

JONES SODA CO  
Form DEF 14A  
April 16, 2004

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**JONES SODA CO.**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: JONES SODA CO - Form DEF 14A

x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

---

2) Aggregate number of securities to which transaction applies:

---

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

4) Proposed maximum aggregate value of transaction:

---

5) Total fee paid:

---

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

234 Ninth Avenue North	<i>T</i> 206-624-3357
Seattle, WA	<i>F</i> 206-624-6857
98109	www.jonessoda.com

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**MAY 19, 2004**

**2:00 p.m.**

To Jones Soda Co. Shareholders:

Notice is hereby given, that the 2004 Annual Meeting of Shareholders of Jones Soda Co., a Washington corporation (the Company), will be held at 2:00 p.m. on Wednesday, May 19, 2004 at the Company's offices at 234 Ninth Avenue North, Seattle, Washington for the following purposes:

1. to elect eight directors to the Company's board of directors;
2. to ratify the appointment of KPMG LLP as independent auditors of the Company for the fiscal year ending December 31, 2004; and
3. to transact such other business as may properly come before the meeting and any adjournments thereof.

Each of these items of business is more fully described in the Proxy Statement accompanying this Notice. Shareholders of record at the close of business on April 14, 2004 are entitled to notice of and to vote at the annual meeting.

By Order of the Board of Directors,

JONES SODA CO.

JENNIFER L. CUE

Secretary

Seattle, Washington

April 16, 2004

**IMPORTANT**

---

Whether or not you expect to attend the annual meeting in person, **we urge you to complete, sign, date and return the enclosed proxy at your earliest convenience.** This will ensure the presence of a quorum at the annual meeting. Promptly signing, dating and returning the proxy will save the Company the expense and extra work of additional solicitation. An addressed envelope, for which no postage is required if mailed in the United States, is enclosed for that purpose. Sending in your proxy will not prevent you from voting your shares at the meeting if you desire to do so, as your proxy is revocable at your option. Please note, however, that if a broker, bank or other nominee is the record holder of your shares and you wish to attend and vote at the meeting, you must obtain a proxy issued in your name from such broker, bank or other nominee.

---

**JONES SODA CO.**

**234 Ninth Avenue North**

**Seattle, Washington 98109**

---

**PROXY STATEMENT**

---

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Jones Soda Co., to be voted at the 2004 annual meeting of the shareholders. The 2004 annual meeting will be held at 2:00 p.m. (local time) on Wednesday, May 19, 2004, or at any continuation or adjournment thereof (the Annual Meeting). The Annual Meeting will be held at our corporate offices at 234 Ninth Avenue North, Seattle, Washington for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

We intend to mail this Proxy Statement and accompanying proxy card on or about April 23, 2004, to all shareholders entitled to vote at the Annual Meeting. A copy of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, including financial statements, accompanies this Proxy Statement.

**Voting and Outstanding Shares**

Only holders of record of our common stock ( Common Stock ) at the close of business on April 14, 2004, are entitled to notice of and to vote at the Annual Meeting. There were 20,444,096 shares of Common Stock issued and outstanding on that date. Shareholders are entitled to one vote for each share of Common Stock held on all matters to be voted upon at the Annual Meeting.

**Quorum; Approval Requirements**

The presence, in person or by proxy, of holders of record of at least 33 1/3% of the outstanding shares of Common Stock constitutes a quorum at the Annual Meeting. Under Washington law and our Articles of Incorporation, assuming the presence of a quorum, the election of directors requires a plurality of votes represented in person or by proxy at the meeting, and each of the other proposals described in the accompanying

## Edgar Filing: JONES SODA CO - Form DEF 14A

Notice to Shareholders requires that the votes cast in favor exceed the votes cast against the proposal. Pacific Corporate Trust Company, our transfer agent, will tabulate all votes and will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

### **Abstentions and Broker Non-Votes**

A shareholder who abstains from voting on any or all proposals will be included in the number of shareholders present at the Annual Meeting for the purpose of determining the presence of a quorum. Abstentions will not be counted either in favor of or against the election of the nominees or other proposals. Brokers holding stock for the accounts of their clients who have not been given specific voting instructions as to a matter by their clients may vote their clients' proxies in their own discretion, to the extent permitted under the rules of the National Association of Securities Dealers. Broker non-votes will be included in determining the presence of a quorum, but will not be counted in determining whether a matter has been approved.

**Solicitation of Proxies**

We will bear the entire cost of solicitation of proxies, including preparation, assembly and mailing of this Proxy Statement, the proxy card and any additional information furnished to shareholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of the Common Stock in their names that are beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners for their costs of forwarding the solicitation material to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, email, facsimile or personal solicitation by our directors, officers or other regular employees. No additional compensation will be paid to directors, officers or other regular employees for such services.

**Shareholder Proposals for 2005 Annual Meeting**

Shareholder proposals that are intended to be presented at next year's 2005 annual shareholders' meeting must be received by us not later than December 31, 2004, in order to be included in the proxy statement and form of proxy relating to the 2004 annual meeting. We reserve the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

**Revocability of Proxies**

Any shareholder who executes a proxy pursuant to this solicitation retains the right to revoke it at any time before it is voted. It may be revoked by delivering to our corporate secretary, at or prior to the Annual Meeting, either a written notice of revocation or a duly executed proxy bearing a later date. Alternatively, it may be revoked by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

---

**PRINCIPAL SHAREHOLDERS**

The following table sets forth as of April 14, 2004, certain information regarding the beneficial ownership of our outstanding Common Stock by the following persons or groups:

each person who, to our knowledge, beneficially owns more than 5% of our Common Stock;

each Named Executive Officer identified in the Executive Compensation table below;

each of our current directors and director nominees, and

all of our directors and executive officers as a group.

As of April 14, 2004, there were 20,444,096 shares of Common Stock issued and outstanding. Unless otherwise indicated, each person's address is: c/o Jones Soda Co., 234 Ninth Avenue North, Seattle, WA 98109.

<u>Name and Address</u>	<u>No. of Shares(1)</u>	<u>Percent</u>
Peter M. van Stolk(2)	2,043,194	9.8
Jennifer L. Cue(3)	815,134	3.8
Ron B. Anderson(4)	139,700	*
Scott Bedbury(5)	135,000	*
Michael M. Fleming(6)	85,000	*
John J. Gallagher, Jr.(7)	5,000	*
Matthew Kellogg(8)	211,400	1.1
Alfred W. Rossow, Jr.(9)	5,000	*
All current directors and executive officers as a group (eight persons) (10)	3,439,428	15.6%

\* Less than one percent

- (1) The above table is based upon information supplied by such principal shareholders, executive officers, and directors. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the shareholders named in this table has sole voting and investment power with respect to the shares shown as beneficially owned by him or her.
- (2) Includes 475,000 shares subject to stock options that are exercisable within 60 days of April 14, 2004 ( Vested Options ) held by Mr. van Stolk. Includes 100,000 shares held of record by 543608 BC Ltd., a British Columbia corporation for which Mr. van Stolk serves as sole shareholder. Also includes 820,125 shares currently held in escrow with Pacific Corporate Trust Company, pursuant to the terms of an escrow agreement dated November 15, 2002, in conformance with the policies of the TSX Venture Exchange (the TSX Escrow ).
- (3) Includes 735,000 shares subject to Vested Options held by Ms. Cue, and 120,000 shares subject to Vested Options held of record by 548919 BC Ltd., a British Columbia corporation for which Ms. Cue serves as sole shareholder. Also includes 11,250 shares currently held in escrow, pursuant to the terms of the TSX Escrow.



Edgar Filing: JONES SODA CO - Form DEF 14A

- (4) Includes 60,000 shares subject to Vested Options held by Mr. Anderson.
- (5) Includes 15,000 shares subject to Vested Options held by Mr. Bedbury.
- (6) Includes 80,000 shares subject to Vested Options held by Mr. Fleming.
- (7) Consists of 5,000 shares subject to Vested Options held by Mr. Gallagher.
- (8) Includes 160,000 shares subject to Vested Options held by Mr. Kellogg.
- (9) Consists of 5,000 shares subject to Vested Options held by Mr. Rossow.

- (10) Consists of Peter van Stolk, Jennifer Cue, Ron Anderson, Scott Bedbury, Michael Fleming, Jack Gallagher, Matthew Kellogg and Al Rossow. Includes an aggregate of 1,535,000 shares subject to Vested Options held by such persons.

### **Section 16 Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1933, as amended, requires our directors and executive officers, and persons who own more than 10% of our outstanding Common Stock (collectively, Reporting Persons ) to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our Common Stock. Reporting Persons are also required by SEC regulations to furnish us with copies of all such ownership reports they file.

Based solely on our review of the copies of such reports received or written communications from certain Reporting Persons, we believe that, except as set forth below, during the 2003 fiscal year, all Reporting Persons complied with all Section 16(a) filing requirements. The following Reporting Persons had late filings for 2003:

Peter van Stolk filed one late Form 4, reporting two late transactions (a stock sale in late September and a stock sale in early October 2003);

Jennifer Cue filed two late Forms 4, reporting seven transactions (an exercise of stock options and a sale of stock in September 2003, and the extension of the term of five stock options);

Scott Bedbury filed a late Form 3 upon his appointment to the Board and one late Form 4 reporting one transaction (a grant of stock options in September 2003);

Ron Anderson filed one late Form 4 reporting three late transactions (three stock sales in December 2003) late Form 4 for stock option grant in April 2003;

William Collin, a former director, filed one late Form 4, reporting three transactions (the exercise of three stock options in September 2003);

Matthew Kellogg had one late Form 4 for stock option grant in April 2003;

Michael Fleming had one late Form 4 for stock option grant in April 2003; and

Peter Cooper had one delinquent Form 4 for stock option grant in April 2003.

### **DIRECTORS AND EXECUTIVE OFFICERS**

Our directors and executive officers as of April 14, 2004, are as follows:

Edgar Filing: JONES SODA CO - Form DEF 14A

<u>Name</u>	<u>Age</u>	<u>Position</u>
Peter M. van Stolk(1)(2)	40	President, Chief Executive Officer and Chairman of the Board
Jennifer L. Cue	40	Chief Financial Officer, Chief Operating Officer, Secretary and Director
Ron B. Anderson(2)(3)	51	Director
Scott Bedbury(1)	46	Director
Michael M. Fleming(1)	55	Director
John J. Gallagher, Jr.(2)(3)	55	Director
Matthew Kellogg	38	Director
Alfred W. Rossow, Jr.(3)	71	Director

(1) Member of Compensation Committee

(2) Member of Nomination Committee

(3) Member of Audit Committee

Officers are appointed by the Board of Directors. Each executive officer named above will serve until his or her successor is appointed or until his or her earlier death, resignation or removal. It is expected that each of the above officers will be reappointed by the Board of Directors immediately following the Annual Meeting.

A majority of directors on our Board of Directors are independent within the meaning of the listing standards of The Nasdaq Stock Market.

For the biographical summary of our executive officers and directors, see Proposal 1. Election of Directors Nominees below.

### **Board Meetings and Committees**

During the 2003 fiscal year, the Board of Directors held 11 meetings. Each director was in attendance at more than 75% of the meetings held of the Board and any committees on which she or he served during his or her tenure as a director in 2003.

Our Board currently has an Audit Committee, a Compensation Committee and a Nomination Committee.

#### ***Audit Committee***

The Audit Committee represents the Board of Directors in discharging its responsibilities relating to our accounting, reporting, financial and internal control practices. The committee has general responsibility for reviewing with management the financial and internal controls and the accounting, auditing and reporting activities of our company and our subsidiaries. The committee annually reviews the qualifications and objectivity of our independent auditors, is responsible for selecting, retaining or replacing our independent auditors, reviews the scope, fees and result of their audit, reviews and approves any non-audit services and related fees, is informed of their significant audit findings and management's responses thereto, and annually reviews the status of significant current and potential legal matters. The Audit Committee reviews the quarterly and annual financial statements and recommends their acceptance to the Board of Directors.

The Audit Committee currently consists of Ron Anderson (Chair), Al Rossow and Jack Gallagher. Each member of the Audit Committee is financially literate, and the Board has determined that Mr. Anderson, the Chair of the Audit Committee, is qualified as an audit committee financial expert within the meaning of SEC regulations based on his accounting and related financial management expertise. All of the directors on the Audit Committee qualify as independent directors within the meaning of the listing standards of The Nasdaq Stock Market.

During 2003, the Audit Committee consisted of Ron Anderson (Chair), William Collin and Jennifer Cue. Upon Mr. Collin's resignation from the Board in July 2003, Matthew Kellogg was appointed as his replacement to the committee. In December 2003, the Board determined that the Audit Committee should be comprised solely of non-management directors and appointed Jack Gallagher to replace Jennifer Cue's position on the committee. Subsequently in April 2004, the Board determined that the Audit Committee should be comprised solely of independent directors and appointed Al Rossow to replace Matthew Kellogg's position on the committee. The Audit Committee held five meetings in fiscal 2003.

The Board of Directors has not adopted a written charter for the Audit Committee.

*Compensation Committee*

The Compensation Committee oversees incentive compensation plans for officers and key employees and approves standards for setting compensation plans for senior executives. The committee also approves the compensation of certain employees whose salary is above specified levels and makes recommendations to the Board for approval as required. The committee also recommends bonuses and stock option awards. This committee meets as needed.

The Compensation Committee currently consists of Michael Fleming (Chair), Scott Bedbury and Peter van Stolk. Currently, two of the three members of the Compensation Committee qualify as independent directors within the meaning of the listing standards of The Nasdaq Stock Market. During 2003, the Compensation Committee consisted of Michael Fleming (Chair), Peter Cooper, William Collin and Peter van Stolk. In December 2003, Scott Bedbury was appointed to the Compensation Committee, following the resignation of Mr. Cooper from the Board. The Compensation Committee met six times during the 2003 fiscal year.

The Board of Directors has not adopted a written charter for the Compensation Committee.

#### *Nomination Committee*

The Nomination Committee identifies and recommends candidates for election to the Board. It advises the Board on all matters relating to directorship practices, including the criteria for selecting directors, policies relating to tenure and retirement of directors, and compensation and benefit programs for non-employee directors. The committee makes recommendations relating to the duties and membership of committees of the Board. The committee recommends processes to evaluate the performance and contribution of individual directors and the Board of Directors as a whole and approves procedures designated to provide that adequate orientation and training are provided to new members of the Board of Directors. The Nomination Committee consults with the Chief Executive Officer in its process of recruiting new directors. The Nomination Committee may also assist in locating senior management personnel.

The Nomination Committee currently consists of Ron Anderson, Jack Gallagher and Peter van Stolk. Currently, two of the three members of the Nomination Committee qualify as independent directors, within the meaning of the listing standards of The Nasdaq Stock Market. During 2003, the Nomination Committee consisted of Peter Cooper (Chair), Ron Anderson and Peter van Stolk. In December 2003, Jack Gallagher was appointed to the Nomination Committee, following the resignation of Mr. Cooper from the Board. The Nomination Committee met three times during the 2003 fiscal year.

The Board of Directors has not adopted a written charter for the Nomination Committee.

#### **Policy on Shareholder Nomination of Directors**

Candidates for election to our Board of Directors are nominated by our Nomination Committee and ratified by our full Board of Directors for nomination to the shareholders.

In identifying candidates to be directors, the Nomination Committee seeks persons it believes to be knowledgeable in our business or having beverage or consumer products industry experience, or some aspect of it which would benefit our company. Our Nominating Committee believes that the minimum qualifications for serving on our Board of Directors are that each director has an exemplary reputation and record for honesty and integrity in his or her personal dealings and business or professional activity. All directors should possess a basic understanding of financial matters, have an ability to review and understand the Company's financial and other reports, and to discuss such matters intelligently and effectively. The Nominating Committee will take into account whether a candidate qualifies as independent under applicable SEC rules and exchange listing requirements. If a nominee is sought for service on the audit committee, the Nominating Committee will take into account the financial and accounting expertise of a candidate, including whether an individual qualifies as an audit committee financial expert. Each candidate also needs to exhibit qualities of independence in thought and action. Finally, a candidate should be committed to the interests of our shareholders, and persons who represent a particular special interest, ideology, narrow perspective or point of view would not, therefore, generally be considered good candidates for election to our Board.



Candidates have traditionally been recommended to the Board by our Chief Executive Officer or one of the other directors, and there has not been a formal process for identifying new director nominees. Our Nominating Committee also is open to receiving recommendations from shareholders as to potential candidates it might consider. The Nomination Committee gives equal consideration to all director nominees, whether recommended by our shareholders, management or current directors.

Since our last annual shareholders meeting in May 2003, the Board added three new directors, Scott Bedbury, John J. Gallagher, Jr. and Alfred W. Rossow, Jr., upon the recommendation of the Nomination Committee. Messrs. Bedbury and Gallagher were recommended to the Nomination Committee by our Chief Executive Officer, Peter van Stolk. Mr. Rossow was recommended to the Nomination Committee by Matthew Kellogg, one of our directors.

A shareholder wishing to submit a director nomination should send a letter to the Nomination Committee, c/o Corporate Secretary, Jones Soda Co., 234 Ninth Avenue North, Seattle, WA 98109. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Director Nominee Recommendation. The notice must also be accompanied by a written consent of the proposed nominee to being named as a nominee and to serve as a director if elected. In making recommendations, shareholders should be mindful of the discussion of minimum qualifications set forth above; although satisfaction of such minimum qualification standards does not imply that the Nomination Committee necessarily will nominate the person so recommended by a shareholder. In addition, for nominees for election to the Board proposed by shareholders to be considered, the following information must be timely submitted with the director nomination:

the name, age, business address and, if known, residence address of each nominee;

the principal occupation or employment of each nominee;

the number of shares of stock of Jones Soda Co. beneficially owned by each nominee;

the name and address of the shareholder making the nomination and any other shareholders known by such shareholder to be supporting such nominee;

the number of shares of stock of Jones Soda Co. beneficially owned by such shareholder making the nomination, and by each other shareholder known by such shareholder to be supporting such nominee;

any other information relating to the nominee or nominating shareholder that is required to be disclosed under SEC rules in order to have a shareholder proposal included in our proxy statement; and

a representation that the shareholder intends to appear in person or by proxy at the annual meeting to nominate the person named in its notice.

According to our Bylaws, any shareholder entitled to vote at an annual meeting may make a nomination for the election of directors. The nomination must be in writing and be delivered to our Corporate Secretary, at 234 Ninth Avenue North, Seattle, WA 98109. The notice must be received not less than 14 days nor more than 50 days prior to the date of the annual meeting; provided, however, that if less than 21 days notice of the meeting is given to the shareholders, such written notice of nomination must be delivered to our Corporate Secretary not later than 5:00 p.m. on the seventh day following the day on which notice of the meeting was mailed to the shareholders.

#### **Shareholder Communication with the Board**



## Edgar Filing: JONES SODA CO - Form DEF 14A

Shareholders who wish to communicate with our Board of Directors or with a particular director can send correspondence to our Corporate Secretary, c/o Jones Soda Co., 234 Ninth Avenue North, Seattle, WA 98109. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Shareholder-Board Communication or Shareholder-Director Communication. All such correspondence must identify the author as a shareholder of Jones Soda Co., and clearly state whether the intended recipients are all members of the Board of Directors or just certain specified directors.

Depending on the subject matter of the communication, management will do one of the following:

forward the communication to the director or directors to whom it is addressed;

attempt to handle the inquiry directly, for example where it is a request for information about the company or it is a stock related matter; or

**not** forward the communication if it is primarily commercial in nature, if it relates to an improper or irrelevant topic, or if it is unduly hostile, threatening, illegal or otherwise inappropriate.

At each Board meeting, management will present a summary of all communications received since the last meeting that were not forwarded and shall make those communications available to the directors.

In addition, any person who desires to communicate any matter specifically to our Audit Committee may contact the Audit Committee by addressing a letter to the Chairman of the Audit Committee, c/o Corporate Secretary, Jones Soda Co., 234 Ninth Avenue North, Seattle, WA 98109. Communications addressed to the Audit Committee Chair may be submitted anonymously, in which event the envelope will **not** be opened for any purpose, other than appropriate security inspections. Otherwise, such mailing will be forwarded directly to the Chair of our Audit Committee for his or her review and follow-up action as he or she deems appropriate.

#### **Director Compensation**

Non-management directors receive a fee of \$500 for each Board meeting attended, and a fee of \$250 for each Board conference call and each Board committee meeting attended. Each non-management director also receives an annual grant of stock options to purchase 20,000 shares of common stock. The exercise price of these options is at the fair market value on the date of grant and the options vest over a period of 18 months from the date of grant, at the rate of 25% on the date of grant and an additional 25% on each six month anniversary of the date of grant. In addition, non-management directors are reimbursed for their out of pocket expenses incurred in attending meetings of the Board of Directors and committee meetings. We maintain liability insurance on our directors and officers. Management directors receive no additional compensation for their service on the Board of Directors.

#### **Director Attendance at Annual Meeting of Shareholders**

We do not have a formal policy requiring director attendance at our annual meeting of shareholders, however, all directors are encouraged to attend. At last year's annual meeting of shareholders, three of our directors were in attendance.

#### **Code of Ethics**

We have adopted a code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We filed a copy of the Code as Exhibit 14.1 to our annual report on Form 10-KSB for the

Edgar Filing: JONES SODA CO - Form DEF 14A

2003 fiscal year, which may be accessed through the SEC's website at [www.sec.gov](http://www.sec.gov).

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee of our Board of Directors serves as the representative of the Board for general oversight of our financial accounting and reporting process, system of internal control, audit process, and process for monitoring compliance with laws and regulations. Management has primary responsibility for preparing our financial statements, our internal controls and our financial reporting process. Our independent accountants, KPMG LLP, are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with U.S. generally accepted auditing standards and to issue its report.

In this context, the Audit Committee has met and held discussions with management and the independent accountants. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent accountants. The Audit Committee discussed with the independent accountants matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees).

The Company's independent accountants also provided to the Audit Committee the written disclosures and letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent accountants that firm's independence.

Based upon the Audit Committee's discussion with management and the independent accountants, and upon the Audit Committee's review of the representations of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003 for filing with the Securities and Exchange Commission.

*Audit Committee of the Board of Directors*

Ron B. Anderson

John J. Gallagher, Jr.

Alfred W. Rossow, Jr.

THE FOREGOING AUDIT COMMITTEE REPORT SHALL NOT BE DEEMED TO BE SOLICITING MATERIAL OR TO BE FILED WITH THE SEC, NOR SHALL SUCH INFORMATION BE INCORPORATED BY REFERENCE INTO ANY PAST OR FUTURE FILING UNDER THE SECURITIES ACT OR THE EXCHANGE ACT, EXCEPT TO THE EXTENT THE COMPANY SPECIFICALLY INCORPORATES IT BY REFERENCE INTO SUCH FILING.

---

**EXECUTIVE COMPENSATION**
**Compensation of Executive Officers**

The following table shows for each of the three fiscal years ended December 31, 2003, 2002 and 2001, respectively, certain compensation awarded or paid to, or earned by, the following persons (collectively, the Named Executive Officers):

Peter van Stolk, our Chief Executive Officer; and

Jennifer L. Cue, our Chief Financial Officer and Chief Operating Officer

Other than the Named Executive Officers, none of our executive officers earned more than \$100,000 in salary and bonus for the 2003 fiscal year.

**Summary Compensation Table**

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)	Securities Under Options Granted(1)(#)
Peter van Stolk, <i>Chief Executive Officer</i>	2003	\$ 95,049	\$ 5,000	\$ 12,420	80,000
	2002	90,000	101,416	10,344	250,000
	2001	90,000	70,000	10,246	60,000
Jennifer L. Cue, <i>Chief Financial Officer and Chief Operating Officer</i>	2003	95,049	16,633		80,000
	2002	90,000			100,000
	2001	90,000			60,000

- (1) All referenced options granted are exercisable at prices equal to or higher than the fair market value of the Common Stock on the respective dates of grant.

**Stock Option Grants**

The following table shows information regarding stock options granted to the Named Executive Officers during the 2003 fiscal year:

Edgar Filing: JONES SODA CO - Form DEF 14A

<u>Name</u>	<u>No. of Shares Underlying</u>	<u>Percentage of Total Options Granted to Employees</u>	<u>Exercise Price Per Share (US\$)</u>	<u>Expiration Date(1)</u>
Peter van Stolk	80,000	15.5%	\$ 0.30	April 10, 2008
Jennifer L. Cue	80,000	15.5%	\$ 0.30	April 10, 2008

(1) The options vest over a period of 18 months from the grant date, with 25% vested on the grant date and 25% vesting on each six month anniversary of the grant date.

**Aggregated Option Exercises and Fiscal Year-End 2003 Option Values**

The following table presents information about options held by the Named Executive Officers and the value of those options as of December 31, 2003.

Name	Shares Acquired on Exercise(#)	Value Realized(\$)	Number of Shares Underlying Unexercised Options at December 31, 2003		Value of Unexercised In-the-Money Options December 31, 2003	
			Exercisable(#)	Unexercisable(#)	Exercisable(\$)	Unexercisable(\$)
			Peter van Stolk	N/A	N/A	435,000
Jennifer L. Cue	50,000	\$ 38,268	625,000	40,000	886,026	71,600

**Employment Agreements**

**Peter van Stolk.** Mr. van Stolk serves as our Chief Executive Officer, pursuant to an employment agreement. The employment agreement expired by its terms on March 31, 2004, and we have agreed with Mr. van Stolk to continue the employment agreement on a month-to-month basis while we negotiate an extension or new agreement.

Pursuant to the employment agreement, Mr. van Stolk receives an annual salary of \$100,000, and is eligible to receive (a) an annual performance bonus in an amount determined by the Board of Directors and (b) annual stock options equal to a minimum of four times the number of options granted to any one of our outside directors. Mr. van Stolk also receives under the employment agreement term life insurance in the amount of \$1.5 million payable to Mr. van Stolk's designated beneficiary. For as long as Mr. van Stolk remains employed pursuant to the employment agreement, the Board of Directors will nominate Mr. van Stolk for re-election to the Board.

Pursuant to the current employment agreement, Mr. van Stolk received a bonus in stock options to purchase up to 150,000 shares of Common Stock, that vested contingent upon (a) his continued employment with us as of December 31, 2003 and (b) our having positive net income for fiscal 2003 as set forth in our audited financial statements for the 2003 fiscal year. Both of these conditions were satisfied. The stock options were granted on June 28, 2002, are fully vested, and have an exercise price of \$0.46, equal to the average weighted trading price of Common Stock on the OTC Bulletin Board for the 10 trading days following the date of the employment agreement.

Mr. van Stolk may, upon 14 days' notice to us, elect to terminate his employment and be entitled to enter into a consulting agreement with us for a period not less than the balance of the time then remaining under the employment agreement and for compensation of not less than his then-current salary. In addition, at any time after 14 days from the date of a change of control or a change in our management or reporting structure, Mr. van Stolk may terminate the employment agreement. Upon such termination, Mr. Van Stolk will be entitled to receive (a) a payment equal to one month of his annual salary in effect at the time of his termination multiplied by the amount of months remaining under the employment agreement, payable in equal monthly installments over a 12-month period (but not less than one year's base salary), and (b) any stock options he is entitled to receive for the year of termination. A change of control will be deemed to occur when a majority of the directors elected at any shareholders' meeting are not individuals nominated by the then-incumbent Board of Directors. In the event the employment agreement is terminated by Mr. van Stolk due to breach by us, or terminated by us without cause, Mr. van Stolk will be entitled to receive the same amount as if the agreement were terminated upon a change of control. We may terminate the employment agreement for cause.

The employment agreement contains certain restrictive covenants, including confidentiality provisions and provisions precluding Mr. van Stolk from competing with us for up to 12 months following the term of the agreement or from soliciting employees, suppliers or distributors of us for up to 18 months following the term of the agreement.



**Jennifer L. Cue.** Ms. Cue serves as our Chief Financial Officer and Chief Operating Officer, pursuant to an employment agreement entered into on October 1, 2003, with a term through September 30, 2006.

Pursuant to the employment agreement, Ms. Cue receives an annual salary of \$90,000, and is eligible to receive (a) an annual performance bonus for each calendar year in an amount determined by the Board of Directors and (b) annual stock options equal to a minimum of four times the number of options granted to any one of our outside directors. In addition, in 2003, pursuant to the employment agreement, Ms. Cue received a performance bonus, based on the company meeting quarterly performance objectives and Ms. Cue's continued employment during each calendar quarter. We also provide Ms. Cue with a \$500 monthly car allowance and term life insurance in the amount of \$1.0 million payable to Ms. Cue's designated beneficiary. Under the employment agreement, we agreed to extend until December 31, 2005 the term of all stock options held by Ms. Cue that were due to expire in 2003, representing a total of 475,000 shares. For as long as Ms. Cue remains employed pursuant to the employment agreement, the Board of Directors will nominate Ms. Cue for re-election to the Board.

Ms. Cue may terminate the employment agreement (a) upon 30 days' notice, (b) upon 14 days' notice after a change of control, or (c) upon 14 days' notice if we are in breach of the agreement. A change of control will be deemed to occur when a majority of the directors elected at any shareholders' meeting are not individuals nominated by the then-incumbent Board of Directors. We may terminate the employment agreement (i) upon 30 days' notice without cause or (ii) immediately for cause. The employment agreement also terminates upon Ms. Cue's becoming disabled or upon her death. In the event that the employment agreement is terminated by Ms. Cue upon a change of control or due to breach by us, or terminated by us without cause, Ms. Cue will be entitled to severance payments in an amount equal to three times her annual salary, plus her performance bonus and stock options, and she will have the right to exercise her stock options through the balance of their respective stated terms.

#### ***PROPOSAL 1 ELECTION OF DIRECTORS***

Our Board of Directors is currently comprised of eight directors, all of which positions are to be elected at the Annual Meeting. Since the date of our last annual shareholders' meeting in May 2003, we added three new directors to our Board of Directors, Scott Bedbury (appointed in August 2003), Jack Gallagher (appointed in December 2003) and Al Rossow (appointed in March 2004). In addition, during 2003, William Collin and Peter Cooper, two of our directors resigned from the Board. We appreciate and thank these two directors for their commitment and years of service to the Board.

Our Board of Directors has nominated the persons named below as candidates for election at the Annual Meeting. Each of the persons nominated is a current director. If elected at the Annual Meeting, each director nominee would hold office until the next annual meeting of shareholders or until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. Directors are elected by a plurality of the shares voted at the Annual Meeting.

Unless otherwise directed, the persons named as proxies in the enclosed proxy card will vote the proxies received by them for the eight nominees named below. In the event that any of the nominees is unable or declines to serve as a director at or prior to the time of the Annual Meeting (an event that currently is not anticipated by management), the proxies will be voted for the election of such substitute nominee as the Board of Directors may propose.

**Nominees**

Set forth below is biographical information for each of the eight nominees as director.

<u>Name</u>	<u>Position / Background</u>	<u>Director Since</u>
Peter M. van Stolk	Peter M. van Stolk is our founder, and has served as our President, Chief Executive Officer and a director since May 1993, and as Chairman of the Board since December 2003. Mr. van Stolk began his career in the beverage industry in 1987 when he founded Urban Hand Ltd., a predecessor company to Jones Soda Co. Mr. van Stolk is also a member of the Social Venture Network. He attended Grant McKewan College in Edmonton, Alberta.	May 1993
Jennifer L. Cue	Jennifer L. Cue has served as our Chief Operating Officer since October 2002, Corporate Secretary since August 1997, Chief Financial Officer since February 1997, Vice President, Corporate and Financial Development, between October 1995 and January 1997, and a director since March 1995. Prior to October 1995, Ms. Cue served as Vice President Investment Research of D. Grant Macdonald Capital Corporation from February 1994, and prior to that served as Vice President, Investments at Penfund Management in Toronto, Ontario from November 1990. From 1986 to 1988, Ms. Cue worked in Commercial Banking for Lloyds Bank Canada. Ms. Cue holds an MBA from McGill University in Montreal and a Bachelor of Commerce from the University of British Columbia in Vancouver, British Columbia. Ms. Cue is also a Chartered Financial Analyst.	March 1995
Ron B. Anderson	Ron B. Anderson has served as one of our directors since July 1994. Mr. Anderson is currently President of North Point Capital Corp., a private merchant banking company. Mr. Anderson is a Certified General Accountant and holds a B.Comm. from the University of British Columbia in Vancouver, B.C.	July 1994
Scott Bedbury	Scott Bedbury has served as one of our directors since August 2003. Mr. Bedbury is currently C.E.O. of Brandstream, an independent brand consultancy, and a speaker for the Leigh Bureau. Mr. Bedbury was a senior vice president of marketing at Starbucks from 1995 to 1998. Prior to that, he spent seven years as head of advertising for Nike, where he launched the Just Do It campaign. As C.E.O. of Brandstream, Mr. Bedbury has provided brand consulting to such companies as Coca Cola, Mattel Inc, Microsoft, Merck, Disney and Procter and Gamble. In addition, Mr. Bedbury is the author of A New Brand World: Eight Principles for Achieving Brand Leadership in the 21st Century. Mr. Bedbury holds a Bachelor of Arts degree from the University of Oregon.	August 2003
Michael M. Fleming	Michael M. Fleming has served as one of our directors since April 1997. Since February 2000, Mr. Fleming has been an attorney with the law firm of Lane Powell Spears Lubersky LLP	April 1997

Name	Position / Background	Director Since
John J. Gallagher, Jr.	<p>in Seattle, Washington specializing in real estate, dispute resolution, securities and environmental matters. From November 1992 to February 2000, Mr. Fleming was an attorney with the law firm of Ryan, Swanson &amp; Cleveland in Seattle, Washington. He is also the President and owner of Kidcentre, Inc., a company in the business of providing child care services in Seattle, Washington. Since April 1985, he has also been the President and owner of Fleming Investment Co., an investment company. Mr. Fleming holds a Bachelor of Arts degree from University of Washington and a law degree from the University of California, Hastings College of the Law.</p> <p>Jack Gallagher has served as one of our directors since December 2003. Since January 2003, Mr. Gallagher has served as the Chief Executive Officer of Second Act Partners, a private research and technology development company. Prior to that, Mr. Gallagher served as the President of Optiva Corporation / Philips Oral Healthcare from February 1999 to December 2002. Mr. Gallagher received his M.B.A. and his B.S. in Marketing from Seton Hall University. Mr. Gallagher is a member of the Board of Directors of Associated Grocers, one of Washington State's largest private companies, where he serves as Audit Committee Chair and member of the Executive Committee.</p>	December 2003
Matthew Kellogg	<p>Matthew Kellogg has served as one of our directors since May 1999, and acted as Executive Chairman of the Company from April 2002 to October 2002. Mr. Kellogg is currently the Managing Member of Kingfisher Capital, LLC. From 1997 to 1999, Mr. Kellogg was the Business Development Director for Playnetwork, Inc. From 1993 to 1996, Mr. Kellogg served as the Managing Member of MTC, LLC, a restaurant management firm. Mr. Kellogg holds a Bachelor of Science degree from Skidmore College.</p>	May 1999
Alfred W. Rossow, Jr.	<p>Al Rossow has served as one of our directors since March 2004. Mr. Rossow is currently the owner of Rossow Associates, a marketing and finance consulting firm. From October 2003 to February 2004, Mr. Rossow was a principal with Demeter Group, an investment bank. From January 2002 to September 2003, Mr. Rossow was a partner with Tatum Partners, a national professional services firm. From October 1999 to September 2001, Mr. Rossow served as the Chief Financial Officer for Kendal Jackson Wine Estates. From October 1989 to September 1999, Mr. Rossow was the Chief Financial Officer, Chief Operating Officer/Executive Vice President and a director of Boston Beer Co. Mr. Rossow holds a B.A. from Harvard University and an M.B.A. from Harvard Business School.</p>	March 2004

**The Board of Directors Recommends that the Shareholders Vote FOR**

**Each of the Above Director-Nominees**

**PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee of our Board of Directors has selected KPMG LLP as our independent auditors for the 2004 fiscal year, and has further directed that management submit the selection of independent auditors for ratification by the shareholders at the Annual Meeting. KPMG LLP has audited our financial statements since November 24, 1995. Representatives of KPMG LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

Shareholder ratification of the selection of KPMG LLP as our independent auditors is not required by our bylaws or otherwise. However, the Board of Directors is submitting the selection of KPMG LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of our company and our shareholders.

**Audit and Related Fees**

The following table set forth the aggregate fees billed by KPMG LLP for professional services rendered to us during the past two fiscal years ended December 31, 2003 and 2002. The Audit Committee has considered these fees and services and has determined that the provision of these services is compatible with maintaining the independence of KPMG LLP.

	<u>2003</u>	<u>2002</u>
Audit Fees(1)	\$ 51,637	\$ 37,525
Audit Related Fees(2)		
Tax Fees(3)	20,152	12,695
All Other Fees(4)	5,193	

- (1) Audit Fees represent fees for professional services provided in connection with the audit of our annual financial statements and review of our quarterly financial statements included in our reports on Form 10-QSB, and audit services provided in connection with other statutory or regulatory filings.
- (2) Audit Related Fees generally represent fees for assurance and related services reasonably related to the performance of the audit or review of our financial statements.
- (3) Tax Fees generally represent fees for tax compliance, tax advice and tax planning services. For fiscal 2003 and 2002, these fees consisted primarily of preparation of tax returns.
- (4) All Other Fees for fiscal 2003 and 2002 consisted of various issues regarding our stock option plans and new U.S. GAAP requirements.

**The Board of Directors Recommends a Vote FOR Proposal 2**

**OTHER BUSINESS**

As of the date of this Proxy Statement, the Board of Directors knows of no other business that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the Annual Meeting, it is intended that the persons named in the accompanying proxy will vote the shares represented by the proxies on each of such matters, in accordance with their best judgment.

By Order of the Board of Directors

Peter M. van Stolk

*President and Chief Executive Officer*

April 16, 2004

**JONES SODA CO.**

**Proxy Card for 2004 Annual Meeting of Shareholders**

**May 19, 2004**

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned shareholder of Jones Soda Co., a Washington corporation (the Company), hereby appoints Peter M. van Stolk and Jennifer L. Cue, or either of them, with full power of substitution, as proxies to vote all shares of stock of the Company which the undersigned shareholder is entitled to vote at the Company's 2004 Annual Meeting of Shareholders, to be held on May 19, 2004, at 2:00 p.m. local time, at the Company's offices located at 234 Ninth Avenue North, Seattle, Washington 98109 and at any adjournments or postponements thereof (the Annual Meeting), upon the matters set forth in the Notice of Annual Meeting of Shareholders and Proxy Statement dated April 16, 2004, a copy of which has been received by the undersigned. The proxies are further authorized to vote, in their discretion, upon such other business as may properly come before the meeting or any adjournment thereof.

THE SHARES REPRESENTED BY A PROPERLY EXECUTED PROXY WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER, OR, IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES LISTED IN ITEM 1, AND FOR THE PROPOSAL IN ITEM 2 AND IN ACCORDANCE WITH THE RECOMMENDATIONS OF A MAJORITY OF THE BOARD OF DIRECTORS AS TO OTHER MATTERS. The undersigned hereby revokes any proxy or proxies previously given.

**(Continued and to be signed on the reverse side)**

Edgar Filing: JONES SODA CO - Form DEF 14A

1. Nominees for Election as Director

(01) Peter M. van Stolk  
(04) Scott Bedbury  
(07) Matthew Kellogg

(02) Jennifer L. Cue  
(05) Michael M. Fleming  
(08) Alfred W. Rossow, Jr.

(03) Ron B. Anderson  
(06) John J. Gallagher, Jr.

Mark X for only one box:

- .. FOR ALL NOMINEES
- .. WITHHOLD AUTHORITY TO VOTE FOR ALL NOMINEES
- .. WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, WRITE NUMBER(S) OF NOMINEES BELOW

Number Only \_\_\_\_\_

2. To ratify the appointment of KPMG LLP as independent auditors of the Company for its fiscal year ending December 31, 2004

For ..	Against ..	Abstain. ..
-----------	---------------	----------------

3. In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the meeting or any adjournments or postponements thereof.

.. Please check this box if you plan to attend the Annual Meeting in Person

Signature(s) \_\_\_\_\_ Date \_\_\_\_\_, 2004

Print Name(s) \_\_\_\_\_

Please sign above exactly as your name appears on this Proxy Card. If shares are registered in more than one name, the signature of all such persons are required. A corporation should sign in its full corporate name by a duly authorized officer, stating his/her title. Trustees, guardians, executors and administrators should sign in their official capacity, giving their full title as such. If a partnership, please sign in the partnership name by authorized person(s).

If you receive more than one Proxy Card, please sign, date and return all such cards in the accompanying envelope.

**Please sign, date and return this Proxy Card today, using the enclosed envelope.**