

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): August 14, 2008

Jones Soda Co.

(Exact Name of Registrant as Specified in Its Charter)

Washington

(State or Other Jurisdiction of Incorporation)

0-28820
(Commission File Number)

91-1696175
(IRS Employer Identification No.)

234 Ninth Avenue North, Seattle, Washington
(Address of Principal Executive Offices)

98109
(Zip Code)

(206) 624-3357

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On August 18, 2008, Jones Soda Co. (the "Company") announced that Hassan Natha has left his position as the Company's Chief Financial Officer effective August 14, 2008. Mr. Natha's employment with the Company will terminate on September 14, 2008, and Mr. Natha will be available to provide transition services to the Company through that date. On August 18, 2008, the Company entered into a Separation Agreement and Release (the "Separation Agreement") with Mr. Natha to address the terms of his departure. The Company and Mr. Natha are also parties to an Employment Agreement dated January 1, 2007 (the "Employment Agreement") pursuant to which Mr. Natha is entitled to certain severance benefits in the event his service to the Company was terminated without cause (as defined in the Employment Agreement). The Separation Agreement is consistent with the Employment Agreement. The Separation Agreement provides for a general release of all claims by Mr. Natha against the Company and the payment of the Company's obligations under the Employment Agreement.

On August 15, 2008, the Company entered into an employment offer letter with Michael R. O'Brien, pursuant to which Mr. O'Brien will serve as the Company's Chief Financial Officer effective September 2, 2008. The offer letter was approved by the Company's Board of Directors (the "Board"), on the recommendation of the Compensation and Governance Committee of the Board (the "Committee").

Mr. O'Brien, age 42, served as Chief Financial Officer of Pyramid Breweries, Inc., a craft beer brewer, from September 2006 until August 2008. Prior to that, Mr. O'Brien served as Chief Financial Officer of Medisystems Corporation, a designer and manufacturer of disposable medical devices, from 2002 until September 2006. Mr. O'Brien earned a Bachelor of Arts degree in accounting from Western Washington University and a Masters of Business Administration degree from Seattle University. Mr. O'Brien is also a certified public accountant.

Under the terms of the offer letter, Mr. O'Brien's annual base salary will be \$200,000. He will be eligible for a bonus under the terms and conditions of the bonus plan to be approved for him by the Committee. His annual bonus will be set at 35% of his annual salary based on 100% achievement of the goals to be established for him under the bonus plan, with the possibility of earning higher bonus amounts in successive increments if he exceeds the goals established under the bonus plan. In addition, Mr. O'Brien will be granted a stock option to purchase 40,000 shares of the Company's common stock, which will have an exercise price equal to the closing price of the Company's common stock on the date of grant, and 2,000 shares of restricted stock. Both the stock option and the restricted stock will vest in equal installments every six months over forty-two months commencing September 2, 2008. Mr. O'Brien will also receive an annual stock option to purchase 40,000 shares of the Company's common stock. Finally, Mr. O'Brien is entitled to participate in customary health and retirement plans available to the Company's employees.

The offer letter also provides Mr. O'Brien with severance and change in control benefits, as follows. If Mr. O'Brien is terminated without cause (as defined in the offer letter) after 90 days of employment or if he is terminated without cause at any time after a material change in his reporting structure, Mr. O'Brien will receive six months of his then-current base salary (payable in equal installments) as a severance benefit. If he is terminated without cause after more than 12 months of employment or if he is terminated without cause in connection with a "Corporate Transaction" (as defined in the Company's 2002 Stock Option and Restricted Stock Plan), then he will receive 12 months of his then-current base salary (payable in equal installments) as a severance benefit, as well as an amount equal to the last target bonus he received (payable in a lump sum within 90 days of his termination), 12 months of COBRA benefits for himself and his family and the immediate vesting of the unvested portion of his outstanding stock options and restricted stock.

The description of the offer letter contained in this report is qualified in its entirety by reference to the full text of the offer letter, a copy of which is attached hereto as Exhibit 10.1 and is incorporated herein by reference. A copy of the press release announcing these management changes is attached as Exhibit 99.1 to this Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

10.1 Employment Offer Letter between Michael R. O'Brien and Jones Soda Co., dated August 15, 2008

99.1 Press release, dated August 18, 2008

SIGNATURES

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

		JONES SODA CO. (Registrant)
Date: August 18, 2008		By: <i>/s/ Stephen C. Jones</i>
		Stephen C. Jones Chief Executive Officer

August 15, 2008

Michael O'Brien

3204 E. Mercer Street

Seattle, WA 98112

Re: Employment, Chief Financial Officer

Dear Michael,

I am pleased to offer you the position of Chief Financial Officer, with an effective start date of September 2, 2008 . This offer is subject to a background check as per the company policy and final approval by the Board of Directors (upon the recommendation of the Compensation Committee of the Board).

As a senior executive for the company, your success in the role of Chief Financial Officer will be based on your ability to lead, inspire and develop your Jones Soda team through accountability, discipline and achieving great results. As with all Jones Soda employees, you will be employed "at will" meaning that either you or Jones Soda may terminate the employment relationship at any time for any lawful reason.

We will draft and agree to a set of goals together but they will include reference to the following: Quality of our people; execution of business plan initiatives; structured planning for your team.

Your compensation will be as follows:

Salary:

\$200,000.00 per annum

Bonus:

Bonuses are set annually and subject to the terms and conditions of the corporate bonus plan. Annual bonus for your position is set at 35% of base salary with achievement at 100% of plan. There is an opportunity to earn higher bonus amounts in successive increments if you exceed plan. The Compensation Committee of the Board will have sole discretion to determine the percentage of plan that has been achieved and the amount of any bonus. The bonus plan is subject to final approval by the Compensation Committee and final details will be provided once the plan is approved.

Cell Phone Allowance:

\$150/month

Benefits:

Medical, Dental, Vision, Rx

Jones Soda Co. offers a very competitive health care plan for you and your family. You will be eligible for the plan the 1st day of the month beginning after the 90th day of your of employment. Jones Soda will pay for your COBRA coverage during the 90 day period leading up to your participation in the company health care plan upon presentation of the COBRA notice or other evidence showing your premiums due.

401(k)

Eligible for the Company's 401(k) plan after 90 days of employment in accordance with the terms and conditions of the plan

Vacation:

4 weeks per annum

Equity Awards:

Subject to approval by the Compensation Committee, you will be granted a stock option to purchase 40,000 shares of the Company's common stock and a restricted stock award of 2,000 share of common stock (restricted stock grants have a different valuation as determined by GAAP and as such the amounts granted are lower). It is expected that the grants would be made within 60 days from the signing of the offer letter by both parties. The exercise price of your stock option will be equal to the closing price of the Company's common stock on the date of grant (as reported on The Nasdaq Stock Market). Both the stock option and the restricted stock award will vest in equal installments every six months over forty-two months. The vesting commencement date will be September 2, 2008. Vesting will, of course, depend on your continued service to the Company. You will receive 40,000 stock options annually set with in 30 days of the anniversary date of your employment with the Company or in accordance with the setting of options as set by the company. Both your stock option and restricted stock award will be subject to the terms and conditions of the Company's 2002 Stock Option and Restricted Stock Plan (the "2002 Plan") and will be documented by delivery to you of a Stock Option Letter Agreement and Restricted Stock Purchase Agreement, as applicable, specifying the terms and conditions of the awards. Future equity awards will be determined at the discretion of the Compensation Committee.

Severance:

The Company realizes that there may be changes to the executive reporting structure beyond your control. Therefore, the company is prepared to offer you the following severance protections in the event your employment is terminated by Jones Soda or any successor company without cause.

Six (6) months severance at your then base salary, payable in equal installments on each of the Company's paydays during such period, if (a) you are terminated without cause more than ninety (90) days after the beginning of your employment with Jones Soda or (b) you are terminated without cause any time after the occurrence of a material change in your reporting structure.

Alternatively, if you are terminated without cause more than twelve (12) months after the beginning of your employment with Jones Soda, or if you are terminated without cause in connection with a "Corporate Transaction" (as defined in the 2002 Plan), you will be entitled to the following severance benefits:

- i) Twelve (12) months severance at your then base salary, payable in equal installments on each of the Company's paydays during such period;
- ii) An amount equal to the last target bonus you received, paid within 90 days in a lump sum;
- iii) Payment of the COBRA costs for you and your family for 12 months, following your proper election of COBRA coverage under the Company's health care plan, and
- iv) 100% vesting of your outstanding, unvested stock options and restricted stock grants.

For purposes of Code Section 409A (defined below), any installment payments pursuant this severance section will each be treated as a separate payment.

In order to receive the severance benefits described here, you must first sign a complete release in a form acceptable to Jones Soda releasing any claims against Jones Soda and its directors, executives and employees. Severance benefits and COBRA reimbursement will be paid monthly in the course of Jones Soda's normal payroll.

No severance or vesting will be provided if you are terminated for cause. Cause is defined as;

- i) conviction of a crime, other than misdemeanor traffic offenses;
- ii) Breach of Jones Soda's Code of Ethics or Insider Trading Policy or Jones Regulation FD policies, as now in effect or as modified in the future;
- iii) Attempt to obstruct or failure to cooperate with any investigation authorized by Jones Soda or any governmental or self-regulatory entity or
- iv) Willful failure or refusal to perform your duties that results in a material adverse effect on Jones Soda.

You will be required, as a condition of your employment with Jones Soda Co., to sign the company's Confidentiality Agreement. By signing this letter, you represent that you are not restricted by contractual commitments inconsistent with your obligations to Jones Soda Co.

You are expected to abide by the Jones Soda employee handbook and policies during your term of employment with Jones Soda.

You will also be required to sign, promote and enforce our Code of Conduct.

This letter (and the payments hereunder) are intended to qualify for the short-term deferral or involuntary termination exception to Internal Revenue Code Section 409A ("Section 409A"), as described in Treasury Regulations thereunder. To the extent the requirements of Sections 409A apply, such payments are intended to comply with Section 409A. Notwithstanding any other provision of this Agreement to the contrary, Jones Soda Co. and you agree that this letter will be interpreted, operated and administered in a manner consistent with such intentions and that to the extent required in order to comply with Section 409A, amounts which would otherwise be payable under this letter during the six-month period immediately following your "separation from service" (as defined by Section 409A) will instead be paid on the first business day after the six-month period following such date.

If you have any questions please give me a call at your convenience.

If you are in agreement with the above, please confirm below.

Sincerely,

Jones Soda Co.

Per:

/s/ Stephen C. Jones

Chief Executive Officer

Confirmed and agreed:

: /s/ Michael O'Brien _____

Michael O'Brien

Finance Approval

COO:

/s/ Jonathan J. Ricci

Date:

August 18, 2008

FOR IMMEDIATE RELEASE

**JONES SODA ANNOUNCES THE APPOINTMENT OF
MICHAEL O'BRIEN AS CHIEF FINANCIAL OFFICER**

Seattle, WA - August 18, 2008 - Jones Soda Co. (NASDAQ: JSDA), a leader in the premium soda category and known for its unique branding and relevant marketing, is excited to announce the executive appointment of Michael O'Brien as chief financial officer, effective September 2, 2008. Mr. O'Brien replaces Hassan Natha who plans to pursue other interests. As chief financial officer, O'Brien will be responsible for all long and short term strategic and operational finance planning, all financial and legal filings, and work directly with investors, board members and the executive team. Mr. Natha intends to be involved through the transition process.

"We are extremely pleased to welcome Michael to the Jones Soda team," said Steve Jones, chief executive officer of Jones Soda Co. "With an acute sense of fiscal responsibility, he has the skill set and experience to help us further succeed in today's environment through tightly controlled, precision investments. Importantly, he will be able to build on the systems and controls already implemented by Hassan, who has been an important part of this team since 2006. We are very fortunate that he will remain onboard to help ensure a smooth transition and we wish him all the best as he pursues other business opportunities."

O'Brien brings more than 20 years of financial experience within both public and private companies. For the two years prior to joining Jones Soda Co., he served as chief financial officer and vice president of finance for Pyramid Breweries, based in Seattle, Wash. O'Brien was responsible for development and long-term strategic planning for the company and was instrumental in the positive financial turn-around at Pyramid Breweries. From 2002 until 2006, he worked at Medisystems Corporate as chief financial officer; from 1999 until 2002 at Flow International Corporation as chief financial officer; for four years at Alistar Manufacturing Group, Inc. as chief financial officer; for three years at Tempress, Inc. as controller; and three years at KPMG Peat Marwick as senior accountant.

O'Brien received his bachelor of arts in accounting from Western Washington University and his masters of business administration from Seattle University. He is a certified public accountant in the State of Washington and a member of Washington State Society of Certified Public Accountants.

About Jones Soda Co.:

Headquartered in Seattle, Washington, Jones Soda Co. markets and distributes premium beverages under the Jones Soda, Jones Pure Cane Soda, Jones 24C, Jones Energy, Jones Organics, Jones Naturals and Whoopass brands and sells through its distribution network in markets across North America. A leader in the premium soda category, Jones is known for its variety of flavors and innovative labeling technique that incorporates always-changing photos sent in from its consumers. Jones Soda is sold through traditional beverage retailers and everywhere you'd never expect to find a soda. For more information visit www.jonessoda.com and www.myjones.com

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