UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended March 31, 2024
OR
☐**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 000-28820

JONES SODA CO.

(Exact name of registrant as specified in its charter)

Washington (State or other jurisdiction of incorporation or organization)	**52-2336602** (I.R.S. Employer Identification No.)
4786 1st Avenue South, Suite 103 **Seattle, Washington** (Address of principal executive offices)	**98134** (Zip Code)

(206) 624-3357
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by checkmark 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 such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-accelerated Filer ☒	Smaller Reporting Company ☒
Emerging Growth Company ☐	

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

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

As of May 5, 2024, there were 102,232,943 shares of the registrant's common stock issued and outstanding.

JONES SODA CO.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024
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EXPLANATORY NOTE

Unless otherwise indicated or the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this "Report") to "we," "us," "our," "Jones," and the "Company" are to Jones Soda Co., a Washington corporation, and our wholly-owned subsidiaries.

In addition, unless otherwise indicated or the context otherwise requires, all references in this Report to "Jones Soda" refer to our premium beverages, including Jones® Soda and Lemoncocco® sold under the trademarked brand name "Jones Soda Co.®"

CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. This Report contains a number of forward-looking statements that reflect management's current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this Report other than statements of historical fact, including statements that address operating performance, the economy, events or developments that management expects or anticipates will or may occur in the future, including statements related to case sales, revenues, profitability, distributor channels, new products or markets, adequacy of funds from operations, cash flows and financing, potential strategic transactions, statements regarding future operating results and non-historical information, are forward-looking statements. In particular, the words such as "believe," "expect," "intend," "anticipate," "estimate," "may," "will," "can," "plan," "predict," "could," "future," "continue," variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements and their absence does not mean that the statement is not forward-looking.

Readers should not place undue reliance on these forward-looking statements, which are based on management's current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions and apply only as of the date of this Report. Our actual results, performance or achievements could differ materially from historical results as well as from the results expressed in, anticipated or implied by these forward-looking statements. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In particular, our business, including our financial condition and results of operations may be impacted by a number of factors, including, but not limited to, the following:

- Our ability to successfully execute on our growth strategy and operating plans;

- Our ability to continue to effectively utilize the proceeds from our financings completed during the first half of 2022;

- Our ability to execute our plans to continue to license and market THC/CBD-infused and/or cannabis-infused beverages and edibles, and comply with the laws and regulations governing cannabis, hemp or related products, and the timing and costs of the development of this new product line;

- Our ability to manage our operating expenses and generate cash flow from operations, along with our ability to secure additional financing if our sales goals take longer to achieve than anticipated;

- Our ability to create and maintain brand name recognition and acceptance of our products, which is critical to our success in our competitive, brand-conscious industry;

- Our ability to compete successfully against much larger, well-funded, established companies currently operating in the beverage industry generally, including in the fountain business, particularly from other major beverage companies;

- Entrance into and increased focus on the craft beverage segment by other major beverage companies;

● Our ability to respond to changes in the consumer beverage marketplace, including potential reduced consumer demand due to health concerns (including obesity) and legislative initiatives against sweetened beverages (including the imposition of taxes);

● Our ability to successfully develop and launch new products that match consumer beverage trends, and to manage consumer response to such new products and new initiatives;

● Our ability to maintain brand image and product quality and avoid risks from product issues such as product recalls;

● Our ability to establish, maintain and expand distribution arrangements with independent distributors, retailers, brokers and national retail accounts, most of whom sell and distribute competing products, and upon whom we rely to employ sufficient efforts in managing and selling our products, including re-stocking the retail shelves with our products;

● Our ability to manage our inventory levels and to predict the timing and amount of our sales;

● Our reliance on third-party contract manufacturers of our products and the geographic locations of their facilities, which could make management of our distribution efforts inefficient or unprofitable;

● Our ability to secure a continuous supply and availability of raw materials, as well as other factors that may adversely affect our supply chain, including increases in raw material costs, and the potential shortages of glass in the supply chain;

● Our ability to source our flavors on acceptable terms from our key flavor suppliers;

● Our ability to attract and retain key personnel, the loss of whom would directly affect our efficiency and operations and could materially impair our ability to execute our growth strategy;

● Our ability to protect our trademarks and trade secrets, the failure of which may prevent us from successfully marketing our products and competing effectively;

● Litigation or legal proceedings, which could expose us to significant liabilities and damage our reputation;

● Our ability to comply with the many regulations to which our business is subject;

● Our ability to maintain an effective information technology infrastructure;

● Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business;

● Fluctuations in fuel and freight costs;

● Fluctuations in currency exchange rates, particularly between the United States and Canadian dollars;

● Regional, national or global economic, political, social and other conditions that may adversely impact our business and results of operations;

● Our ability to maintain effective disclosure controls and procedures and internal control over financial reporting;

● Dilutive and other adverse effects on our existing shareholders and our stock price arising from future securities issuances; and

● Our ability to access the capital markets for any future equity financing, and any actual or perceived limitations to our common stock by being traded on the OTCQB Marketplace and the Canadian Stock Exchange, including the level of trading activity, volatility or market liquidity.

For a discussion of some of the factors that may affect our business, results and prospects, see “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission (“SEC”) on April 1, 2024 and in our other reports we file with the SEC, including our periodic reports on Form 10-Q and current reports on Form 8-K. Readers are also urged to carefully review and consider the various disclosures made by us in this Report and in our other reports we file with the SEC, including our periodic reports on Forms 10-Q and current reports on Form 8-K, and those described from time to time in our press releases and other communications, which attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JONES SODA CO.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2024 (Unaudited)	December 31, 2023
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,827	$ 3,867
Accounts receivable, net of allowance of $252 and $260, respectively	3,258	2,118
Inventory	3,589	2,392
Prefunded insurance premiums from financing	238	357
Prepaid expenses and other current assets	1,003	861
Total current assets	10,915	9,595
Other assets	151	174
Fixed assets, net of accumulated depreciation of $381 and $366, respectively	121	137
Total assets	$ 11,187	$ 9,906
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,387	$ 716
Accrued expenses	2,007	1,283
Insurance premium financing	238	357
Total current liabilities	4,632	2,356
Total liabilities	4,632	2,356
Shareholders' equity:		
Common stock, no par value:		
Authorized — 800,000,000 issued and outstanding shares — 102,232,943 shares and 101,258,135 shares, respectively	90,475	90,273
Accumulated other comprehensive income	286	331
Accumulated deficit	(84,206)	(83,054)
Total shareholders' equity	6,555	7,550
Total liabilities and shareholders' equity	$ 11,187	$ 9,906

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31, 2024	Three months ended March 31, 2023
	(In thousands, except share data)	
Revenue	$ 4,999	$ 3,870
Cost of goods sold	3,107	2,735
Gross profit	1,892	1,135
Operating expenses:		
Selling and marketing	1,492	1,032
General and administrative	1,545	1,456
Total operating expenses	3,037	2,488
Loss from operations	(1,145)	(1,353)
Interest income	9	-
Other income (expense), net	(6)	(5)
Loss before income taxes	(1,142)	(1,358)
Income tax expense, net	(10)	(5)
Net loss	$ (1,152)	$ (1,363)
Net loss per share - basic and diluted	$ (0.01)	$ (0.01)
Weighted average common shares outstanding - basic and diluted	101,477,735	100,451,635

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three months ended March 31,	
	2024	2023
	(In thousands)	
Net loss	$ (1,152)	$ (1,363)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(45)	3
Total comprehensive loss	$ (1,197)	$ (1,360)

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
	Number	Amount			
	(In thousands, except share data)				
Three months ended March 31, 2023					
Balance as of December 31, 2022	100,263,135	$ 89,680	$ 287	$ (78,200)	$ 11,767
Stock-based compensation	675,000	266	-	-	266
Shares withheld for taxes upon RSU vesting	(240,000)	(62)	-	-	(62)
Net loss	-	-	-	(1,363)	(1,363)
Other comprehensive income	-	-	3	-	3
Balance as of March 31, 2023	100,698,135	$ 89,884	$ 290	$ (79,563)	$ 10,611
Three months ended March 31, 2024					
Balance as of December 31, 2023	101,258,135	$ 90,273	$ 331	$ (83,054)	$ 7,550
Stock-based compensation	-	158	-	-	158
Exercise of Pinestar Warrants	974,808	44	-	-	44
Net loss	-	-	-	(1,152)	(1,152)
Other comprehensive loss	-	-	(45)	-	(45)
Balance as of March 31, 2024	102,232,943	$ 90,475	$ 286	$ (84,206)	$ 6,555

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended March 31, 2024	2023
	(In thousands)	
OPERATING ACTIVITIES:		
Net loss	$ (1,152)	$ (1,363)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	15	9
Stock-based compensation	158	266
Change in allowance for credit losses	(8)	5
Changes in operating assets and liabilities:		
Accounts receivable	(1,153)	(96)
Inventory	(1,206)	(664)
Prefunded insurance premiums from financing	119	204
Prepaid expenses and other current assets	(141)	7
Other assets	24	-
Accounts payable	1,671	800
Accrued expenses	715	(497)
Taxes payable	-	1
Net cash used in operating activities	(958)	(1,328)
INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(7)
Net cash used in investing activities	-	(7)
FINANCING ACTIVITIES:		
Proceeds from the exercise of Pinestar Warrants	44	-
Repayments on insurance financing	(119)	(204)
Net cash used in financing activities	(75)	(204)
Net change in cash and cash equivalents	(1,033)	(1,539)
Effect of exchange rate changes on cash	(7)	(1)
Cash and cash equivalents, beginning of period	3,867	7,971
Cash and cash equivalents, end of period	$ 2,827	$ 6,431
Supplemental disclosure:		
Cash paid during period for:		
Income taxes	$ 7	$ 4

See accompanying notes to condensed consolidated financial statements.

JONES SODA CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Operations and Summary of Significant Accounting Policies

Jones Soda Co. develops, produces, markets and distributes premium beverages which it sells and distributes primarily in the United States and Canada through its network of independent distributors and directly to its national and regional retail accounts.

In addition, following the closing of the Plan of Arrangement (See note 3(d)), we have expanded our business to the production of cannabis-containing beverages and related products.

We are a Washington corporation and have nine subsidiaries; Jones Soda Co. (USA) Inc., Jones Soda (Canada) Inc., Mary Jones Holdings Inc., Mary Jones California, LLC, Mary Jones Michigan, LLC, Mary Jones Beverage LLC, Mary Jones Beverage (Michigan), LLC, Mary Jones Beverage (Canada) Inc., and Pinestar Gold Inc. (Subsidiaries).

Basis of presentation, consolidation and use of estimates

The accompanying condensed consolidated balance sheet as of December 31, 2023, which has been derived from our audited consolidated financial statements, and unaudited interim condensed consolidated financial statements as of March 31, 2024, have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the Securities and Exchange Commission (“SEC”) rules and regulations applicable to interim financial reporting. The condensed consolidated financial statements include our accounts and the accounts of our subsidiaries. All intercompany transactions between us and our subsidiaries have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments, consisting only of those of a normal and recurring nature, considered necessary for a fair presentation of our financial position, results of operations and cash flows at the dates and for the periods presented. Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Significant items subject to such estimates and assumptions include, but are not limited to, inventory valuation, depreciable lives and valuation of capital assets, valuation allowances for receivables, trade promotion liabilities, stock-based compensation expense, valuation allowance for deferred income tax assets, contingencies, and forecasts supporting the going concern assumption and related disclosures. Actual results could differ from those estimates. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Liquidity

As of March 31, 2024 and December 31, 2023, we had cash and cash-equivalents of approximately $2.8 million and $3.9 million, respectively, and working capital of approximately $6.3 million and $7.2 million, respectively. Net cash used in operations during the three months ended March 31, 2024 and 2023 totaled approximately $958,000 and $1.3 million, respectively. We incurred a net loss of approximately $1.2 million for the three months ended March 31, 2024 compared to a net loss of approximately $1.4 million for the three months ended March 31, 2023. Our accumulated deficit increased to $84.2 million as of March 31, 2024 compared to an accumulated deficit of $79.6 million as of March 31, 2023.

For the three months ended March 31, 2024, net cash used in financing activities totaled approximately $75,000 due to the repayments on our insurance financing agreement being partially offset by proceeds received by the exercise of outstanding warrants. For the three months ended March 31, 2023, net cash used by financing activities totaled approximately $204,000 due to repayments on our insurance financing agreement

We have experienced recurring losses from operations and negative cash flows from operating activities. These factors initially raised substantial doubt regarding the Company’s ability to continue as a going concern. The Company has increased gross margins in 2023 and in the three months ended March 31, 2024. In 2024, the Company is restructuring its customer distribution channels and has partnered with certain distributors. For the three months ended March 31, 2024, our current distributor network has resulted in more favorable margins and the trend should continue throughout 2024. Additionally, the Company is concentrating on product mix and customer channels that yield higher sales and margins (such as the food service channel), focused on the sales growth in the Mary Jones Brand and monitoring and reducing operating costs when and if possible. On March 29, 2024, the Company received a commitment letter from a creditor to provide the Company with a $2 million revolving credit facility for working capital needs (See Note 14 to the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023). The maturity date will be three years from the date of initial funding.

Based on management's current operating plan, the Company believes its cash on hand, projected cash generated from product sales and funds received from the committed revolving credit facility are sufficient to fund the Company's operations for a period of at least 12 months subsequent to the issuance of the accompanying Condensed Consolidated Financial Statements and alleviates the conditions that initially raised substantial doubt regarding the Company's ability to continue as a going concern.

During the three months ended March 31, 2024 and 2023, we received nil from the cash exercise of stock options. From time to time, we may receive additional cash through the exercise of stock options or stock warrants. However, we cannot predict the timing or amount of cash proceeds we may receive from the exercise, if at all, of any of the outstanding stock options or warrants.

Revenue recognition

Our contracts have a single performance obligation which is satisfied at the point in time when the customer has title and the significant risks and rewards of ownership of the product. Title and the significant risk and rewards of ownership are deemed to transfer when products are loaded onto a truck for shipment or Free on Board ("FOB") shipping point. We primarily receive fixed consideration for sales of product, subject to adjustment as described below. Shipping and handling amounts paid by customers are primarily for online orders, and are included in revenue, and totaled $35,000 and $41,000 for the three months ended March 31, 2024 and 2023, respectively. Sales tax and other similar taxes are excluded from revenue.

See Note 1, on our most recently filed Form 10-K filed on April 1, 2024 for our revenue recognition policy.

Revenue is recorded net of provisions for discounts, slotting fees payable by us to retailers to stock our products and promotional allowances. Discounts, slotting fees and promotional allowances vary the consideration we are entitled to in exchange for the sale of products to distributors. We estimate these discounts, slotting fees and promotional allowances in the same period that the revenue is recognized for product sales to customers. These estimates are based on contract terms and our historical experience with similar programs and require management judgement with respect to estimating customer participation and performance levels. Differences between estimated expense and actual costs are normally insignificant and are recognized in earnings in the period such differences are determined. The amount of revenue recognized represents the amount that will not be subject to a significant future reversal of revenue. The liability for promotional allowances is included in accrued expenses on the consolidated balance sheets. Amounts paid for slotting fees are recorded as prepaid expenses on the consolidated balance sheets and amortized over the corresponding term. For the quarters ended March 31, 2024 and 2023, our revenue was reduced by $442,000 and $305,000, respectively, for slotting fees and promotional allowances.

All sales to distributors and customers are generally final. In limited instances we may accept returned product due to quality issues or distributor terminations, and in such situations we would have variable consideration. To date, returns have not been material. Our customers generally pay within 30 days from the receipt of a valid invoice. We offer prompt pay discounts of up to 2% to certain customers typically for payments made within 15 days. Prompt pay discounts are estimated in the period of sale based on experience with sales to eligible customers. As of March 31, 2024 and 2023, prompt pay discounts to these customers were considered immaterial to the related accounts receivable balances presented on the condensed consolidated balance sheets.

The accounts receivable balance primarily includes balances from trades sales to distributors and retail customers. The allowance for credit losses is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance for credit losses based primarily on current trends and estimates. The Company reserves a percentage of trade receivable balance based on collection history and current economic trends that the Company expects will impact the level of credit losses over the life of the receivables. These reserves are re-evaluated on a regular basis and adjusted as needed. Account balances that are deemed uncollectible are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Allowances for credit losses of $252,000 and $260,000 as of March 31, 2024 and December 31, 2023, respectively, were netted against accounts receivable. No impairment losses were recognized for the three months ended March 31, 2024 and for the year ended December 31, 2023. Changes in accounts receivable are primarily due to the timing and magnitude of orders for products, the timing of when control of products is transferred to distributors and the timing of cash collections.

As of March 31, 2024, one of our independent customers (Dot Foods Canada) made up 26% of our outstanding accounts receivable. As of December 31, 2023, there were no customers that made up a material concentration amount of our accounts receivable.

Net loss per share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the periods. Diluted earnings per share is computed by adjusting the weighted average number of common shares by the effective net exercise or conversion of all dilutive securities. Due to the net loss during the three months ended March 31, 2024 and 2023, outstanding stock options amounting to 13,566,522 and 6,767,280 shares and outstanding warrants of 6,022,102 and 27,721,945, respectively, were anti-dilutive.

Recent accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments: Credit Losses ("ASU 2016-13"), which changes the impairment model for most financial instruments, including trade receivables from an incurred loss method to a new forward-looking approach, based on expected losses. The estimate of expected credit losses require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU was effective for us in the first quarter of 2023, however the impact on the consolidated financial statements are immaterial, thus no material changes were made to the consolidated financial statements as of March 31, 2024 and December 31, 2023.

2. Inventory

Inventory consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Finished goods	$ 2,224	$ 1,380
Raw materials	1,365	1,012
	$ 3,589	$ 2,392

Finished goods primarily include product ready for shipment, as well as promotional merchandise held for sale. Raw materials primarily include ingredients, concentrate and packaging. For the three months ended March 31, 2024 and 2023, we recorded obsolete inventory expenses of $38,000 and $6,000, respectively.

3. Shareholders' Equity

On May 16, 2022, our shareholders approved the adoption of the Jones Soda Co. 2022 Omnibus Equity Incentive Plan (the "2022 Plan"), which replaced the 2011 Plan (defined below) and provides for the granting incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to participants to acquire shares of Company common stock under the 2022 Plan. Under the terms of the 2022 Plan, the sum of (i) 10,000,000 shares of the Company's common stock, plus (ii) the number of shares of common stock reserved, but unissued under the 2011 Plan, plus (iii) the number of shares of common stock underlying forfeited awards under the 2011 Plan are initially available for issuance as awards under the 2022 Plan.

1,936,074 shares of common stock reserved under the terms of our 2011 Incentive Plan (the "2011 Plan") but unissued were transferred to the reserve for the 2022 Plan. Thus, the total number of shares of common stock authorized under the 2022 Plan was 11,936,074 shares. The 2022 Plan is subject to an annual increase on the first day of each calendar year beginning with the first January 1 following the effective date of the 2022 Plan and ending with the last January 1 during the initial ten-year term of the 2022 Plan, equal to the lesser of (A) four percent (4%) of the shares of the Company's common stock outstanding (which shall include shares issuable upon the exercise or conversion of all outstanding securities or rights convertible into or exercisable for shares, including without limitation, preferred stock, warrants and employee options to purchase any shares) on the final day of the immediately preceding calendar year and (B) such lesser number of shares of common stock as determined by our Board of Directors.

Under the terms of the 2022 Plan, the Board may grant awards to employees, officers, directors, consultants, agents, advisors and independent contractors. Stock options are granted with an exercise price equal to the closing price of our stock on the date of grant, and generally have a ten-year term. As of March 31, 2024, there were 9,780,514 shares of unissued common stock authorized and available for future awards under the Plan.

(a) Stock options:

A summary of our stock option activity is as follows:

	Outstanding Options	
	Number of Shares	Weighted Average Exercise Price (Per Share)
Balance at January 1, 2024	11,407,772	$ 0.26
Options granted	2,200,000	0.24
Options forfeited/expired	(41,250)	0.41
Balance at March 31, 2024	13,566,522	$ 0.25
Exercisable, March 31, 2024	4,459,388	$ 0.30
Vested and expected to vest	11,519,254	$ 0.26

	Outstanding Options	
	Number of Shares	Weighted Average Exercise Price
Balance at January 1, 2023	3,369,322	$ 0.41
Options granted	3,506,500	0.26
Options forfeited/expired	(108,542)	0.30
Balance at March 31, 2023	6,767,280	$ 0.33
Exercisable, March 31, 2023	3,447,666	$ 0.34
Vested and expected to vest	5,862,975	$ 0.33

(b) Restricted stock awards:

In May of 2023, the Board determined that it was in the best interests of the Company to revise the Board of Director compensation structure to consist of an annual grant of 300,000 stock options to each non-employee director each year for service on the Board and an additional 150,000 stock options as annual compensation for non-employee directors who serve as chair of a Board committee. All stock options granted to non-employee directors will vest incrementally in equal amounts over a three year period from the date of issuance.

A summary of our restricted stock activity for the three months ended March 31, 2024 is as follows:

	Restricted Shares	Weighted-Average Grant Date Fair Value per share	Weighted-Average Contractual Life (years)
Non-vested restricted stock at January 1, 2024	600,000	$ 0.26	-
Granted	-	-	
Vested	-	-	
Cancelled/expired	-	-	
Non-vested restricted stock at March 31, 2024	600,000	$ 0.26	9.1

(c) Stock-based compensation expense:

Stock-based compensation expense is recognized using the straight-line attribution method over the employees' requisite service period, or the non-employee's service period based on the term of the contract. We recognize compensation expense for only the portion of stock options or restricted stock expected to vest. Therefore, we apply estimated forfeiture rates that are derived from historical employee attrition. If the actual number of forfeitures differs from those estimated by management, additional adjustments to stock-based compensation expense may be required in future periods.

At March 31, 2024, we had unrecognized compensation expense related to stock options of $1.0 million to be recognized over a weighted-average period of 2.1 years.

The following table summarizes the stock-based compensation expense (in thousands):

	Three months ended March 31,	
	2024	2023
Stock options	$ 150	$ 213
Common stock award	-	17
Restricted stock	8	36
	$ 158	$ 266
Income statement account:		
Selling and marketing	$ 20	$ 22
General and administrative	138	244
	$ 158	$ 266

We employ the following key weighted-average assumptions in determining the fair value of stock options, using the Black-Scholes option pricing model and the simplified method to estimate the expected term of "plain vanilla" options:

	Three months ended March 31,	
	2024	2023
Expected dividend yield	—	—
Expected stock price volatility	89.3%	88.4%
Risk-free interest rate	4.2%	4.0%
Expected term (in years)	5.9	5.5
Weighted-average grant date fair-value	$ 0.18	$ 0.19

The aggregate intrinsic value of stock options outstanding at March 31, 2024 was approximately $95,000 and for options exercisable was $39,000. The intrinsic value of outstanding and exercisable stock options is calculated as the quoted market price of the stock at the balance sheet date less the exercise price of the option. There were no options exercised during the three months ended March 31, 2024 and 2023.

(d) Closing of the Pinestar Gold Inc. - Plan of Arrangement:

On February 15, 2022, Jones issued an aggregate of 20,000,048 shares of our common stock in connection with the completion of the Plan of Arrangement whereby the outstanding common shares of Pinestar ("Pinestar Shares") were exchanged for newly issued shares of our common stock on a one-for-one basis. The Plan of Arrangement had previously been approved by both Pinestar's shareholders as well as by the Supreme Court of British Columbia after such court held a hearing on the fairness of the terms and conditions of the Plan of Arrangement at which all Pinestar shareholders had the right to appear.

In connection with the Plan of Arrangement, Pinestar completed a subscription receipt offering for aggregate net proceeds of $7,152,000, at a price per subscription receipt equal to $0.50. As part of the closing of the Plan of Arrangement, each such subscription receipt automatically converted into one Pinestar Share and one new common share purchase warrant of Pinestar, which were then immediately exchanged for shares of our common stock and Jones Special Warrants, respectively, in accordance with a 1:1 exchange ratio.

The issuance of shares of our common stock to the holders of Pinestar Shares (including Pinestar Shares received upon the conversion of the subscription receipts issued in the Pinestar subscription receipt offering) in the Plan of Arrangement was exempt from the registration requirements under the United States Securities Act of 1933, as amended (the "Securities Act") pursuant to Section 3(a)(10) of the Securities Act, which exempts from the registration requirements under the Securities Act any securities that are issued in exchange for one or more bona fide outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear, by any court expressly authorized by law to grant such approval.

The following table summarizes the Company's outstanding warrants as of March 31, 2024:

	Number Outstanding	Remaining Contractual Life (Years)	Exercise Price Per Share	Number Exercisable
Jones Special Warrants (1)	6,022,102	0.13	$ 0.63USD	6,022,102
Pinestar Warrants (2)	-	-	0.06CAD	-
	6,022,102			6,022,102

(1) Upon conversion of the beforementioned 2021 Debenture, 4,025,035 Jones Special Warrants were issued. In connection with the beforementioned Plan of Arrangement, Pinestar completed an offering for subscription receipts for aggregate gross proceeds of $8,000,000. Pursuant to the Plan of Arrangement, each subscription receipt automatically converted into 16,000,000 Jones Special Warrants. Lastly, Upon conversion of the beforementioned Contingent Convertible Debentures, 6,022,102 Jones Special Warrants were issued.

(2) In connection with the beforementioned Plan of Arrangement, 1,674,808 warrants to purchase Pinestar Shares at a price of $0.06 CAD per share were assumed by the Company and became exercisable into shares of our common stock. An aggregate of 600,000 of such warrants were subsequently transferred to two members of our Board of Directors as consideration for services provided by such directors to the Company during 2022.

During the three months ended March 31, 2024, Pinestar Warrants in the amount of 974,808 were exercised at the exercise price of $0.06 CAD, for total proceeds of $44,000. During the three months ended March 31, 2024, Pinestar Warrants in the amount of 500,000 expired on March 31, 2024. During the three months ended March 31, 2024, Jones Special Warrants in the amount of 20,025,035 expired during the three months ended March 31, 2024.

4. Segment Information

We have one operating segment with operations primarily in the United States and Canada. Sales are assigned to geographic locations based on the location of customers. Sales by geographic location are as follows (in thousands):

	Three Months ended March 31, 2024	Three Months ended March 31, 2023
Revenue:		
United States	$ 3,955	$ 3,229
Canada	1,044	641
Total revenue	$ 4,999	$ 3,870

During the three months ended March 31, 2024, one of our customers (Dot Foods Canada) represented an aggregate of approximately 15% of our revenue. During the three months ended March 31, 2023, one of our customers (Lassonde) represented an aggregate of approximately 18% of our revenue.

5. Insurance Premium Financing

Effective November 15, 2023, the Company entered into a one year financing agreement with IPFS Corporation to fund a portion of its insurance premiums in the amount of $357,000. Repayments are made on January 15, 2024, April 15, 2024, and July 15, 2024, and the entirety of the financing to be paid off. The interest rate is 8.49% and there were no covenants associated with this agreement.

Effective November 15, 2022, the Company entered into a one year financing agreement with IPFS Corporation to fund a portion of its insurance premiums in the amount of $612,000. Repayments were made on January 15, 2023, April 15, 2023, and by July 15, 2023, the entirety of the financing was paid off in full. The interest rate is 6.99% and there are no covenants associated with this agreement.

6. Commitments and Contingencies

Legal proceedings

On March 25, 2024, our indirect wholly owned subsidiary, Mary Jones Michigan LLC ("MJM"), received a Notice of Claims for arbitration (the “Core Claim”) from Core for an arbitration proceeding to be held in Columbus Ohio, unless otherwise agreed to by the parties. The Core Claim alleges that MJM breached the terms of the agreement entered into between MJM and Core on August 24, 2023 (the “Core Agreement”). The Core Agreement provided that Core was to manufacture a line of Hemp derived Delta-9 THC craft sodas for MJM. Previous to the Core Claim, MJM sent a Notice of Material Breaches by Core Manufacturing and Demand for Audit dated February 1, 2024, which claimed that Core was in breach of its commitments under the Core Agreement. In the Core Claim, Core is seeking to enforce the break-up fee provision in the Core Agreement (which Core calculates to be $7,220,357), as well as obtain other damages arising from MJM’s alleged failure to comply with the Core Agreement. We dispute the allegations of Core in the Core Claim and intend to defend ourselves vigorously in this matter. On April 16, 2024, MJM filed an Answer to the Core Claim asserting multiple affirmative defenses to the two breach of contract claims and asserted in its own Counterclaim causes of action against Core for breach of contract, fraud, and negligent misrepresentation. The arbitration is in its early stages and an arbitrator has not yet been selected. We have determined that it is too early in process to evaluate this claim’s potential outcome. Accordingly the matter is being disclosed and no range of accrual, if any, can be determined.

MJM is also seeking from P3 Capital Partner LLC (“P3”), an entity related to Core, the return of a $155,700 deposit previously paid to P3 in connection with the license and manufacturing agreement between MJM and P3.

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

You should read the following discussion and analysis in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Report our audited consolidated financial statements and notes thereto for the year ended December 31, 2023 included in our Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission ("SEC") on April 1, 2024.

This Report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "believe," "expect," "intend," "anticipate," "estimate," "may," "will," "can," "plan," "predict," "could," "future," "continue," variations of such words, and similar expressions. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined at the beginning of this Report under "Cautionary Notice Regarding Forward-Looking Statements" and in Item 1A of our most recent Annual Report on Form 10-K filed with the SEC, and in our other reports we file with the SEC, including our periodic reports on Form 10-Q and current reports on Form 8-K. These factors may cause our actual results to differ materially from any forward-looking statements. Except as required by law, we undertake no obligation to publicly release any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Overview

We develop, produce, market and distribute premium beverages that we sell and distribute primarily in North America through our network of independent distributors and directly to our national and regional retail accounts. We also sell premium soda beverage products in select international markets and license cannabis infused beverages and syrups in California, Washington and Canada. Our premium soda beverage products are sold primarily in grocery stores, convenience and gas stores, on fountain in restaurants, "up and down the street" in independent accounts such as delicatessens, sandwich shops and burger restaurants, as well as through our national accounts with several large retailers. We refer to our network of independent distributors as our direct store delivery ("DSD") channel, and we refer to our national and regional accounts who receive shipments directly from us as our direct to retail ("DTR") channel. We do not directly manufacture any of our premium soda beverage products, but instead outsource the manufacturing process to third-party contract manufacturers. We also sell various premium beverage soda products online, including soda with customized labels, wearables, candy and other items, and we license our trademarks for use on products sold by other manufacturers. In addition, we currently market and license several cannabis infused beverages and syrups in California, Canada, and Washington through third party manufacturers and distributors. We plan to expand our cannabis product offerings (including the development of hemp-derived Delta-9 THC products) and the states in which we offer such products.

Our Focus: Sales Growth

Our focus is sales growth through execution of the following key initiatives:

- Expand the Jones Soda glass bottle business in existing and new sales channels;
- Expand our fountain program in the United States and Canada; and,
- Grow the Mary Jones brand, which includes Tetrahydrocannabinol (THC) and cannabidiol (CBD)-infused beverages, edibles, and other related products;

Results of Operations

The following selected financial and operating data are derived from our condensed consolidated financial statements and should be read in conjunction with our condensed consolidated financial statements.

	Three months ended March 31,			
	2024	% of Revenue	2023	% of Revenue
Consolidated statements of operations data:	(Dollars in thousands, except per share data)			
Revenue	$ 4,999	100.0%	$ 3,870	100.0%
Cost of goods sold	(3,107)	(62.2)%	(2,735)	(70.7)%
Gross profit	1,892	37.8%	1,135	29.3%
Selling and marketing expenses	(1,492)	(29.8)%	(1,032)	(26.7)%
General and administrative expenses	(1,545)	(30.9)%	(1,456)	(37.6)%
Loss from operations	(1,145)	(22.9)%	(1,353)	(35.0)%
Interest income	9	0.2%	-	0.0%
Other income (expense), net	(6)	(0.1)%	(5)	(0.1)%
Loss before income taxes	(1,142)	(22.8)%	(1,358)	(35.1)%
Income tax expense, net	(10)	(0.2)%	(5)	(0.1)%
Net loss	$ (1,152)	(23.0)%	$ (1,363)	(35.2)%
Basic and diluted net loss per share	$ (0.01)		$ (0.01)	

	As of	
	March 31, 2024	December 31, 2023
Balance sheet data:	(Dollars in thousands)	
Cash and cash equivalents and accounts receivable, net	$ 6,085	$ 5,985
Fixed assets, net	121	137
Total assets	11,187	9,906
Long-term liabilities	-	-
Working capital	6,283	7,239

Seasonality and Other Fluctuations

Our sales are seasonal and we experience fluctuations in quarterly results as a result of many factors. We historically have generated a greater percentage of our revenues during the warm weather months of April through September. Sales may fluctuate materially on a quarter-to-quarter basis or an annual basis when we launch a new product or fill the “pipeline” of a new distribution partner or a large retail partner. Sales results may also fluctuate based on the number of stock keeping units or "SKUs" selected or removed by our distributors and retail partners through the normal course of serving consumers in the dynamic, trend-oriented beverage industry. As a result, management believes that period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance or results expected for the fiscal year.

Quarter Ended March 31, 2024 Compared to Quarter Ended March 31, 2023

Revenue

For the quarter ended March 31, 2024, revenue increased by approximately $1.1 million, or 29.2%, to approximately $5.0 million compared to approximately $3.9 million for the quarter ended March 31, 2023. The increase in sales revenue was primarily the result increased sales in Canada through our new DSD customer, Dot Foods Canada, an increase in sales in the Food Service channel, and an increase in Mary Jones branded sales.

For the quarter ended March 31, 2024, trade spend and promotional allowances, which reduced the amount of revenue for the sales of our product, totaled approximately $442,000, an increase of approximately $137,000, or 44.9%, compared to approximately $305,000 for the quarter ended March 31, 2023, primarily due to the increased sales volume and timing of incentive and retailer programs.

Gross Profit

For the quarter ended March 31, 2024, gross profit increased by approximately $757,000, or 66.7%, to approximately $1.9 million compared to approximately $1.1 million for the quarter ended March 31, 2023 as a result of higher sales revenue in the current quarter. For the quarter ended March 31, 2024, gross margin increased to 37.8% from 29.3% for the quarter ended March 31, 2023. This increase was primarily driven by proactive pricing adjustments, supply chain optimization, and increased sales of our food service beverage channel and our Mary Jones brand revenue which generally have higher margins than our other channels.

Selling and Marketing Expenses

Selling and marketing expenses for the first quarter ended March 31, 2024 were approximately $1.5 million, an increase of approximately $460,000, or 44.6%, from approximately $1.0 million for the first quarter ended March 31, 2023. This increase was primarily a result of increased online marketing spend for both the Jones Soda and Mary Jones brands in the first quarter of 2024 compared to the same quarter of 2023. Additionally, we increased our investments in action sports to market our brands during the first quarter of 2024, which contributed to the increase in selling and marketing expenses during the current quarter. Selling and marketing expenses as a percentage of revenue increased to 29.8% in the first quarter ended March 31, 2024 from 26.7% in the same period in 2023. We intend to continue to balance selling and marketing expenses with our working capital resources. For the three months ended March 31, 2024 and 2023, non-cash expenses included in selling and marketing expenses (stock compensation and depreciation) were approximately $27,000 for both periods.

General and Administrative Expenses

General and administrative expenses for the first quarter ended March 31, 2024 remained flat at approximately $1.5 million, compared to the first quarter ended March 31, 2023. General and administrative expenses as a percentage of revenue decreased to 30.9% in the first quarter ended March 31, 2024 from 37.6% in the same quarter in 2023. We intend to continue to carefully manage general and administrative expenses with our working capital resources. For the three months ended March 31, 2024 and 2023, non-cash expenses included in general and administrative expenses (stock compensation and depreciation) were approximately $147,000 and $247,000, respectively.

Income Tax Expense

We incurred approximately $10,000 and $5,000 of income tax expense during the quarter ended March 31, 2024 and 2023, respectively, primarily related to the tax provision on income from our Canadian operations. We have not recorded any tax benefit for the loss in our U.S. operations as we have recorded a full valuation allowance on our U.S. net deferred tax assets. We expect to continue to record a full valuation allowance on our U.S. net deferred tax assets until we sustain an appropriate level of taxable income through improved U.S. operations. Our effective tax rate is based on recurring factors, including the forecasted mix of income before taxes in various jurisdictions, estimated permanent differences and the recording of a full valuation allowance on our U.S. net deferred tax assets.

Net loss

Net loss for the quarter ended March 31, 2024 was approximately $1.2 million compared to net loss of approximately $1.4 million for the quarter ended March 31, 2023. This decrease in net loss was primarily due to the increased revenue and gross profit being partially offset of increased selling and marketing expenses in the first quarter of 2024 compared to the first quarter of 2023.

Seasonality and other fluctuations

Our sales are seasonal and we experience fluctuations in quarterly results as a result of many factors. We historically have generated a greater percentage of our revenues during the warm weather months of April through September. Sales may fluctuate materially on a quarter to quarter basis or an annual basis when we launch a new product or fill the “pipeline” of a new distribution partner or a large retail partner. Sales results may also fluctuate based on the number of stock keeping units (“SKU”) selected or removed by our distributors and retail partners through the normal course of serving consumers in the dynamic, trend-oriented beverage industry. As a result, management believes that period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance or results expected for the fiscal year.

Liquidity and Capital Resources

As of March 31, 2024 and December 31, 2023, we had cash and cash-equivalents of approximately $2.8 million and $3.9 million, respectively, and working capital of approximately $6.3 million and $7.2 million, respectively. Net cash used in operations during the three months ended March 31, 2024 and 2023 totaled approximately $958,000 and $1.3 million, respectively. We incurred a net loss of approximately $1.2 million for the three months ended March 31, 2024 compared to a net loss of approximately $1.4 million for the three months ended March 31, 2023. Our accumulated deficit increased to $84.2 million as of March 31, 2024 compared to an accumulated deficit of $79.6 million as of March 31, 2023.

For the three months ended March 31, 2024, net cash used in financing activities totaled approximately $75,000 due to the repayments on our insurance financing agreement being partially offset by proceeds received by the exercise of outstanding warrants. For the three months ended March 31, 2023, net cash used by financing activities totaled approximately $204,000 due to repayments on our insurance financing agreement

We have experienced recurring losses from operations and negative cash flows from operating activities. These factors initially raised substantial doubt regarding the Company’s ability to continue as a going concern. The Company increased gross margins in 2023 and in the three months ended March 31, 2024. In 2024, the Company is restructuring its customer distribution channels and has partnered with certain distributors. For the three months ended March 31, 2024, our current distributor network has resulted in more favorable margins and we expect this trend to continue throughout 2024. Additionally, the Company is concentrating on product mix and customer channels that yield higher sales and margins (such as the food service channel), focused on the sales growth in the Mary Jones brand and monitoring and reducing operating costs when and if possible. On March 29, 2024, the Company received a commitment letter from a creditor to provide the Company with a $2 million revolving credit facility for working capital needs. The maturity date will be three years from the date of initial funding.

Based on management's current operating plan, the Company believes its cash on hand, projected cash generated from product sales and funds received from the committed revolving credit facility are sufficient to fund the Company's operations for a period of at least 12 months subsequent to the issuance of the accompanying Condensed Consolidated Financial Statements and has alleviated the conditions that initially raised substantial doubt regarding the Company's ability to continue as a going concern.

During the three months ended March 31, 2024 and 2023, we received no cash from the exercise of stock options. From time to time, we may receive additional cash through the exercise of stock options or stock warrants. However, we cannot predict the timing or amount of cash proceeds we may receive from the exercise, if at all, of any of the outstanding stock options or warrants.

Critical Accounting Policies

See the information concerning our critical accounting policies included under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on April 1, 2024. There have been no material changes in our critical accounting policies during the three months ended March 31, 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. *CONTROLS AND PROCEDURES.*

(a) Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures (as such terms are defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of March 31, 2024.

(b) Changes in internal controls over financial reporting

There were no other changes in our internal controls over financial reporting during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On March 25, 2024, our indirect wholly owned subsidiary, Mary Jones Michigan LLC ("MJM"), received a Notice of Claims for arbitration (the "Core Claim") from Core for an arbitration proceeding to be held in Columbus Ohio, unless otherwise agreed to by the parties. The Core Claim alleges that MJM breached the terms of the agreement entered into between MJM and Core on August 24, 2023 (the "Core Agreement"). The Core Agreement provided that Core was to manufacture a line of Hemp derived Delta-9 THC craft sodas for MJM. Previous to the Core Claim, MJM sent a Notice of Material Breaches by Core Manufacturing and Demand for Audit dated February 1, 2024, which claimed that Core was in breach of its commitments under the Core Agreement. In the Core Claim, Core is seeking to enforce the break-up fee provision in the Core Agreement (which Core calculates to be $7,220,357), as well as obtain other damages arising from MJM's alleged failure to comply with the Core Agreement. We dispute the allegations of Core in the Core Claim and intend to defend ourselves vigorously in this matter. On April 16, 2024, MJM filed an Answer to the Core Claim asserting multiple affirmative defenses to the two breach of contract claims and asserted in its own Counterclaim causes of action against Core for breach of contract, fraud, and negligent misrepresentation. The arbitration is in its early stages and an arbitrator has not yet been selected.

MJM is also seeking from P3 Capital Partner LLC ("P3"), an entity related to Core, the return of a $155,700 deposit previously paid to P3 in connection with the license and manufacturing agreement between MJM and P3.

Other than the above, we are not currently involved in any material legal proceedings. We may be involved from time to time in various claims and legal actions arising in the ordinary course of business, including proceedings involving employee claims, contract disputes, product liability and other general liability claims, as well as trademark, copyright, and related claims and legal actions. In the opinion of our management, the ultimate disposition of these matters will not have a material adverse effect on our condensed consolidated financial position, results of operations or liquidity.

ITEM 1A RISK FACTORS

There have been no material changes in the risk factors set forth in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, ISSUER PURCHASES OF EQUITY SECURITIES.

None.

ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2024, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "Non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

3.1	Articles of Incorporation of Jones Soda Co. (Previously filed as, and incorporated herein by reference to, Exhibit 3.1 to our annual report on Form 10-KSB for the fiscal year ended December 31, 2000, filed on March 30, 2001; File No. 333-75913).
3.2	Amended and Restated Bylaws of Jones Soda Co. (Previously filed with, and incorporated herein by reference to, Exhibit 3.1 to our quarterly report on Form 10-Q, filed on November 8, 2013; File No. 000-28820).
3.3	Articles of Amendment to Articles of Incorporation of Jones Soda Co. dated May 16, 2022. (Previously filed with, and incorporated herein by reference to, Exhibit 3.3 to our registration statement on Form S-1, filed on June 14, 2022; File No. 333-265598).
31.1	Certification of Chief Executive Officer, pursuant to Rules 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer, pursuant to Rules 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

SIGNATURES

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

JONES SODA CO.
(Registrant)

May 15, 2024

By: /s/ Joe Culp
Joe Culp
Interim Chief Financial Officer and Principal Financial Officer

EXHIBIT 31.1

CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13(a)-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, David Knight, certify that:

1. I have reviewed this report on Form 10-Q of Jones Soda Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

/s/ David Knight
David Knight
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13(a)-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Joe Culp, certify that:

1. I have reviewed this report on Form 10-Q of Jones Soda Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

/s/ Joe Culp

Joe Culp
Interim Chief Financial Officer and Director of
Finance (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF PRESIDENT AND CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Jones Soda Co. (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, David Knight, President and Chief Executive Officer of the Company, hereby certify that, to my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2024

/s/ David Knight
David Knight
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Jones Soda Co. (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Joe Culp, Principal Financial Officer of the Company, hereby certify that, to my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2024

/s/ Joe Culp
Joe Culp
Interim Chief Financial Officer and
Director of Finance
(Principal Financial Officer)