

JAMBA, INC.
Form 10-K
March 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 3, 2012

OR

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

Jamba, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation)

001-32552
(Commission
File No.)
6475 Christie Avenue, Suite 150,

20-2122262
(I.R.S. Employer
Identification No.)

Emeryville, California 94608

(Address of principal executive offices)

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

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

Common Stock, par value \$.001 per share

The NASDAQ Stock Market LLC

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

NONE

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer Accelerated filer

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

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

The aggregate market value of the registrant's common stock, \$0.001 par value per share, held by non-affiliates as of the last day of the registrant's second fiscal quarter ended July 12, 2011 was \$131,137,867 (based upon the closing sales price of registrant's common stock on such date). For purposes of this disclosure, shares of common stock held by persons who held more than 5% of the outstanding shares of common stock and shares held by officers and directors of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

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The number of shares of common stock of Jamba, Inc. issued and outstanding as of March 1, 2012 was 67,292,829.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2012 Annual Meeting of Stockholders (the Proxy Statement), to be filed within 120 days of the end of the fiscal year ended January 3, 2012, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

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JAMBA, INC.

ANNUAL REPORT ON FORM 10-K

FISCAL YEAR ENDED JANUARY 3, 2012

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Special Note Regarding Forward-Looking Statements

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

discuss future expectations;

contain projections of future results of operations or financial condition; or

state other forward-looking information.

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

our business strategy and financial performance;

our revenue and customer volatility based upon weather and general economic conditions;

fluctuations in various food and supply costs; and

competition and other risks related to the food services business.

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

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

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

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PART I

ITEM 1. BUSINESS

Background of Jamba, Inc.

Jamba, Inc. owns and franchises, on a global basis, Jamba Juice stores through its wholly-owned subsidiary, Jamba Juice Company. Jamba Juice Company is a leading restaurant retailer of better-for-you specialty beverages and food offerings which include great tasting fruit smoothies, fresh squeezed juices, hot teas, hot oatmeal made with organic steel cut oats, fruit and veggie smoothies, Fit n Fruitful smoothies with Weight Burner Boost, Whirl ns Frozen Yogurt, breakfast wraps, side salads, sandwiches, California Flatbreads, and a variety of baked goods and snacks. Jamba Juice Company has expanded the Jamba brand by licensing its trademark to sell consumer packaged goods through retail channels such as grocery, mass, club and convenience.

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

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

Narrative Description of Business

As of January 3, 2012, there were 769 Jamba Juice stores globally, consisting of 307 Company-owned and operated stores (Company Stores), 443 franchise-operated stores (Franchise Stores) in the United States, and 19 international Franchise Stores (International Stores). As of January 3, 2012, Jamba Juice had a retail consumer products program that included ten license agreements covering a variety of consumer packaged goods (CPG).

The BLEND Plan Our Strategic Priorities

The BLEND Plan continues to guide the Company's strategic plan to successfully transform the Jamba brand from a made-to-order smoothie company to a globally recognized healthy, active lifestyle brand. In January 2009, we established initiatives under BLEND Plan 1.0 targeted towards the financial and strategic turnaround of the Company. During the subsequent years through 2011, we believe we achieved all the milestones related to BLEND Plan 1.0. As a result, our strategic plan has evolved and our focus is now on accelerating the growth of the Jamba brand and expanding the business model. The key components of our plan are driving brand strength, improving store economics, accelerating store or unit development and expansion of our CPG program, and are captured in our BLEND Plan 2.0:

make Jamba a top-of-mind healthy food and beverage brand;

embody a healthy, active lifestyle at store level and broadly across the enterprise;

accelerate global retail growth through new and existing formats;

build a global CPG platform in Jamba-relevant categories; and

pursue new ways to reduce costs and drive productivity.

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These strategic priorities support the Company's mission to grow and develop Jamba as a premier healthy, active lifestyle brand, by offering consumers differentiated products and experiences at Jamba Juice stores and through other retail distribution channels. One of the keys to our success is the Jamba culture, a unique set of core values and actions that manifest themselves in team members executing at the highest levels of service while expressing their passion for the brand.

Make Jamba a top-of-mind healthy food and beverage brand

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

We utilize premium ingredients in our menu offerings and other products. We offer a range of high-quality, packaged, good-for-you snacks. The items in our food portfolio are continually being refined and optimized. We continue to believe there is consumer demand for better-for-you on-the-go food items that is not being fulfilled by other quick service restaurants. Our menu options meet our four mandatory core standards: no trans fat, no high fructose corn syrup, no artificial preservatives, and no artificial flavors. Our goal is for Jamba Juice to be the leader in the specialty, better-for-you beverage retailer segment.

Our research and development team continually seeks to enhance the product offerings available to customers, and where possible, reduce product and labor costs. Our research and development process includes both the development of new products and the optimization of existing menu items to ensure only the most appealing products are developed and offered to customers. We are passionate about creating differentiated, healthy, active lifestyle products that meet an even greater breadth and depth of customer health and wellness needs. There is no certainty that product development efforts will lead to the introduction and success of new product offerings or a potential increase in operating margins.

We continuously seek to optimize our products and develop new ones to help create points of differentiation, optimize day-parts and operating efficiencies, encourage habitual behavior and mitigate weather and seasonality. Examples of products we introduced in 2011 are:

New product platforms:

Fruit & Veggie smoothie platform which provides at least three full servings of fruits and vegetables in a delicious smoothie and speaks to consumers' needs for a convenient way to increase their intake of both fruits and vegetables. These smoothies, which also meet the USDA school guidelines for healthy products, offer food service directors participating in our school lunch program another solution to providing children with healthier menu offerings.

Whirls Frozen Yogurt, a line of ten signature specialty frozen yogurt flavors found only at Jamba Juice to meet consumer needs for a better-for-you treat, particularly in the evening day-part. This line is currently available in 157 California locations.

Breakfast wraps, a line of three savory scrambled egg whites mixed with other delicious ingredients wrapped in a warm tortilla. The wraps currently available include Turkey n Sausage, Southwestern Chicken Chorizo and Spinach n Cheese.

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Seasonally relevant limited time offerings, including:

Probiotic Fruit and Yogurt Blends, which are healthy, refreshing yogurt smoothies made with Jamba Juice's Probiotic Boost offered in three flavors - Vibrant Blueberry, Strawberries Alive and Thrivin Mango. The smoothies are made with fresh nonfat yogurt, soymilk and whole fruit, with a Probiotic Boost. These Fruit Blends are an effective way to help support the immune system and digestive health. Probiotic Fruit and Yogurt Blends rolled out in early 2011 as a seasonal limited time offer across the entire system.

Fruit Refreshers made with coconut water, which are thirst quenching and hydrating fruit beverages with essential electrolytes. Refreshers are offered in three flavors - Purely Pineapple, Tropical Mango and Strawberry Lemonade. The Fruit Refreshers deliver the natural hydration benefits of coconut water and provide a convenient way to stay hydrated.

New holiday beverages including the Apple Cinnamon Cheer smoothie and a boosted hot drink, The Chillbuster. The Apple Cinnamon Cheer smoothie continues Jamba Juice's tradition of offering a healthier alternative to indulgent holiday treats. The Chillbuster is Jamba Juice's twist on a classic hot apple cider to ward off the wintry chills, and is pre-boosted with immunity and antioxidant Power boosts, delivering a soothing beverage rich in antioxidants.

All our products are rigorously tested prior to roll-out. In 2010, we established the iDistrict (Innovation District), a group of Company Stores. We test all major process enhancements, promotions, and product initiatives at the iDistrict stores. The testing of new initiatives in our iDistrict stores allows us to rapidly integrate relevant store and customer feedback and to quickly make adjustments to improve the quality of products and processes we ultimately deliver to the system. During 2011, the iDistrict was used to validate several new platform ideas including our breakfast wraps, which were rolled out to the entire system during the fall. This new platform complements our already strong breakfast offering of slow-cooked oatmeal, freshly squeezed juices, Fruit & Yogurt parfaits and hot beverages.

Embody a healthy, active lifestyle at store level and broadly across the enterprise

We were founded on the belief that maintaining a balance of physical activity, good nutrition, and community involvement are critical to healthy living. Our focus is on how we communicate with consumers, and how we engage them on achieving and maintaining a healthy, active lifestyle. Our recently announced Live Fruitfully consumer marketing campaign, along with our Ambassadors of Wow and two Company spokespersons, tennis star Venus Williams and nutrition expert Tara Gidus, will continue to educate and inspire consumers on leading a healthy, active lifestyle. In addition, we are planning to significantly increase the nutrition education and product training provided to our team members to build their knowledge.

Our strategy of engaging customers in healthy lifestyle activities is a continuation of our focus on improving the quality and consistency of customer service at our stores. We believe our continued focus on our customers, including encouraging them to lead a healthy, active lifestyle, will lead to an enhanced brand experience, thereby heightening customer loyalty and satisfaction, and ultimately increasing frequency of visits and our market share.

Our commitment to health and wellness in schools is evidenced in the growth of our participation in school lunch programs in over 40 California school districts. Another component of our community engagement effort is the enhancement of our fundraising opportunities for non-profit organizations. We continue to work with a variety of non-profit organizations, including the National Parent-Teacher Association and the National Gardening Association, to provide fundraising opportunities for school and youth oriented programs. We also sponsor a grant program to promote nutrition education and gardening among youth organizations and schools through KidsGardening.org, a division of the National Gardening Association.

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During 2011, we launched a social responsibility program called Team Up for a Healthy America, with the aim of raising consumer awareness of Jamba's focus on critical national health issues. This program gained nationwide attention as a result of our partnership with several organizations including National Geographic Kids, the Women's National Basketball Association (WNBA), the U.S. Water Polo Association, the Girl Scouts of America and our Company spokesperson, Venus Williams.

Our mission to inspire and simplify healthy living extends to our Company Store team members, who enjoy access to a broad offering of benefits in support of maintaining a healthy, active lifestyle. During 2011, Jamba was named one of the San Francisco Bay Area's healthiest employers by The Silicon Valley/San Jose Business Journal and the San Francisco Business Times.

Accelerate global retail growth through new and existing formats

The focus of our global retail expansion is the development of traditional and non-traditional Franchise Stores. We believe this franchise strategy will better 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 increase customer frequency.

A primary goal of the Company is to grow the Jamba brand by establishing more points of distribution inherently giving us a broader brand awareness and deepening brand loyalty by making it easier for consumers to access and enjoy all the products and services Jamba has to offer. We believe we have significant market expansion opportunities globally.

Jamba Juice Domestic

We have grown our concept and brand through Company Store and Franchise Store locations. As of January 3, 2012 there were 750 Jamba Juice store locations in the United States consisting of 307 Company Stores and 443 Franchise Stores operating in 25 states. Of the 750 locations, 394 stores are located in California, of which 292 are Company Stores and 102 are Franchise Stores. We lease the real estate for all of our Company Stores. Our market planning has shown that there is potential for at least 2,700 total Jamba Juice stores in the United States, all of which we believe can be profitable and would meet our current store opening criteria. During 2011, Franchisees opened 22 new Franchise Stores, closed eight Franchise Stores, and acquired 42 Company Stores, which are now operating as Franchise Stores. We also converted four Franchise Stores to the JambaGo format. As a result, Franchise Stores represented approximately 60% of the Jamba Juice system as of January 3, 2012.

We generally characterize our stores as either traditional or non-traditional locations. A traditional location is characterized as a business premises that exists primarily as a Jamba Juice store. Traditional stores average approximately 1,200 - 1,400 square feet in size. These stores are located either in major urban centers or in suburban strip mall centers. As of January 3, 2012, there were 583 traditional Jamba Juice store locations.

A non-traditional location is characterized as a Jamba Juice store located within another primary business in conjunction with other businesses or at institutional settings such as colleges and universities, entertainment venues, shopping malls, transportation centers, supermarkets and airports. A captive audience is a common characteristic of non-traditional locations. We believe one benefit of the development of non-traditional stores is to increase awareness of the Jamba Juice brand to complement the traditional stores in the area. As of January 3, 2012, there were 167 non-traditional Jamba Juice store locations.

We continue to innovate in the design of traditional and non-traditional stores as well. Our goal is to vary the size and format of our stores to allow us to locate them in or near a variety of settings. As a result, the typical costs to construct a Jamba Juice non-traditional store ranges from \$185,000 to \$408,000 and the typical costs to

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construct a traditional Jamba Juice store ranges from \$264,000 to \$462,000. Our flexibility in store construction enables us to develop stores in a variety of venues, broadening the visibility of the Jamba brand and giving more customers easier, more convenient access. In turn, we hope format flexibility will help us to attract qualified franchisees and to assure them of potentially achieving a higher return on their investment in capital expenditures.

In October, 2011, we announced the test of a new growth concept called JambaGo . This growth concept is an innovative express service utilizing compact technology to make select smoothie flavors in stations using pre-packaged ingredients. This new concept will enable Jamba to rapidly expand brand presence. The JambaGo platform targets venues servicing captive audiences with greater demand for higher volumes where the need for high-speed service is essential and where a full-sized Jamba Juice store or kiosk would not be feasible. Such venues include schools, grocery and convenience stores, stadiums, theaters, event centers and select airport locations. As of January 3, 2012, there were 35 JambaGo locations in six states.

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

Our current traditional store franchise agreement provides for an initial 10-year term. The agreement is renewable for two consecutive 10-year terms, subject to various conditions and state law. The royalty rate in the current franchise agreement for domestic locations is generally 5.5% 6% of revenue, with franchisees required to contribute up to an additional 4% of revenue to a company-administered advertising fund. At the present time, in general, we are charging 2% of revenue as the marketing contribution for our traditional store franchisees. Traditional store franchisees are also expected to spend 1.5% of sales on local marketing efforts. There is typically up to a one-mile geographic radius restriction for traditional stores in non-downtown areas. The royalty rates and marketing contributions for non-traditional stores vary depending upon type (transit hub, college or university or supermarket). Franchisees typically pay an initial fee of \$20,000 or \$25,000 for traditional store locations, and an initial fee ranging from zero to \$15,000 for non-traditional store locations. We generally do not provide any form of financing to our franchisees.

As of January 3, 2012, we had fifteen area developers with rights to develop additional Franchise Stores pursuant to development agreements. The exclusive territories covered by these agreements include selected markets in the states of Arizona, Colorado, Connecticut, Florida, Hawaii, Illinois, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, Ohio, Oregon, Pennsylvania, Utah, Washington State, Washington D.C., and Wisconsin. These developers had contractual commitments to open an aggregate of 78 new Franchise Stores in their respective territories over the next several years. Eight of the fifteen development agreements were entered into in connection with refranchising transactions, where a purchaser of Company Stores also agreed to develop new Franchise Stores.

Area developers typically enter into a separate franchise agreement for each store opened. Under typical development agreements, upon execution of the multi-unit development agreement, the area developer generally pays, as a development fee, one-half of a \$20,000-\$25,000 initial fee, or \$10,000-\$12,500, for each store required to be developed. Area developers are obligated to finance their own build-out of each store location according to our specifications.

We also continue to strengthen our relationships with beverage and food concessionaires operating at non-traditional venues such as colleges, universities, airports and other transit hubs, and other retail and entertainment venues to help maximize our non-traditional franchise development. In addition to our own efforts, we are approached by sophisticated concessionaires and contract feeders whose independent research has identified us as ideal for locations such as colleges and universities, sport venues, airports, and other

non-traditional venues where they have exclusive rights from venue owners to develop. When it fits our expansion strategies, these opportunities are incorporated into our own plans.

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

Under our refranchising initiative, which was announced in May 2009 and concluded in April 2011, we sold 174 Company Stores to new or existing franchisees. Such sales have helped us to accelerate growth, achieve certain operational efficiencies, and position franchisees and aspiring area developers with local or regional expertise to succeed by providing a core of established stores within their exclusive development area. In many refranchising transactions, we entered into development agreements committing buyers to build additional Franchise Stores in the regions their purchased stores occupy. In addition, as part of these refranchising transactions, buyers of mature Company Stores are obligated to refresh and refurbish these stores.

Jamba Juice International Franchising

We have accelerated our international growth agenda, resulting in the increase of our International Store count from one store as of December 28, 2010 to 19 stores as of January 3, 2012. As of January 3, 2012, there were Jamba Juice locations in South Korea, the Philippines, Canada and the Bahamas.

In 2010, we signed a master development agreement with SPC Group, a leading specialty food company in South Korea with over 4,500 retail locations across several brands, to develop 200 Jamba Juice stores in South Korea over the next 10 years. The first Jamba Juice store opened at the Incheon airport in January 2011. By January 3, 2012, there were 16 Jamba Juice stores operating in the South Korea market.

In April 2011, Jamba announced a master development agreement with Max's Group of Companies, a well-established restaurant and franchise operator, to develop 40 stores in the Philippines over the next 10 years. The first store opened in Manila in November 2011. In May 2011, we signed a master development agreement with Canadian Juice Corp., the principals of which are world leaders in the frozen yogurt category with over 1,200 stores in 25 countries, to develop 80 Jamba Juice stores over the next 10 years. The first Jamba Juice store opened in Toronto in October 2011. We work closely with all our international partners to build the Jamba Juice brand and implement the Jamba Juice system locally, and to maximize revenue and margin growth opportunities, recognizing commercial, cultural and dietary diversity in each market.

Our brand and products have international appeal and we continue to engage in discussions with additional potential partners regarding the expansion of Jamba Juice stores into more international markets. The success of further international expansion will depend on, among other things, local acceptance of the Jamba Juice concept and menu offerings, and our ability to attract qualified franchisees. Our agreements take the form of development and franchise agreements under which we typically receive an initial territory fee, store opening fees, and ongoing royalty revenues based on a percentage of sales.

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Build a global CPG platform in Jamba-relevant categories

Extending the Jamba brand into mass retail across all 50 states by continued development of CPG solutions provides significant business opportunities. As of January 3, 2012, we had license agreements in place reflecting over 30 individual products, where we receive ongoing royalties based on a percentage of wholesale product sales. These include Jamba-branded make-at-home frozen smoothie kits, frozen yogurt novelty bars, all natural energy drinks, coconut water fruit juice beverages, functional daily Brazilian super fruit shots, boosted trail mixes and functionally boosted fruit cups. Significant retail distribution gains were realized in 2011, growing to approximately 30,000 points of distribution as of January 3, 2012, up from 10,000 in the prior year. Two of our licensing partners, Inventure Foods and Oregon Ice Cream, led the growth with key retail partners across grocery, mass and club channels.

During the fourth quarter of 2011, we signed license agreements with Bare Fruit LLC to develop a line of all natural bake-dried, 100% fruit chips and with Core-Mark Holdings Company, Inc. to create wraps and sandwiches for the convenience channel. Discussions with potential licensees regarding new and complementary product categories are ongoing.

Our CPG products will help extend Jamba brand accessibility, offer additional product solutions and increase usage occasions. In addition, we believe the growth in our CPG platform will help reinforce Jamba as a healthy, active lifestyle brand with products that are better-for-you, convenient and portable. All of our agreements to date have been structured as license agreements, whereby we receive ongoing royalties based on a percentage of product sales. In the future, to support and optimize our brand extension, we may structure these relationships in other ways such as joint venture agreements, co-packing agreements and sales and distribution agreements.

Pursue new ways to reduce costs and drive productivity

This strategic priority affects all aspects of our system in our efforts to continue to drive store-level profitability and improve returns for Company Stores and Franchise Stores. Strong store-level economics are critical to the Company's success and therefore management is diligently focused on initiatives to improve these metrics.

During 2011, we introduced innovative technologies, such as Google Wallet for point of sale efficiency. Google Wallet is a virtual wallet that stores customer payment information, enabling customers the ease and speed of paying in-store by tapping their mobile devices at the point of sale terminal.

In February 2011, we announced an alliance with SYGMA, a subsidiary of Sysco, a global leader in foodservice distribution. The alliance has allowed us to reduce costs and improve our overall service due to SYGMA's strong national distribution network. In December 2011, we expanded our alliance to increase Jamba's system-wide access to SYGMA's highly efficient freight and logistics technology to ensure delivery of the right product at the right time at the right price. This alliance is expected to help us to meet our efficiency goals. We also utilize workforce management technology to help optimize work schedules, resulting in improved productivity and reduced labor costs as well as improved customer service.

We also monitor our general and administrative expenses so that we may better leverage our existing infrastructure in support of our growth strategy. We continue to look for opportunities, including the use of innovative technological solutions, for functional improvement in order to drive down expenses and improve productivity.

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Store Operations

Franchise Store Management

We continuously review Franchise Store operations, principally through our Regional Franchise Leaders, who are Company representatives, who make both scheduled and unannounced visits of Franchise Stores. Our Regional Franchise Leaders help us to ensure that only approved products are in use and that our prescribed operations practices and procedures are being followed in our Franchise Stores. We can terminate a franchise agreement if a franchisee does not operate and maintain a Franchise Store in accordance with our requirements. We also review the financial health of our franchisees through business and financial reviews. We maintain a Franchise Advisory Council (FAC). The FAC formalizes a channel of communication through a representative group of franchisees to provide advice, counsel and input to us on important issues impacting the business.

We have leveraged technology to improve communications, training and collaboration with our stores and franchisees. As of January 3, 2012, the Jamba system had approximately 60% Franchise Stores and 40% Company Stores. Our ongoing commitment to building strong relationships with our franchisees has enabled better two-way feedback that has helped us to identify best practices and to facilitate more effective and efficient launch of new products and marketing campaigns.

Company Store Management

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

Our typical Company Store operations team consists of a combination of a General Manager at each store, two to four Shift Managers and approximately 10 to 20 team members depending on the time of year. We continually evaluate opportunities to optimize our labor planning algorithms further to achieve optimal staffing levels throughout the day, which may help us reduce staffing costs at certain stores under certain circumstances.

A major aspect of our BLEND Plan is to continue to improve the level and consistency of customer service at our stores. We are devoting significant resources to ensure that all stores across the system offer a superior customer experience, including engaging customers on healthy, active lifestyle activities. Our store excellence guide is designed to improve operational execution and performance by establishing comprehensive standards which we expect all of our stores to achieve and maintain. We also instituted a bonus program for Company Store managers that rewards customer service goal achievements. These factors have both positively impacted customer satisfaction during the year and better positioned the Company to ensure that all stores in the Jamba system are delivering against the key drivers of customer satisfaction on a consistent basis. We believe team members are the key to our success and support the development of a culture that fosters personal interaction, mutual respect, trust, empowerment, enthusiasm and commitment.

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

Training

We conduct various training programs for franchisees, team members, support center staff and our leadership team. We are dedicated to providing a meaningful experience for all employees, with ample opportunity to develop leadership skills as they move up through the organization. Our training programs include

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formal programs such as the Manager-in-Training programs for new managers and informal one-on-one discussions held between General Managers, District Managers and Regional Directors of Operations. All of our training programs reinforce the importance of strong customer service and sales skills. We also make training materials and best practice information available to our franchisees to help create, preserve, and support a singular culture of excellence within all of the stores that comprise our system.

Recruiting and Retention

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

Advertising and Marketing

We encourage consumers to Live Fruitfully , by embracing healthy eating habits and engaging in an active lifestyle. In 2011, we launched an Ambassadors of Wow contest on Facebook where fans had the chance to become national and local Ambassadors of the Jamba brand. We have over 100 Ambassadors who are passionate, enthusiastic and live a healthy, active lifestyle.

We have many communication touch points with our consumers and are able to leverage these touch points across our entire system. Promotional events and new product campaign launches are vehicles to drive traffic and awareness. We also use social media outlets to encourage greater frequency of visits by existing customers and to drive trial and awareness among potential new customers. Currently, we have over 1.2 million fans who like us on Facebook and over 19,000 followers on Twitter.

We launched a social responsibility program called Team Up for a Healthy America , with the aim of raising awareness of Jamba among consumers and informing them about our focus on critical national health issues like childhood obesity and associated health risks. This program gained nationwide attention as a result of our partnership with several organizations including National Geographic Kids, the WNBA, the U.S. Water Polo Association, the Girl Scouts of America, our Company spokesperson Venus Williams, and a number of other organizations. The promotional activity coupled with our public relations efforts enabled us to reach over eight million households with our brand message, significantly raising awareness of Jamba as a mission-based brand and socially responsible company.

In general, both Company and Franchise Stores currently contribute 2% of sales to a national marketing fund and are also expected to spend an additional 1.5% of sales on local marketing efforts. In addition, we plan to develop regional advertising initiatives to assist certain regions to meet their local marketing spending obligations. We engage in marketing campaigns to enhance national brand awareness by such means as radio, email, online and other advertising media.

We also benefit from national media attention related to our programs. We have been featured in stories appearing in nationally syndicated journal and newspapers, including Nation's Restaurant News, Franchise World, Success Magazine, QSR Magazine, and The Wall Street Journal. We have also received product placement in television shows and feature films. Our participation in local fundraising events also helps capture a significant amount of coverage from local television and radio stations.

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Product Supply

We are committed to providing only the finest smoothies, juices and other food products. Smoothie and juice products depend heavily upon supplies of fresh and individually quick frozen (IQF) fruit. The quality of each smoothie depends to a large degree on the quality of the basic fruit ingredients from which it is made. It is essential that the supply of fruit is of the highest quality and is consistent throughout the year. To achieve these goals we purchase our projected requirements for the coming year from suppliers at the height of the season. The supply and price of fresh and IQF fruit are dependent upon the supply and demand at the time of purchase and are subject to volatility. Supply and price can be affected by multiple factors in the producing regions, including weather, natural disasters and regional political and economic conditions.

We buy certain fruits and dairy using fixed priced or to-be-fixed priced purchase commitments to secure adequate supply of quality ingredients for our products. As a result, we have purchase obligations with certain suppliers for certain fruits and dairy for various terms typically ranging from one year to five years. Also, we have one contract with a supplier for a 15 year term that ends in 2024. These contracts are commitments to purchase a minimum amount of fruit and other items used in the production of our products and the aggregate costs are estimated at \$83.3 million.

Southwest Traders, Inc. is a distributor of proprietary products to our Company Stores and Franchise Stores. Southwest Traders distributed ingredients that made up approximately 94% of cost of goods for Jamba Juice Company during 2011. We have signed distributor agreements with SYGMA, a subsidiary of Sysco, and with U.S. Foods; both are leaders in selling, marketing and distributing food products to restaurants and other facilities. Our plans include leveraging the new arrangements across our entire system. Our distributors do not manufacture or negotiate pricing agreements for products sold in our stores. They serve solely in a warehousing and distribution capacity.

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

Competition

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

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

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

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Government Regulation and Environmental Matters

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

California and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of a Company Store, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the store premises; (b) regulate matters affecting the health, safety and welfare of our customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food; special health, food service and licensing requirements; restrictions on smoking; exposure to tobacco smoke or other carcinogens or reproductive toxicants and saccharin; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety and mandatory health insurance; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate the proper use, storage and disposal of waste, insecticides and other hazardous materials; (f) establish general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as low calorie, fat free or organic; (g) establish requirements concerning withholdings and employee reporting of taxes on tips and (h) regulate or ban the use of polystyrene cups.

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

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

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

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Environmental Matters. We are subject to federal, state and local environmental laws and regulations concerning the use of polystyrene products, and several counties in which our stores are located have already banned the use of our polystyrene cups. As more state and local governments take actions to preserve the environment we may be subject to further bans on the use of polystyrene cups. A federal ban on the use of polystyrene cups would force us to eliminate the use of polystyrene products system-wide. We are actively exploring economically viable alternatives to polystyrene cups, which can provide the same quality and integrity of our frozen smoothies to ensure customer satisfaction.

During 2011, we continued to make progress on certain eco-sustainability initiatives first launched in 2009, focusing on waste reduction and increasing the use of recyclable products. Our green initiatives include the introduction of more environmentally friendly packaging for our products, the launch of several optimization programs to reduce waste, participation in recycling programs, and participation in composting programs of our food waste where it is feasible for us to do so. Among the packaging improvements to date are the introduction of new cup carriers, oatmeal cups and lids, breakfast clear cups and lids, spoons and napkins that are made from recycled material. We have also reduced the amount of corrugated cardboard used for bulk shipping, reduced labeling requirements, and reduced freight, resulting in lower fuel emissions.

Trademarks and Domain Names

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

Management Information Systems

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

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

During 2011, we completed our transition to a customer survey program to more quickly and better monitor the customer experience across the system. Our continued focus on technological and procedural enhancements, in areas such as labor and inventory management, has relieved our store managers from manual administrative tasks and enables them to better focus on delivering exceptional customer service.

Seasonality

Our business is highly subject to day-to-day volatility based on weather and varies by season. A significant portion of the Company's revenue is realized during the second and third quarters of the fiscal year, which include the summer months. The fourth quarter of the fiscal year, which encompasses the winter months and the holiday season, has traditionally been our lowest revenue volume quarter. To help offset the seasonal nature of

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our business we have launched our hot beverage platform, including coffee and teas, and a hot, savory breakfast platform and have expanded the number of stores offering our hot oatmeal, sandwiches and California Flatbreads. Our business will likely continue to be subject to seasonal patterns for the foreseeable future, given that the largest portion of our sales continues to be from the sale of smoothies during the warmer parts of the year. Because of the seasonality of the business, results for an individual quarter are not necessarily indicative of the results which may be achieved for the full fiscal year.

Executive Officers

Our executive officers, their respective ages and positions as of March 8, 2012, and descriptions of their business experience are set forth below. There are no family relationships among any of the executive officers named below.

James D. White, Chairman, President and Chief Executive Officer, age 51

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

Karen L. Luey, Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Secretary, age 51

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

Bruce Schroder, Executive Vice President and Chief Operating Officer, age 52

Mr. Schroder has served as Executive Vice President and Chief Operating Officer of Jamba Juice Company since May 2011. He served as President, Store Operations of Jamba Juice Company from April 2010 to May 2011. From 2008 to 2010, Mr. Schroder was Chief Operating Officer of Adina for Life. From 2007 to 2008, Mr. Schroder served as Chief Operating Officer of Aimco Capital. From 2003 to 2007, Mr. Schroder held various positions with Peet's Coffee & Tea, lastly serving as Vice President and General Manager, Retail.

Julie S. Washington, Senior Vice President and Chief Brand Officer, age 46

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

Employees

As of January 3, 2012, we employed approximately 4,900 persons, approximately 190 of whom were at our corporate offices or part of our field, licensing and franchise support and operations. The remainder of the employees was Company Store management and hourly store personnel. The Company also hires a significant number of seasonal employees during its peak selling season during the spring and summer. Our employees are

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not covered by a collective bargaining agreement. We consider our employee relations to be good. We place a priority on staffing our stores and support center positions with skilled team members who embrace our culture and invest in training programs to ensure the quality of our store operations.

Available Information

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

Jamba, Inc.

c/o ICR, Inc.

825 Third Avenue, 31st Floor

New York, NY 10022

(646) 277-1212

investors@jambajuice.com

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

ITEM 1A. RISK FACTORS

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

RISKS RELATED TO OUR BUSINESS

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

In fiscal 2011 we implemented our strategic priorities under our BLEND Plan 1.0, which we believed necessary to revitalize the Company for future growth and long-term stockholder value. On January 9, 2012, we announced our strategic priorities under the BLEND Plan 2.0, which we believe accelerates Jamba's path to a healthy, active lifestyle brand and creates long-term shareholder value, including:

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make Jamba a top-of-mind healthy food and beverage brand;

embody a healthy, active lifestyle at store level and broadly across the enterprise;

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