table of Contents

acquisition discussed in Note 4. Deferred transaction costs related to the proposed acquisition will be charged to expense if the acquisition is not consummated or included in the allocation of purchase price should the transaction be consummated.

3. Commitments and contingencies

The Company has agreed to pay up to $7,500 a month in total for office space and general and administrative expense to a related entity and two stockholders. Upon completion of a business combination or liquidation, the Company will no longer be required to pay these monthly fees. The monthly fee commenced on July 6, 2005.

The Company sold an option to purchase up to a total of 750,000 units to the representative of the underwriter for $100. The units issuable upon exercise of this option are identical to those offered by the Company in the Offering except that the warrants included in the option have an exercise price of $7.50 (125% of the exercise price of the warrants included in the units sold in the offering). This option is exercisable at $10.00 per unit commencing on the later of the consummation of a business combination and one year from the date of the Offering and expiring five years from the date of the Offering. The option may not be sold, transferred, assigned, pledged or hypothecated for a one-year period following the date of the S-1 filing, or not before June 27, 2006. However, the option may be transferred to any underwriter and selected dealer participating in the Offering and their bona fide officers or partners.

The Company engaged Broadband Capital Management LLC to act as the representative of the underwriters, on a non-exclusive basis, as our agent for the solicitation of the exercise of the warrants. To the extent not inconsistent with the guidelines of the NASD and the rules and regulations of the Securities and Exchange Commission, the Company has agreed to pay the representative for bona fide services rendered a commission equal to 5% of the exercise price for each warrant exercised after June 29, 2006 if the exercise was solicited by the underwriters. In addition to soliciting, either orally or in writing, the exercise of the warrants, the representative's services may also include disseminating information, either orally or in writing, to warrant holders about us or the market for our securities, and assisting in the processing of the exercise of the warrants. No compensation will be paid to the representative upon the exercise of the warrants if:

- the market price of the underlying shares of common stock is lower than the exercise price;
- the holder of the warrants has not confirmed in writing that the underwriters solicited the exercise;
- warrants are held in a discretionary account;

- the warrants are exercised in an unsolicited transaction; or
- the arrangement to pay the commission is not disclosed in the prospectus provided to warrant holders at the time of exercise.

4. Proposed Acquisition

On March 10, 2006, the Company entered into an Agreement and Plan of Merger (‘‘Merger Agreement’’) with JJC Acquisition Company (‘‘JJC’’), a wholly-owned California corporate subsidiary of the Company, and Jamba Juice Company, a California corporation (‘‘Jamba Juice’’), pursuant to which JJC will merge into Jamba Juice and Jamba Juice will become a wholly-owned subsidiary of the Company. Following completion of the merger, it is anticipated that the Company will change its name to Jamba, Inc. Because the Company will have no other operating business following the merger, Jamba Juice will effectively become a public company at the conclusion of the merger. Jamba Juice is headquartered in San Francisco, California. Jamba Juice as of April 4, 2006 has 325 company owned locations and 213 franchise locations operating in 24 states, the District of Columbia and the Bahamas.

The Merger Agreement provides that at the closing of the merger, the Jamba Juice stockholders, subject to certain holdbacks and less (i) $16,000,000 for the assumption by the Company of Jamba

Table of Contents

Juice’s line of credit and (ii) all third-party expenses incurred by Jamba Juice in connection with the merger, including without limitation, all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties incurred by Jamba Juice in connection with the negotiation and completion of the Merger Agreement and the transactions contemplated thereby, will be paid an aggregate of $265,000,000, in cash, for all of the outstanding capital stock of Jamba Juice and the value of all shares of Jamba Juice capital stock issuable upon exercise of all ‘‘in-the-money’’ vested and unvested options and warrants of Jamba Juice, subject to the option holders and warrant holders, in certain instances, having the right to exchange their respective options and warrants into options and warrants of the Company, as further described below. A portion of the purchase price will be funded with cash currently being held in the trust fund established in connection with the Company’s initial public offering and the balance of the purchase price will be funded from the proceeds of a private placement financing, as discussed herein, that is expected to be completed simultaneously with the merger with Jamba Juice.

Also, as part of a private placement financing, on March 10, 2006 and March 15, 2006, the Company entered into Securities Purchase Agreements and Registration Rights Agreements, with prospective investors (including certain current Jamba Juice stockholders and board members) that collectively provide for the issuance, simultaneously with the closing of the merger, of approximately 30.9 million shares of the Company common stock, at a per share purchase price of $7.50, resulting in aggregate gross proceeds to the Company of approximately $231.6 million, which funds will be used to fund the merger consideration as well as additional working and expansion capital.

If the acquisition is not consummated, the $1,566,138 of deferred transaction costs, classified on the balance sheet as other assets, will be immediately expensed.

5. Liquidity

The Company’s current cash position is approximately $300,000. The Company currently has outstanding payables, accrued expenses and liabilities of approximately $1.4 million. The Company’s short term liabilities exceed our available cash position by approximately $1.1 million.

In the event the business combination is not consummated within the agreed upon time period, the Company does not believe it will have sufficient available funds outside of the trust fund to operate through July 6, 2007. The Company has incurred approximately $1.2 million in expenses for legal, accounting and other expenses attendant to the due diligence investigations, structuring and negotiating of the business combination. The Company believes that it will likely be forced to liquidate should the business combination with Jamba Juice not be consummated.

6. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences, as may be determined from time to time by the Board of Directors.

7. Subsequent events

On August 2, 2006, the Company entered into an amendment with Jamba Juice Company, a California corporation, to the previously announced Agreement and Plan of Merger (‘‘Agreement’’) among SACI, JJC Acquisition Company, a California corporation and a wholly-owned subsidiary of SACI and Jamba Juice Company dated as of March 10, 2006. The Agreement was amended such that the Agreement may be terminated by either SACI or Jamba Juice Company if the closing shall not have occurred by September 15, 2006.

In addition, in August 2006, SACI entered into amendments to the previously announced Securities Purchase Agreements dated as of March 10, 2006 and March 15, 2006, respectively. The Securities Purchase Agreements were amended such that the date by which the purchasers thereunder may terminate the agreements was extended until September 15, 2006.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a safe harbor for forward-looking statements made by or on behalf of the Company. We and our representatives may,

---

Table of Contents

from time to time, make written or verbal forward-looking statements, including statements contained in our filings with the Securities and Exchange Commission and in its reports to stockholders. Generally, the inclusion of the words ‘‘believe,’’ ‘‘expect,’’ ‘‘intend,’’ ‘‘estimate,’’ ‘‘anticipate,’’ ‘‘will,’’ and similar expressions identify statements that constitute ‘‘forward-looking statements’’ within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that we expect or anticipate will occur in the future, including statements relating to earnings or earnings per share growth, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act.

The forward-looking statements are and will be based upon our management’s then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. By their nature, all forward-looking statements involve risks and uncertainties. Actual results, expenses, cash flows, financial condition, and net income, as well as factors such as our capability in identifying a target business and be able to consummate the merger transaction may differ materially from those contemplated by the forward-looking statements or those currently being experienced by the Company for a number of reasons.

We were formed on January 6, 2005, to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business that provides services. Our initial business combination must be with a target business or businesses whose fair market value is at least equal to 80% of net assets at the time of such acquisition. We intend to utilize cash derived from the proceeds of our public offering, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

Since our initial public offering, we have been actively engaged in sourcing a suitable business combination candidate. We have met with target companies, service professionals and other intermediaries to discuss with them our company, the background of our management and our combination preferences. In the course of these discussions, we have also spent time explaining the capital structure of the initial public offering, the combination approval process, and the timeline under which we are operating before the proceeds of the offering are returned to investors. Consistent with the disclosures in our prospectus, we have focused our search on companies in Business Services, Healthcare Services, and Consumer Services. Of these categories, Business Services and Healthcare Services have represented the majority of the targets we are exploring, with more limited communication with Consumer Service companies. Overall, we would gauge the environment for target companies to be competitive and we believe that private equity firms and strategic buyers represent our biggest competition. Our management believes that many of the fundamental drivers of alternative investment vehicles like our company are becoming more accepted by investors and potential business combination targets; these include a difficult IPO environment, a cash-rich investment community looking for differentiated opportunities for incremental yield, and business owners seeking new ways to maximize their shareholder value while remaining invested in the business. However, there can be no assurance that we will find and close a suitable business combination in the allotted time.

Developments in Finding a Suitable Business Target

On March 10, 2006, the Company entered into an Agreement and Plan of Merger (‘‘Merger Agreement’’) with JJC Acquisition Company (‘‘JJC’’), a wholly-owned California corporate subsidiary of Company, and Jamba Juice Company, a California corporation (‘‘Jamba Juice’’), pursuant to which JJC will merge into Jamba Juice and Jamba Juice will become a wholly-owned subsidiary of Company. Following completion of the merger, it is anticipated that Company will change its name to Jamba, Inc. Because the Company will have no other operating business following the merger, Jamba Juice will effectively become a public company at the conclusion of the merger. Jamba Juice is

---

Table of Contents

headquartered in San Francisco, California. Jamba Juice as of April 4, 2006 has 325 company owned locations and 213 franchise locations operating in 24 states, the District of Columbia and the Bahamas.

The Merger Agreement provides that at the closing of the merger, the Jamba Juice stockholders, subject to certain holdbacks and less (i) $16,000,000 for the assumption by the Company of Jamba Juice’s line of credit and (ii) all third-party and expenses incurred by Jamba Juice in connection with the merger, including without limitation, all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties incurred by Jamba

Juice in connection with the negotiation and completion of the Merger Agreement and the transactions contemplated thereby, will be paid an aggregate of $265,000,000, in cash, for all of the outstanding capital stock of Jamba Juice and the value of all shares of Jamba Juice capital stock issuable upon exercise of all ‘‘in-the-money’’ vested and unvested options and warrants of Jamba Juice, subject to the option holders and warrant holders, in certain instances, having the right to exchange their respective options and warrants into options and warrants of the Company, as further described below. A portion of the purchase price will be funded with cash currently being held in the trust fund established in connection with the Company's initial public offering and the balance of the purchase price will be funded from the proceeds of a private placement financing, as discussed herein, that is expected to be completed simultaneously with the merger with Jamba Juice.

The Merger Agreement contains representations and warranties of each of the Company and Jamba Juice, as applicable, relating to, among other things, (a) proper corporate organization and similar corporate matters, (b) capitalization, (c) the authorization, performance and enforceability of the Merger Agreement, (d) licenses and permits, (e) taxes, (f) absence of undisclosed liabilities, (g) holding of leases and ownership of other properties, (h) material contracts, (i) title and condition of assets, (j) absence of certain changes, (k) employee and employee benefits matters, (l) compliance with applicable laws, (m) absence of litigation, (n) environmental matters, (o) franchise matters and (p) insurance.

The Company and Jamba Juice have each agreed to continue to operate their respective businesses in the ordinary course prior to the closing of the merger and additional material covenants include that (i) each party shall obtain all necessary approvals, including stockholder and governmental approvals; (ii) each party shall protect confidential information and maintain the confidentiality of the other's proprietary information; and (iii) until termination of the Merger Agreement (except as discussed below), not to solicit or accept an alternative Acquisition Proposal, as such term is defined in the Merger Agreement.

The Merger Agreement also provides that if Jamba Juice terminates the Merger Agreement either because the board of directors of Jamba Juice recommends a superior Acquisition Proposal (as such term is defined in the Merger Agreement), the stockholders of Jamba Juice vote against the merger or the stockholders of Jamba Juice do not approve the merger by April 30, 2006, and within six months after the date of such termination, Jamba Juice either enters into a definitive agreement to consummate, or consummates any of the following transactions (whether in a single transaction or series of transactions) (i) a sale by Jamba Juice of all or substantially all of its assets or (ii) a sale of stock, merger, reorganization or other transaction that results in transfer of ownership of more than fifty percent of the capital stock of Jamba Juice outstanding on the date of termination of the merger agreement, then Jamba Juice shall promptly pay to the Company a fee in the amount of $10,000,000. The stockholders of Jamba Juice approved the merger prior to the April 30, 2006 deadline.

At the effective time of the merger, Jamba Juice's obligations with respect to each outstanding unvested option, unexercised vested option and unexercised warrant (if amended in a manner reasonably acceptable to the Company) will be assumed by the Company, and the Company shall thereafter be obligated to issue Company common stock upon the exercise thereof. Each Jamba Juice option assumed by the Company shall be re-issued so that the option holder will retain the same as percentage discount the holder has compared to the Company's shares fair value at the time of closing, considering exercise price of the option and the fair value of Jamba Juice's shares at $6.03 per share. Furthermore, the total bargain purchase element will remain the same by adjusting the number of options the holder will receive.

Table of Contents

The Merger Agreement provides for indemnification of the Company with an escrow arrangement. As the sole remedy for Jamba Juice's indemnity obligations set forth in the Merger Agreement, at the closing the parties shall deposit $19,875,000 in cash, otherwise payable to Jamba Juice's stockholders, to be held during the period ending one year from the closing, all in accordance with the terms and conditions of an escrow agreement to be entered into at the closing between the Company, a representative of the Jamba Juice stockholders (who shall be designated by Jamba Juice prior to the closing) and Continental Stock Transfer and Trust Company. The terms of such escrow provides that, depending on the amount of any paid claims, pending claims or claims that have not been applied against a $2,000,000 basket, $4,968,750 shall be released to the Jamba Juice stockholders on each of the six-month and nine-month periods following the closing. The balance of any amounts remaining in escrow against which no claims have been made shall be distributed to Jamba Juice's stockholders 12 months following the closing.

The obligations of the Company to consummate the merger are subject to closing conditions, including: (i) the Company stockholders shall have approved the transactions contemplated by the merger agreement and holders of not more than twenty percent (20%) of Company's shares issued in the Company's initial public offering and outstanding immediately before the closing shall have exercised their rights to convert their shares into a pro rata share of the trust fund rather than approve the merger; (ii) certain of the officers of Jamba Juice shall have entered into employment agreements; (iii) the Jamba Juice stockholders shall have approved (and have already approved) the transactions contemplated by the Merger Agreement; (iv) on or before April 30, 2006, all Jamba Juice warrants shall have either been amended in a manner reasonably acceptable to the Company or exercised (subject to the occurrence of the closing); (v) holders of no more than five percent (5%) of the shares of any class of securities of Jamba Juice outstanding immediately before the closing shall have taken action to exercise their appraisal rights pursuant to Section 1301 of the California General Corporations Law; (vi) no governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which has the effect of making the merger illegal or otherwise prohibiting consummation of the merger substantially on the terms contemplated by the merger agreement; and (vii) the absence of any action, suit or proceeding challenging or preventing the merger. The obligations of Jamba Juice to consummate the merger is subject to closing conditions similar to those of the Company, including conditions that in Company's common stock will be listed for trading on the AMEX or similar exchange and there will be no action or proceeding pending or threatened against the Company to prohibit or terminate the listing of the Company common stock on the AMEX.

The Merger Agreement (as amended) may be terminated at any time prior to the closing, as follows: (i) by mutual written consent of the Company and Jamba Juice; (ii) by either Company or Jamba Juice if a governmental entity shall have issued an order, decree or ruling or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the merger, which order, decree, ruling or other action is final and nonappealable; (iii) by either the Company or Jamba Juice, if, at the Company special meeting, (including any adjournments thereof), the Merger Agreement and the transactions contemplated thereby shall fail to be approved and adopted by the affirmative vote of the holders of the Company common stock, or the holders of 20% or more of the number of shares of Company common stock issued in Company's initial public offering and outstanding as of the record date exercise their rights to convert the shares of the Company common stock held by them into cash in accordance with Company's certificate of incorporation; (iv) by either the Company or Jamba Juice if the closing has not occurred by September 15, 2006; or (v) subject to a 30-day cure period, by either Company or Jamba Juice if the other party has breached any of its covenants or representations and warranties in any material respect.

Also, as part of a private placement financing, on March 10, 2006 and March 15, 2006, Company entered into Securities Purchase Agreements and Registration Rights Agreements, with prospective investors (including certain current Jamba Juice stockholders and board members) that collectively provide for the issuance, simultaneously with the closing of the merger, of approximately 30.9 million

Table of Contents

shares of the Company common stock, at a per share purchase price of $7.50, resulting in aggregate gross proceeds to the Company of approximately $231.6 million, which funds will be used to fund the merger consideration as well as additional working and expansion capital.

In connection with the private placement financing, the Company also granted the investors certain registration rights described below. Shareholder approval for the issuance of the shares of common stock and for the insider participation in the private placement financing is required pursuant to the rules of the American Stock Exchange and such approval will be sought simultaneously with the shareholder approval for the merger.

Pursuant to the Registration Rights Agreements, the Company has granted the investors in the private placement certain rights to register the resale of the shares of common stock that they will receive. Any costs associated with filing of the registration statement will be paid by the Company. In the event the financing is completed, if the Company does not timely file the registration statement (the later of 30 days following the closing of the financing or July 7, 2006), or have it declared effective in a timely manner (within 90 days, unless not reviewed by the Securities and Exchange Commission, of filing of the registration statement), then the Company may be subject to a penalty (an amount equal to 0.5% of the financing amount payable in cash to the investors for every 30 days such delinquencies are not cured). The Company may also be subject to the same penalty if the registration statement, once effective, ceases to be usable for a period of time.

Comparison of Three Months Ended June 30, 2006 with Three Months Ended June 30, 2005

For the three months ended June 30, 2006, we had net income of approximately $5.1 million, derived from a $4.2 million gain from derivative liabilities resulting from a decrease in the fair market value of our warrants outstanding and from interest income less operating expenses and taxes, as compared to a loss of $2,000 derived from formation and operating costs for the same period the previous year. No interest income was generated in the three months ended June 30, 2005 since the proceeds from the offering were not received until July 6, 2005. Interest income is derived primarily from investment of our cash balances held in trust, which aggregated approximately $130.1 million at June 30, 2006. The cash balance held in trust is invested primarily in non-taxable securities and other investments.

Comparison of Six Months Ended June 30, 2006 with the period from inception to June 30, 2005

For the six months ended June 30, 2006, we had a net loss of approximately $54.2 million, derived from the loss on derivative liabilities resulting from an increase in the fair market value of our warrants outstanding, net of interest income less operating expenses and taxes, as compared to a loss of $2,000 derived primarily from formation and operating costs for the same period the previous year. No interest income was generated in the six months ended June 30, 2005 since the proceeds from the offering were not received until July 6, 2005. Interest income is derived primarily from investment of our cash balances held in trust, which aggregated approximately $130.1 million at June 30, 2006. The cash balance held in trust is invested primarily in non-taxable securities and other investments.

For the period from January 6, 2005 (inception) through June 30, 2006, we had a net loss of approximately $50.9 million, derived from the loss on derivative liabilities resulting from an increase in the fair market value of our warrants outstanding, net of interest income less operating expenses and taxes.

Liquidity and Capital Resources

Our net proceeds from the sale of our units were approximately $127,838,200. Of this amount, $126,720,000 was held in trust and interest on this amount is also held in the trust. The remaining $1,118,200 was held outside of the trust. The remaining proceeds are available to be used by us to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company's current cash position is approximately $300,000. We have at this point outstanding payables, accrued expenses and liabilities of approximately $1.4 million. Our short term liabilities exceed our available cash position by approximately $1.1 million.

Table of Contents

In the event the business combination is not consummated within the agreed upon time period, we do not believe we will have sufficient available funds outside of the trust fund to operate through July 6, 2007. We have incurred approximately $1.6 million in expenses for legal, accounting and other expenses attendant to the due diligence investigations, structuring and negotiating of the business combination. We believe that we will likely be forced to liquidate the Company should the business combination with Jamba Juice not be consummated.

As part of a private placement financing, on March 10, 2006 and March 15, 2006, we entered into Securities Purchase Agreements and Registration Rights Agreements, with prospective investors (including certain current Jamba Juice stockholders and board members) that collectively provide for the issuance, simultaneously with the closing of the merger, of approximately 30.9 million shares of Company common stock, at a per share purchase price of $7.50, resulting in aggregate gross proceeds to Company of approximately $231.6 million, which funds will be used to fund the merger consideration as well as additional working and expansion capital. The private placement will only be completed upon consummation of the merger with Jamba Juice.

Related Party Transactions

Commencing on July 6, 2005 and ending upon the acquisition of a target business, we began incurring a fee of $4,875 per month for office space and certain other additional services from SB Management Corp., an affiliate of Steven R. Berrard, our chairman of the board and chief executive officer, and a fee of $2,625 per month for general and administrative services including secretarial support from Mercantile Companies, Inc., an affiliate of I. Steven Edelson, our vice chairman and vice president, and Nathaniel Kramer, one of our directors. In addition, in January, March and June 2005, Messrs. Berrard, Edelson, Kramer and Aucamp loaned us an aggregate of $160,000 to us for payment on our behalf of offering expenses. These loans were repaid following our initial public offering from the proceeds of the offering.

As part of a private placement financing, on March 10, 2006 and March 15, 2006, Company entered into Securities Purchase Agreements and Registration Rights Agreements, with prospective investors (including certain current Jamba Juice stockholders and board members) that collectively provide for the issuance, simultaneously with the closing of the merger, of approximately 30.9 million shares of Company common stock, at a per share purchase price of $7.50, resulting in aggregate gross proceeds to Company of approximately $231.6 million, which funds will be used to fund the merger consideration as well as additional working and expansion capital.

One of the investors in the private placement, Berrard Holding Limited Partnership, of which Steven R. Berrard, a current director and the Chief Executive Officer of the Company is the President, is investing $400,000. In addition, a family member of I. Steven Edelson, the Company's Vice Chairman and Vice President, has committed to investing

$50,000 in the private placement financing.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices, and other market-driven rates or prices. We are not presently engaged in and, if a suitable business target is not identified by us prior to the prescribed liquidation date of the trust fund, we may not engage in, any substantive commercial business. Accordingly, we are not and, until such time as we consummate a business combination, we will not be, exposed to risks associated with foreign exchange rates, commodity prices, equity prices or other market-driven rates or prices. The net proceeds of our initial public offering held in the trust fund have been invested only in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. Given our limited risk in our exposure to money market funds, we do not view the interest rate risk to be significant.

Item 4. Controls and Procedures.

Our management carried out an evaluation, with the participation of our chief executive officer (principal executive, financial, and accounting officer), of the effectiveness of our disclosure controls

---

Table of Contents

and procedures as of June 30, 2006. Based upon that evaluation, our chief executive officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in 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 rules and forms of the Securities and Exchange Commission, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosures.

There has not been any change in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act that occurred during the quarter ended June 30, 2006, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

There are no material legal proceedings pending against us.

Item 1A. Risk Factors

None.

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

Not applicable

Item 3. Defaults upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits

31.1 Section 302 Certification of Chief Executive Officer

31.2 Section 302 Certification of Chief Financial Officer

32.1 Section 906 Certification

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	SERVICES ACQUISITION CORP. INTERNATIONAL
Date: August 9, 2006	By: /s/ Steven R. Berrard
	Steven R. Berrard
	Chairman of the Board and Chief Executive Officer
	(Principal Executive Officer, Principal Financial and Accounting Officer)