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

Form 10-KSB

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________________ to ______________

Commission file number _________________________________

Urban Juice & Soda Company Ltd.
(Name of small business issuer in its charter)

Wyoming	91-1696175
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
234 9th Avenue North Seattle, WA 98109	(206) 624-3357
(Address of Principal Executive Offices)	(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered

Securities registered under Section 12(g) of the Exchange Act:

Common Shares, without par value
(Title of class)

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

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Issuer's revenues for its most recent fiscal year: $11,086,450

The aggregate market value of the voting stock held by non-affiliates, computed by reference to the price at which the stock was sold, or the average bid and asked price of such stock, as of a specified date within the past 60 days: As of March 14, 2000, $14,353,937

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of March 14, 2000, there were 18,813,398 shares of the Company's common stock issued and outstanding.

Documents Incorporated By Reference: The Company's definitive proxy statement for its annual meeting of shareholders on May 31, 2000, which will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year 1999, is incorporated by reference in Part III hereof.

Transitional Small Business Disclosure Format (Check one): Yes __; No _X_

URBAN JUICE & SODA COMPANY LTD.
Form 10-KSB Annual Report

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EXPLANATORY NOTE

Unless otherwise indicated or the context otherwise requires, all references herein to "we," "us," "the Company" and "Urban Juice" are to Urban Juice & Soda Company Ltd., a Wyoming corporation, and its wholly owed subsidiaries WAZU Products Ltd., Zip City Distribution Co. Vancouver Ltd., Urban Juice & Soda (USA) Inc. and Vancouver Island Beverage Company Ltd.

CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

The Company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Statements in this report that relate to future results and events are based on the Company's current expectations. Actual results in future periods may differ materially from those currently expected or desired because of a number of risks and uncertainties. For a discussion of factors affecting the Company's business and prospects, see "ITEM 1. – DESCRIPTION OF BUSINESS – Other Factors Affecting the Business of the Company."

CURRENCY TRANSLATION

Unless otherwise stated, dollar figures stated in this Annual Report are in United States dollars. The Company's financial statements are reported in United States dollars. However, as the Company was headquartered in Canada in 1999, many of its transactions are carried out in Canadian dollars.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

The Company

We develop, produce, market and distribute "alternative" or "New Age" beverages. In 1994 we created, and in 1995 launched, two unique beverage brands, *Jones Soda Co.*, a "premium" soda, and *WAZU*, a natural spring water.

Our business strategy is to increase sales by expanding distribution of our internally developed brands in new and existing markets, stimulating consumer trial of our products and increasing consumer awareness of, and brand loyalty to, our unique brands and products. Key elements of our business strategy include:

- creating of a strong distributor relationships;
- stimulating strong consumer demand for our existing brands and products throughout Canada and the United States; and
- developing unique alternative beverage brands and products.

The premise underlying our business strategy is that the success of any alternative or New Age beverage brand will, in large part, be determined by its brand image. Moreover, due to the limited life cycle of beverages in the alternative or New Age category of the beverage industry, we believe that the ongoing process of creating new brands, products and product extensions will be an important factor in our long-term success. Beginning in March 1995, our business has shifted from being solely a regional distributor of licensed and unlicensed brands and products to being solely a developer, producer, marketer and distributor of our internally developed brands and products. During this period we have also reorganized and strengthened our senior management team.

We use contract packers to prepare, bottle and package Urban Juice's internally developed products, continually reviewing our contract packing needs in light of regulatory compliance and logistical requirements. Currently, our primary contract packers are located in Burnaby, British Columbia and Woodbridge, Ontario. Substantially all of the raw materials used in the preparation, bottling and packaging of our products are purchased by us or by our contract packers in accordance with our specifications.

We arrange with independent trucking companies to have product shipped from various contract packers to independent warehouses. From such independent warehouses, we deliver our products through independent trucking companies to our distributors. Distributors sell and deliver our products either to sub-distributors or directly to retail outlets, and such distributors or sub-distributors stock the retailers' shelves with our products.

Historical Development

We were incorporated on December 23, 1986 under the *British Columbia Company Act* as "2072 Investment Ltd." On September 25, 1987, we changed our name to "Republic Aircraft Manufacturing Corporation." On June 9, 1992, we changed our name to "International Republic Aircraft Manufacturing Corporation" and finally to our present name "Urban Juice & Soda Company Ltd." on May 26, 1993. On December 31, 1999, we continued out of British Columbia to the State of Wyoming, as a result of which, we ceased to be a British Columbia company governed by the provisions of the *British Columbia Company Act* and became a Wyoming company governed by the provisions of the *Wyoming Business Corporations Act*.

The genesis of our business dates back to March 6, 1987 when Peter M. van Stolk founded Urban Hand Limited in Edmonton, Alberta pursuant to the laws of Alberta. In September 1987, Urban Hand Limited began marketing and distributing Just Pik't Juices, a patented line of fresh squeezed juices, for all of Western Canada. In 1989, Urban Hand Limited moved its principal place of business from Edmonton to Calgary, Alberta and in 1990, it moved its principal place of business from Calgary to Vancouver, British Columbia. On July 2, 1991, Urban Hand Limited continued pursuant to the laws of British Columbia under the name "Urban Hand Enterprises Limited." By the end of 1991, Urban Hand Enterprises Limited had become the leading distributor on a per capita basis for Just Pik't Juices in North America. In 1992, Urban Hand Enterprises Limited began to implement an aggressive plan to acquire the distribution rights to a full-line of complementary alternative or New Age beverage brands.

In 1992, Urban Hand Enterprises Limited acquired the exclusive distribution rights to Thomas Kemper Sodas, hand crafted brewed soda products, for all of Canada. In May 1993, we (still under the name "International Republic Aircraft Manufacturing Corporation") acquired Urban Hand Enterprises Limited, together with the distribution companies and rights to additional alternative or New Age beverages, and rights to create, manufacture and distribute one or more internally developed beverage brands. On February 20, 1995, Urban Hand Enterprises Limited changed its name to "WAZU Products Ltd."

In June 1993, we, through then wholly-owned subsidiary Urban Hands Enterprises Limited, acquired Southpines Juice & Soda Company, Inc., a beverage distribution company serving the greater Vancouver and Whistler areas of British Columbia. Southpines Juice & Soda Company, Inc. was incorporated in British Columbia on May 31, 1991 and in April 1995, changed its name to "Zip City Distribution Co. Vancouver Ltd." Zip City Distribution Co. Vancouver Ltd. no longer distributes beverage products and is currently inactive.

In September 1993, we acquired Vancouver Island Beverage Company Ltd., a full-line beverage distribution company serving southern Vancouver Island. Vancouver Island Beverage Company Ltd. was incorporated in British Columbia on March 31, 1992 and, after September 1993, operated as a distribution arm for us on Vancouver Island until it was reorganized in December 1994. Vancouver Island Beverage Company Ltd. is currently inactive.

By acquiring our own distribution and our own trucks, we gained more control over our distribution system and assured our access to retailers for our line of licensed products. In September 1993, we acquired the exclusive distribution rights to AriZona Iced Teas for Western Canada. By early 1994, we had also acquired the exclusive distribution rights to all of Canada (except Quebec) for the West End Soda Brew line of products.

By the end of 1994, we had established our business as a full-line beverage distribution company focusing on the distribution of alternative beverage products in Western Canada. During 1994, we simultaneously completed the creation of two internally developed products and began work on the creation of a third internally developed product. In March 1995, coinciding with the accelerating demand for bottled water, we launched our first unique brand, *WAZU*, a natural spring water. In November 1995, we launched our second trademarked brand, *Jones Soda Co.*

During this period, we had also been selling AriZona Iced Teas in the Western Canadian market. By March 1995, however, we had made a strategic decision to focus our time and resources on our own brands. Because the AriZona Iced Tea relationship required a high degree of managerial time and resources, and because of certain other factors, we sold our rights to distribute AriZona Iced Teas to another independent Vancouver, British Columbia based distributor. In April 1995, we acquired the rights to Lahaina Iced Teas and Lemonades, ready-to-drink teas. In May 1995, we acquired the rights to distribute Odwalla, all natural fresh fruit and vegetable-based beverages. In order to increase our business focus on our own brands, however, we discontinued the distribution of Odwalla in February 1996, Lahaina Iced Teas and Lemonades in May 1996, Thomas Kemper Sodas in September 1996, West End Soda Brews in October 1996, and Just Pik't Juices in December 1996.

Form 1997 to1999, the Company has operated solely as a beverage manufacturer and marketer of its own brands, *Jones Soda Co*. and *WAZU*. In June 1998, the Company introduced a product extension of *Jones Soda Co., Natural Jones* Soda, a natural soda formulation. In January 1999, the Company introduced another product extension of *Jones Soda Co*., *Slim Jones*, a diet version of *Jones Soda Co*. In August 1999, the Company created a third product extension of *Jones Soda Co., Jones Soda WhoopAss*, an energy drink. Also in November 1999, the Company re-formulated its *Natural Jones* Soda line for re-launch in January 2000.

Subsidiaries

- WAZU Products Ltd. – Our 100% owed subsidiary. Incorporated on March 6, 1987 pursuant to the laws of Alberta. Continued from Alberta to British Columbia on July 2, 1991.
    - Zip City Distribution Co. Vancouver Ltd. – 100% owed subsidiary of WAZU Products Ltd. Incorporated in British Columbia on May 31, 1991. Currently inactive.
- Vancouver Island Beverage Company Ltd. – Our 100% owed subsidiary. Incorporated in British Columbia on March 31, 1992. Currently inactive.

- Urban Juice & Soda (USA) Inc. – Our 100% owed subsidiary. Incorporated in the State of Washington on August 3, 1995. Currently conducts minimal business activities.

The Alternative Or New Age Beverage Industry

Jones Soda Co. and *WAZU*, which are classified as New Age or alternative beverages, as well as other unique brands and products that we may develop in the future, compete with beverage products of all types, including soft drinks, beer, fruit juices and drinks, bottled water, wine and spirits.

In its annual beverage market survey for calendar year 1998, Beverage World magazine estimated that the New Age or alternative beverage markets grew 12.6% over 1997, to approximately $7.73 billion in total sales.

New Age or alternative beverages are distinguishable from mainstream carbonated soft drinks in that they tend to contain less sugar, less carbonation, and natural ingredients. As a general rule, three criteria have been established for such a classification: (1) relatively new introduction to the market-place; (2) a perception by consumers that consumption is healthful compared to mainstream carbonated soft drinks; and (3) the products use natural ingredients and flavors. According to Beverage Aisle magazine (January 1998 issue), the New Age or alternative beverage category consists of the following segments:

- Retail polyethylene terephthalate (PET) bottled waters
- Ready-to-drink (RTD) teas
- Single-serve fruit beverages
- Sports drinks
- Sparkling water
- Premium sodas
- RTD coffees
- All others

Business Strategy

After witnessing the proliferation of hundreds of new ready-to-drink tea brands during the first half of 1995, we anticipated what we believed to be a peak in the product life cycle for this segment of the New Age beverage category and decided to launch our trademarked brand, *Jones Soda Co.*, which we believed was creating a new category and offering distributors something new to sell. In its January 1998 issue, Beverage Aisle magazine renamed the all-natural soda segment as the premium soda segment and cited *Jones Soda Co.* as an example of a beverage in this category. Thus, we believe that the *Jones Soda Co.* brand and product line have helped to create a new segment in the New Age or alternative beverage industry.

Utilizing creative but relatively low cost marketing and brand promotion techniques, we are currently focused on building a strong distributor network for our lead brand, *Jones Soda Co*.

We believe that our experience as a distributor of licensed and non-licensed New Age beverage brands has given, and will continue to give, our company credibility in connection with its efforts to build a quality network of independent distributors. Moreover, we believe that our first hand experience watching other companies' fortunes rise and fall with a single New Age beverage brand has been incorporated into our business strategy. Five New Age beverage brands, including Sundance, New York Seltzer, Koala Springs, Clearly Canadian and Snapple, have each achieved a minimum of $100,000,000 in revenues. Each of these brands were the first brands in a new segment of the New Age beverage category and each brand had a certain fashion or trend component. For instance, Koala Springs increased sales at a time when Australia was popular as a travel destination. In developing the *Jones Soda Co.* brand, we believe we have created a leading brand in the premium soda segment of the New Age beverage category and have marketed the product with a distinct fashion component. The fashion component includes black and white labels, which is representative of current overall fashion trends. See "Products--Proprietary Brands—*Jones Soda Co.*" We believe we will be ready to launch new unique brands, products and/or product extensions through our then-existing distributor network if and when the consumer demand for *Jones Soda Co.* brand or products begins to decline.

Our business strategy is to attempt to increase sales by expanding product distribution in new and existing markets, stimulating consumer trial of our products and increasing consumer awareness of and brand loyalty to our unique brands and products. We believe that products in the New Age beverage category, much like certain fashion trends, tend to have a limited life cycle of approximately five to nine years. As part of our business strategy, we intend to launch new brands, products and/or product extensions at approximately eighteen to thirty month intervals. See "--Brand and Product Development."

Key elements of our business strategy include the following:

Brand Franchise

We believe that the market for alternative beverages is dependent to a large extent on image more than taste, and that this market is driven by trendy, young consumers between the ages of 15 and 34. Accordingly, our strategy is to develop eclectic brand names, slogans and trade dress. In addition to eclectic labeling, we provide each of our distributors with point-of-sale promotional materials and branded apparel items. We promote interaction with our customers through the use of such point-of-sale items as posters, stickers, table cards, shelf danglers, post cards, hats, pins, T-shirts, and our proprietary lighted display box. In addition, through the labels on its bottles, we invite consumers to access our website and to send in photographs to be featured on the *Jones Soda Co.* labels. We believe that our labeling, marketing and promotional materials increase distributor, retailer and consumer awareness of our brands and products.

Distributor Network And Key Accounts

We distribute our products through a network of independent distributors. We have also obtained listings for the *Jones Soda Co.* brand with certain key retail accounts. We have pursued this strategy both in an effort to increase sales and to encourage distributors to distribute our brands and products to our key accounts and other accounts of our distributors.

We usually grant independent distributors the right to distribute finished cases of one or more of our brands in a particular region, province, state or local territory, subject to our overall management directives. We select distributors who we believe will have the ability to get our unique brands and products on the "street level" retail shelves in convenience stores, delicatessens, sandwich shops and selected supermarkets. Ultimately, we have chosen, and will continue to choose, our distributors based upon their perceived ability to build our brand franchise. We currently maintain a network of approximately 140 distributors in 41 states in the U.S. and eight provinces in Canada.

We have additionally pursued distribution to "alternative" or "non-traditional" beverage retailers. We have entered into exclusive distribution agreements with approximately 200 independent non-traditional beverage retailers, including music stores, skateboard shops, comic book stores and clothing stores in San Diego, Seattle and Vancouver, British Columbia. We intend to selectively pursue distribution to these national and independent non-traditional beverage accounts as part of our distribution and marketing strategy.

Brand And Product Development

We have developed and intend to continue to develop our brands and products in-house. We used a similar process to create the *WAZU* and *Jones Soda Co.* brands, and intend to continue utilizing this process in connection with the creation of our future brands. This process primarily consists of the following steps:

<u>Market Evaluation</u>

First we perform a complete review of the beverage industry in general, including a review of existing beverage categories and segments, and the product life cycle stages of such categories and segments. In addition, we review the fashion industry and the consumer products industry to determine the general trends in such industries. Based on these findings, we also review and attempt to determine the direction of future fashion and consumer product trends. Finally, we evaluate the strengths and weaknesses of certain categories and segments of the beverage industry with a view to pinpointing potential opportunities.

<u>Distributor Evaluation</u>

We prepare a thorough analysis of existing and potential distribution channels. This analysis addresses, among other things, which companies will distribute particular beverage brands and products, where such companies may distribute such brands and products, and what will motivate these distributors to distribute such brands and products.

Production Evaluation

We review all aspects of production in the beverage industry, including current contract packing capacity, strategic production locations, and quality control, and prepare a cost analysis of the various considerations that will be critical to producing our unique brands and products.

Image And Design

In light of our market, distributor and production evaluations, we then create and develop the concept for a beverage brand or product extension. Although we control all aspects of the creation of each brand or product extension, we contract with outside creative artists to help design our brands. We have used, and intend to continue to use, a different artist, or group of artists, whose portfolio of work best suits Urban Juice with respect to the creation of a particular new brand or product extension. Such artists work closely with us to finalize the creation of a new brand image and design. Our technical services department then works with various flavor concentrate houses to test, choose and develop product flavors for the brand.

Due to the limited life cycle of beverages in the alternative or New Age category, we believe that the ongoing process of creating new brands, products and product extensions will be an important factor in our long-term success.

Products

Proprietary Brands

Jones Soda Co. We believe that our trademarked *Jones Soda Co.* brand and product line is a leader in the new segment of the New Age beverage category called premium sodas. The *Jones Soda Co.* product line currently consists of the following fifteen flavors:

- Orange Soda
- Grape Soda
- Cherry Soda
- Lemon Lime Soda
- Crushed Melon
- Strawberry Lime Soda
- Vanilla Cola
- Root Beer
- Cream Soda
- Pink
- Fufu Berry Soda
- Blue Bubblegum Soda
- Green Apple Soda
- Pineapple Upside-Down Soda
- Club Soda

Each of the current *Jones Soda Co.* products is made from natural and artificial flavors. Some flavors distributed in the U.S. market may contain caffeine. Each flavor has a different color profile which we believe is readily distinguishable on a retail shelf. Most *Jones Soda Co.* beverage products come in twelve ounce (355ml) clear long-neck bottles with primarily black and white labels displaying a variety of urban American 1990s images. We also encourage consumers of *Jones Soda Co.*, through the labels on our bottles, to send in photographs that may potentially be used on one of the *Jones Soda Co.* labels.

In June of 1998, we launched three flavors of *Natural Jones* Soda. In November 1999 we re-formulated, and in January 2000 re-launched, *Natural Jones* Soda. In January 2000, we also introduced a fourth flavor of *Natural Jones* Soda. Our current *Natural Jones* Soda products are:

- Passion
- Lemon Ginger
- Peach Ginseng
- Natural Root Beer

In January of 1999, we launched four flavors of *Slim Jones* and added a fifth flavor in June 1999. Our current *Slim Jones* beverage products are:

- Diet Orange Soda
- Diet Lime Cola
- Diet Fufu Berry Soda
- Diet Cream Soda
- Diet Black Cherry Soda

In August 1999 we developed, and in October 1999 launched, *Jones Soda WhoopAss*. *Jones Soda WhoopAss* is a citrus drink in an 8.4 ounce (250ml) slim can containing riboflavin, niacin, vitamin B6 and thiamin. *Jones Soda WhoopAss* is a new category extension for *Jones Soda Co*. which will compete in the energy category of the New Age beverage industry.

For the year ended December 31, 1999, revenue from the sale of Jones Soda Co. products and its product extensions constitutes 94.1% of the Company total revenue.

WAZU. We also seek to distinguish our *WAZU* brand and product line from other competitive brands and product lines in the now well-developed PET bottled water segment of the alternative or New Age beverage category. Each of the *WAZU* products contains water currently sourced from spring water in Burnaby, British Columbia. We have positioned the *WAZU* brand and product line in the middle price point of the PET bottled water category. In doing so, we offer *WAZU* to distributors as a brand that will offer enhanced incremental sales without damaging sales of their current brands.

The *WAZU* product line currently consists of the following stock keeping units:

- wee *WAZU*: (16.9 fluid ounces or 500ml) (with or without sport-cap)
- TRUE *WAZU*: (33.8 fluid ounces or 1L) (with or without sport-cap)
- BIG *WAZU*: (50.7 fluid ounces or 1.5L) (with or without sport-cap)

For the year ended December 31, 1999, revenue from the sale of WAZU products constitutes 0.1% of the Company's total sales revenue.

Licensed Products

In order to increase our business focus on our internally developed brands, we discontinued the distribution of Odwalla in February 1996, Lahaina Iced Teas and Lemonades in May 1996, Thomas Kemper Sodas in September 1996, West End Soda Brews in October 1996, and Just Pik't Juices in December 1996. We no longer hold marketing and distribution rights to any licensed brands. See "Historical Development."

Marketing, Sales And Distribution

Marketing

Our pricing policies for the *Jones Soda Co.* and *WAZU* brands take into consideration competitors' prices and our perception of what a consumer is willing to pay for the particular brand and product. The goal is to competitively price our unique products with the other New Age beverages. Since we can control our production costs, we work back through the distribution chain so that our suggested retail prices are proportional with respect to the anticipated profit margins of each chain in the distribution process. The suggested retail price for *Jones Soda Co.* products is Can.$0.99 - Can.$1.29 in Canada and $0.79 - $1.09 in the United States. The suggested retail price for a wee *WAZU* (500ml bottle) is Can.$0.89 - Can.$0.99 in Canada and $0.59 - $0.79 in the United States.

We primarily use point-of-sale materials such as posters, stickers, table cards, shelf danglers, post cards, hats, pins, T-shirts and jackets to increase consumer awareness of our proprietary brands. In response to consumer demand, we sell our wearables on our web site `http://www.jonessoda.com`. Through cooperative advertising, certain of our independent distributors fund a portion of our marketing budget, based upon case sales. In selected cities, we have planned or are planning to sponsor or participate on a "grass roots" level at certain events in an attempt to increase brand awareness and loyalty. We have also devised a number of other low cost techniques which involve all Urban Juice personnel (and which we treat as trade secrets) to create distinct personalities for each of our brands. We also have a program of sponsoring extreme sport athletes to promote *Jones Soda Co.* Pursuant to the program, we have signed up several athletes in the skateboard, snowboard and mountain bike industries. We also use two leased recreational vehicles painted with the *Jones Soda Co.* colors and logos to create consumer awareness and enthusiasm to assist distributors as they open new markets. In addition to these marketing techniques, we also initiated a campaign of cross-promotions with other companies. Such cross promotions in 1999 were with BMG Entertainment.

During 1999 we also developed a unique website, `www.myjones.com` which allows our *Jones Soda Co.* consumers to create their own personalized 12 pack of *Jones Soda Co*. with their unique photo in the labels. The strategy of `www.myjones.com` is to provide a unique product offering to our consumers as well as provide a unique marketing opportunity for our *Jones Soda Co*. brand. Consumers can scan their unique photo through the web and crop and create their own "`myjones`" labels. The unique labels are downloaded at our head office and we send out 12 packs of the soda to the consumer. We believe that this strategy will increase awareness for the *Jones Soda Co.* brand as well as provide for increased interactivity with the *Jones Soda Co*. brand.

Sales

Our unique products are sold in eight provinces in Canada and 41 states in the U.S., primarily in convenience stores, delicatessens, sandwich shops and selected supermarkets. During the year ended December 31, 1999, sales to the U.S. represents 84% of the total with the balance of 16% representing sales in Canada.

During 1999, our sales force was reorganized into seven regional groups, including the U.S. Pacific Northwest, California, the U.S. Mountain Region, the U.S. Northeast, the U.S. Southeast, the U.S. Midwest and Canada. The Senior Vice President of Sales and Marketing was ultimately responsible for all regions. All of our sales personnel have had prior industry experience. Senior sales personnel are responsible for large retail accounts located in their regions, the management of existing independent distributor relations and the selection of new independent distributors as may be required. Junior sales personnel work closely with the sales representatives of our independent distributors to help them open street level retail accounts and train them in our sales and marketing techniques.

Distribution

Our products are sold by approximately 140 independent distributors. Our policy is to grant our distributors rights to sell particular brands within a defined territory. The majority of our distributors carry other beverage products. Agreements with our distributors vary, but are usually oral and terminable by either party at will, as is common in the beverage industry.

During the year ended December 31, 1999, the three primary distributors of our products purchased approximately 8.0%, 6.2% and 5.0%, respectively, of the total number of cases sold by Urban Juice. We believe that, concurrent with the expected increase in consumer awareness of our brands, we will upgrade and expand our distributor network which may result in a decreased dependence on any one or more of our independent distributors.

We generally require our independent distributors to place their purchase orders for our products at least 10 days in advance of shipping. To the extent we have additional product available in inventory, we will fulfill other purchase orders when and as received. We contract with outside trucking companies to deliver our products from our independent warehouses to our independent distributors. After an independent distributor receives delivery of our products it will most often, in turn, resell and deliver those products directly to a retail outlet and stock the retailer’s shelves with our products.

Production

Contract Packing Arrangements

We currently use two main independent contract packers known as “co-packers” to prepare and bottle our products. As is customary in the contract packing industry, we are expected to arrange for our contract packing needs sufficiently in advance of anticipated requirements. Accordingly, it is our business practice to require our independent distributors to place their purchase orders for our products at least 10 days in advance of shipping. Other than minimum case volume requirements per production run, we do not have any minimum production requirements, except as detailed below.

During 1999 we used several contract-packing facilities to produce all requirements of *Jones Soda Co*. We have made arrangements with another contract packing facility to produce *Natural Jones* Soda, our upscale pasteurized version of *Jones Soda Co.* and another contract packing facility to produce *Jones Soda WhoopAss*.

Raw Materials

The raw materials used in the preparation and packaging of our products (consisting primarily of concentrate, glass, labels, caps and packaging) are purchased from suppliers selected either directly by our contract packers or by us which, in turn, supply those raw materials to our contract packers.

We believe that we have adequate sources of raw materials which are available from multiple suppliers. Currently, we purchase all of our flavor concentrate for *Jones Soda Co.* products from Pro-Liquitech, Inc., a flavor concentrate company, on an exclusive basis. We intend to purchase flavor concentrate from multiple flavor houses for future *Jones Soda Co.* flavors and/or additional products, with the intention of developing secondary sources of flavor concentrate for each of our products. The water used to produce *Jones Soda Co.* is filtered and is also treated to reduce alkalinity.

Quality Control

Our products are made from high quality ingredients and natural and artificial flavors. We seek to ensure that all of our products satisfy our quality standards. Contract packers are selected and monitored by our own quality control representatives in an effort to assure adherence to our production procedures and quality standards. We analyze samples of our products from each production run undertaken by each of our contract packers.

For every run of product, extensive on-line testing of product quality and packaging is completed. This includes testing levels of sweetness, carbonation, taste, product integrity, packaging and various regulatory cross checks. For each product, the contract packer must transmit all quality control test results to us on a daily basis. These test results are reviewed by technical staff for compliance with our standards. In addition, samples from every production run are forwarded to our Quality Control Department. These samples are then re-tested by us to double check the production facilities' quality control. Based on our experience, we believe this cross check on product meets or exceeds standard procedures established in the industry.

Testing at both the Urban Juice facility and the contract production facilities includes microbiological checks and other tests to ensure the production facilities meet the standards and specifications of our quality assurance program. This information is then logged into a database for rapid statistical analysis and followed up with each contract packer. We believe our production facilities inspection program meets or exceeds industry standards. Water quality is monitored during production and at scheduled testing times to ensure compliance with applicable government regulatory requirements. Flavors are pre-tested before shipment to contract packers from the flavor manufacturer. We are committed to an on-going program of product improvement with a view toward ensuring the high quality of our product.

We believe we source and select only those suppliers that use only quality components. We also inspect packaging suppliers' production facilities and monitor their product quality.

Regulation

The production and marketing of our licensed and proprietary beverages are subject to the rules and regulations of various federal, provincial, state and local health agencies, including without limitation, Health Canada, Agriculture and Agri-Food Canada and the United States Food and Drug Administration. The FDA and Agriculture and Agri-Food Canada also regulate labeling of our products. From time to time, we may receive notifications of various technical labeling and/or ingredient infractions with respect to our licensed products. We believe that we have a compliance program in place to ensure compliance with production, marketing and labeling regulations on a going-forward basis, and that none of the foregoing notifications or actions would have a material adverse affect on our business, financial condition or results of operations. There are no potential notifications or actions currently outstanding.

Trademarks, Flavor Concentrate Trade Secrets And Patent Pending

We own a number of trademarks, including the following which are registered in Canada and the United States: "*Urban Juice & Soda Co.*," "*Jones Soda Co.*," "*WAZU*," and "*Slim Jones*." In Canada the trademarks expire 15 years from the registration date and in the United States 10 years from the registration date, although in the U.S., they may be renewed for a nominal fee. In addition, we have trademark protection in Canada and the United States for a number of other trademarks for slogans and product designs, including "*Wet Yourself*," "*I've Got A Jones For A Jones*," "*Urban Juice & Soda Co. and Design*," and "*WAZU and Design*." In addition, trademark protection for the marks "*Jones Soda Co.*" and "*WAZU*" have also been applied for in the United Kingdom, Germany, Japan, and other foreign jurisdictions.

To date, we have the exclusive rights to twenty-five flavor concentrates developed with Pro-Liquitech, Inc., which we protect as trade secrets. We will continue to take appropriate measures, such as entering into confidentiality agreements with our contract packers and exclusivity agreements with our flavor houses, to maintain the secrecy and proprietary nature of our flavor concentrates.

We also have applied for a patent for our "`myjones.com`" project.

We consider our trademarks and flavor concentrate trade secretes to be of considerable value and importance to our business. No challenges to our trademarks have arisen and we have no reason to believe that any such challenges will arise in the future.

Competition

The beverage industry is highly competitive. The principal methods of competition in the beverage industry include brand name, brand image, price, labeling and packaging, product quality and taste, trade and consumer promotions and the development of new brands, products and product extensions. We compete with other beverage companies not only for consumer acceptance but also for shelf space in retail outlets and for marketing focus by our distributors, all of which also distribute other beverage brands. Our products compete with all non-alcoholic beverages, most of which are marketed by companies with substantially greater financial resources than Urban Juice. We also compete with regional beverage producers and "private label" soft drink suppliers.

In order to compete effectively in the beverage industry, we believe that we must first convince independent distributors that *Jones Soda Co.* is a leading brand in the newly created premium soda segment of the alternative or New Age beverage industry. As such, *Jones Soda Co.* provides distributors with the opportunity for incremental beverage sales growth rather than replacing their existing beverage sales. In connection with or as a follow-up to the establishment of an independent distributor relationship for the *Jones Soda Co.* brand, we sell *WAZU* as a complementary brand which may replace competitive PET bottled water products carried by such distributors and *Jones Soda WhoopAss* as a complementary brand which may replace other energy drinks. Our distribution strategy for *Natural Jones* Soda is to offer this product extension to a different distribution network, the heath food wholesalers and retailers. As a means of maintaining and expanding our distribution network, we intend to introduce new products and product extensions, and when warranted, new brands. Although we believe that we will be able to continue to create unique, exciting and fashionable brands, there can be no assurance that we will be able to do so or that other companies will not be more successful in this regard over the long term.

Pricing of the products is also important. The *Jones Soda Co.* products are priced in the same price range as competitive New Age beverage brands and products. *WAZU* products are priced in the middle of the pricing range for PET bottled water products. *Jones Soda WhoopAss* is priced in the middle to high of the pricing range for energy drinks. *Nature Jones Soda* is priced in the middle to high of the pricing range for natural sodas.

Employees

As of December 31, 1999, we had 31 full-time employees, 19 of whom were employed in sales and marketing capacities, eight were employed in administrative capacities, and four were employed in manufacturing and quality control capacities. None of our employees are represented by labor unions. We believe that our relationships with our employees are good.

Continuation From British Columbia, CANADA To Wyoming, U.S.

The corporate existence of the Company was continued out of British Columbia into the State of Wyoming on December 31, 1999. As a result of the continuation, the Company has ceased to be a British Columbia company governed by the provisions of the *British Columbia Company Act* and has become a Wyoming company governed by the provisions of the *Wyoming Business Corporation Act.* Pursuant to the continuation, our wholly-owned subsidiaries, WAZU Products Ltd., Urban Juice & Soda (USA) Inc. and Vancouver Island Beverage Company Ltd. became wholly-owned subsidiaries of the Wyoming company.

We believe that the continuation will provide us with a number of benefits including:

- Integrating us more fully into the United States, our primary market
- Increasing our access to Unites States capital and debt sources, which have been our primary source of both equity and debt financing
- Better positioning ourselves for the possible future listing of our shares on a United States exchange
- Increasing our access to qualified personnel

The continuation has not resulted in any change in our business or assets, liabilities, net worth or management, nor will the continuation impair any of our creditors' rights. A particular shareholder's holding did not change. The continuation is not, in itself, a corporate reorganization, amalgamation or merger. See "ITEM 4. -- SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS."

Other Factors Affecting The Business Of The Company

Strong Opposition From Traditional Non-Alcoholic Beverage Manufacturers May Prevent Us From Expanding Our Market

The alternative beverage industry is highly competitive. We compete with other beverage companies not only for consumer acceptance but also for shelf space in retail outlets and for marketing focus by our distributors, all of which also distribute other beverage brands. Our products compete with all non-alcoholic beverages, most of which are marketed by companies with greater financial resources than Urban Juice and some of which are placing severe pressure on independent distributors not to carry competitive alternative or New Age beverage brands such as *Jones Soda Co*. We also compete with regional beverage producers and "private label" soft drink suppliers. If, due to such pressure or other competitive threats, we are unable to sufficiently develop our distribution channels, we may be unable to achieve our current revenue and financial targets. As a means of maintaining and expanding our distribution network, we intend to introduce product extensions and additional brands. There can be no assurance that we will be able to do so or that other companies will not be more successful in this regard over the long term. Competition, particularly from companies with greater financial and marketing resources than Urban Juice, could have a material adverse affect on our ability to expand the market for our products.

Our Dependence On Non-Contract, Independent Distributors Could Affect Our Ability To Efficiently And Profitably Distribute And Market Of Our Product

As is customary in the beverage industry, we have no contractual commitments from our independent distributors. In order to reduce inventory costs, independent distributors endeavor to order products from us on a "just in time" basis in quantities, and at such times, based on the demand for the products in a particular distribution area. Accordingly, there is no assurance as to the timing or quantity of purchases by any of our independent distributors or that any of our distributors will continue to purchase products from us in the same frequencies and/or volumes as they may have done in the past.

For the year ended December 31, 1999, approximately 19.2% of the cases of our beverage products sold were sold through three distributors. Our ability to establish a market for our unique brands and products in new geographic distribution areas, as well as maintain and expand our existing markets, is dependent on our ability to establish and maintain successful relationships with reliable independent distributors strategically positioned to serve those areas. The ability to maintain our distribution system and to attract additional distributors in new distribution areas will depend on a number of factors, many of which are outside our control. These factors include, the level of demand for our brands and products in a particular distribution area, our ability to price our products at levels competitive with those offered by competing products, and our ability to deliver products in the quantity and at the time ordered by distributors. We cannot assume that we will be able to meet all or any of these factors in any of our current or prospective geographic areas of distribution. Our inability to achieve any of these factors in a geographic distribution area will have a material adverse effect on our relationships with our distributors in that particular geographic area, thus limiting our ability to expand our market.

Our marketing and sales strategy presently, and in the future, will rely on the availability and performance of our independent distributors. In addition, we do not currently have, nor do we anticipate in the future that we will be able to establish, long-term contractual commitments from many of our distributors. Accordingly, there is no assurance that we will be able to maintain our current distribution relationships or establish and maintain successful relationships with distributors in new geographic distribution areas. Moreover, there is the additional possibility that we may have to incur additional expenditures to attract and/or maintain key distributors in one or more of our geographic distribution areas in order to profitably exploit our geographic markets.

Our Dependence On Third-Party Packers Of Our Products Could Make Management Of Our Marketing And Distribution Efforts Inefficient Or Unprofitable

Even though we control and manage the entire manufacturing process of our products, we do not own the plant and equipment required to manufacture and package our beverage products and do not anticipate having such capabilities in the future. As a consequence, we depend on third-party or contract packers to produce our beverage products and to deliver them to distributors. Our ability to attract and maintain effective relationships with contract packers for the production and delivery of our beverage products in a particular geographic distribution area is important to the achievement of successful operations within each distribution area. Currently, the competition among contract packers for business allows us to have the choice of two or more acceptable contract packers in each of our geographic distribution areas. Under these circumstances, we are currently able to establish and maintain competitive arrangements with contract packers. However, there is no assurance that these conditions will continue to exist in either our current geographic distribution areas or in new areas we may enter. Accordingly, there is no assurance that we will be able to maintain our economic relationships with current contract packers or establish satisfactory relationships with contract packers in new geographic distribution areas we may enter. The failure to establish and maintain effective relationships with contract packers for a distribution area would likely prevent us from successfully selling our products in that area or materially reduce profits realized from the sale of our products in that area.

As is customary in the contract packing industry for comparably sized companies, we are expected to arrange for our contract packing needs sufficiently in advance of anticipated requirements. To the extent demand for our products exceeds available inventory and the capacities produced by contract packing arrangements, we will be unable to fulfill distributor orders on demand. Conversely, we may produce more products than warranted by the actual demand for it, resulting in higher storage costs, the potential unavailability o adequate storage facilities to meet inventory levels, and the potential risk of inventory spoilage. Our failure to accurately predict our contract packaging requirements may impair relationships with our independent distributors and key accounts, which, in turn, would likely have a material adverse affect on our ability to maintain profitable relationships with those distributors and key accounts.

We Have Not Earned A Profit In Any Year

Through December 31, 1999, Urban Juice had an accumulated deficit of $8,663,673, most of which had resulted from our operations during the period in which we transformed Urban Juice from being a regional distributor of licensed and unlicensed beverage brands and products to a unique brand holder producing, developing and marketing our own products. We believe that to operate at a profit we must significantly increase the sales volume for our unique brands and products, achieve and maintain efficiencies in operations, maintain fixed costs at or near current levels and avoid significant increases in variable costs relating to production, marketing and distribution. Our ability to significantly increase sales from current sales levels will depend primarily on success in introducing our current brands and products, and possibly new unique brands, products or product extensions, into new geographic distribution areas, particularly in the United States. Our ability to successfully enter new distribution areas will, in turn, depend on various factors, many of which are beyond our control including, but not limited to, the continued demand for our brands and products in target markets, the ability to price our products at levels competitive with competing products, the ability to establish and maintain relationships with distributors in each geographic area of distribution and the ability in the future to create, develop and successfully introduce one or more new brands, products, and product extensions. There is no assurance that we will successfully achieve all or any of these goals, or that we will achieve profitable operations.

We Compete In An Industry That Is Brand-Conscious, So Brand Name Recognition And Acceptance Of Our Products Are Critical To Our Success

Our business is substantially dependent upon acceptance by independent distributors of the *Jones Soda Co.* brand as a beverage brand which may provide incremental sales growth rather than reduce distributors' existing beverage sales. It is still too early in the product life cycle of the *Jones Soda Co.* brand to determine whether it will achieve this level of acceptance by independent distributors or, ultimately, retail consumers. We believe that the success of the *Jones Soda WhoopAss*, *Natural Jones* Soda and *WAZU* brands will also be substantially dependent upon acceptance of the *Jones Soda Co*. brand. Accordingly, any failure by the *Jones Soda Co.* brand to achieve acceptance or market penetration would likely have a material adverse affect on our profitability.

We Compete In An Industry Characterized By Rapid Changes In Consumer Preferences, So Our Ability To Continue Developing New Products To Satisfy Our Consumers' Changing Preferences Will Determine Our Long-Term Success

The current *Jones Soda Co*. market distribution and penetration may be limited with respect to the population as a whole to determine whether the brand has achieved initial consumer acceptance, and there can be no assurance that this acceptance will ultimately be achieved. Based on industry information and our own experience, we believe that alternative or New Age beverage brands and products may be successfully marketed for five to nine years after the product is introduced in a geographic distribution area before consumers' taste preferences change. In light of the limited life for alternative or New Age beverage brands and products, a failure to introduce new brands, products or product extensions into the marketplace as current ones mature would likely prevent us from achieving long-term profitability.

The Loss Of Key Personnel Would Directly Affect Our Efficiency And Profitability

We are dependent upon the creative skills and leadership of our founder, Peter M. van Stolk, who serves Urban Juice as President and Chief Executive Officer, as well as the management and operational skills of other members of our senior management team. We have entered into an employment agreement with Mr. van Stolk which expires in 2001. The loss of Mr. van Stolk could have a material adverse affect on our ability to develop a long-term, profitable business plan.

Our management team consists of several key production, distribution, sales and financial personnel who have been recruited within the past several years. In order to manage and operate Urban Juice successfully in the future, it may be necessary to further strengthen our management team; specifically, we anticipate we will need to recruit a senior executive to be the Chief Operating Officer of Urban Juice. The competition for such key personnel is intense, and there can be no assurance that we will be successful in attracting, retaining or motivating such individuals. The failure to attract, retain or motivate such key personnel would likely have a material adverse affect on our ability to operate our business efficiently and profitably.

Our Limited Operating Experience Could Hinder Our Ability To Expand Our Market

We launched our first unique brand, *WAZU*, in March 1995, and our second unique brand, *Jones Soda Co*., in November 1995. We have since launched three *Jones Soda Co.* brand extensions, *Natural Jones* Soda in June 1998, *Slim Jones in January 1999, and Jones Soda WhoopAss* in October 1999. In view of this limited operating experience as a brand holder, we are vulnerable to a variety of business risks usually associated with young companies or mature companies entering a new line of business including the lack of management's experience in expanding our market internationally. We believe that we must expand our market internationally, but we cannot assure that we will be able to operate successfully as an international producer, marketer and distributor of our beverage brands, and any failure to do so would likely have a material adverse affect on our profitability.

We Could Be Exposed To Product Liability Claims For Personal Injury Or Possibly Death

Although we have product liability insurance in the aggregate amount of $5 million, with an each occurrence limit of $5 million, we cannot assure that the coverage will be sufficient to cover any or all product liability claims. To the extent our product liability coverage is insufficient, a product liability claim would likely have a material adverse affect upon our financial condition. In addition, any product liability claim successfully brought against us may materially damage the reputation of our products, thus adversely affecting our ability to continue to market that product.

Our Inability To Protect Our Trademarks and Flavor Concentrate Trade Secrets May Prevent Us From Successfully Marketing Our Products

We consider our trademarks and flavor concentrate trade secretes to be of considerable value and importance to our business. We are pursuing the registration of our trademarks in the United States, Canada and internationally. There can be no assurance that the steps taken by us to protect these proprietary rights will be adequate or that third parties will not infringe or misappropriate our trademarks, flavor concentrate trade secrets and/or similar proprietary rights. In addition, there can be no assurance that other parties will not assert infringement claims against us. Any event that would jeopardize our proprietary rights or any claims of infringement by third parties could have a material adverse affect on our ability to profitably exploit our unique products or recoup our associated research and development costs.

Our Business Is Subject To Many Regulations And Noncompliance Is Costly

The production and marketing of our unique beverages, including contents, labels, caps and containers, are subject to the rules and regulations of various federal, provincial, state and local health agencies. If a regulatory authority finds that a current or future product or production run is not in compliance with any of these regulations, we may be fined, or production may be stopped, thus adversely affecting our financial conditions and operations. Similarly, any adverse publicity associated with any noncompliance may damage our reputation and our ability to successfully market our products.

Our Information Technology And Computer Controlled Systems May Not Be Year 2000 Compliant

We may not accurately identify all potential Year 2000 problems within our business, and the corrective measures that we implement may be ineffective or incomplete. Any unexpected problems could interrupt our ability to develop and produce our products, process orders, accurately report operating and financial data or service our customers. Similar problems and consequences could result if any of our key suppliers or customers experience Year 2000 problems. Our failure or the failure of our significant suppliers and customers to adequately address the "Year 2000" issue could adversely affect our business, operating results and financial condition. For more information about our Year 2000 compliance efforts, see "ITEM 6. -- MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION -- Impact of the Year 2000 Computer Problem."

ITEM 2. DESCRIPTION OF PROPERTY.

We own no real property. Pursuant to a lease which expires in January 2004, we lease 8,372 square feet of warehouse and office space in Vancouver, British Columbia for $4,090 per month, which we used as our principal executive offices in 1999. We believe that our leased facilities are suitable and adequate for our current needs.

We have also leased 7,989 square feet of office space in Seattle, Washington for $10,985 per month which will be used as our principal executive offices in 2000 and beyond. We intend to sublease our Vancouver office space and lease a smaller office of 1,100 square feet at $900 per month.

ITEM 3. LEGAL PROCEEDINGS.

Urban Juice & Soda Company Ltd. v. Hercules Incorporated et al. On February 19, 1997, we filed a Statement of Claim in the British Columbia Supreme Court. The named defendants were Tastemaker, Tastemaker Canada Inc., Hercules Incorporated and Mallinckrodt Inc. Givaudan Roure Flavors Corporation, by agreement dated March 31, 1997, assumed the United States liabilities of Tastemaker and on August 6, 1997 was substituted as the defendant in place of Mallinckrodt Inc., carrying under the name and style of Tastemaker, Hercules Incorporated, and Tastemaker. Thus, the defendants in the action are now Givaudan Roure Flavors Corporation and Tastemaker Canada, Inc. The trial date is set for October 2000. Tastemaker and its affiliated companies, were the flavor houses that created the concentrate for the original line of flavors for *Jones Soda Co*. We are seeking damages in excess of $1,000,000 against the defendants for failing to design and produce concentrate in accordance with our specifications. When we initially sought proposals from various flavor houses, the majority of them, including Tastemaker, identified that the concentrate manufactured for the *Jones Soda Co.* line would meet certain flavor stability and performance standards. However, we believe that the concentrate produced by Tastemaker continually failed to meet these standards. In 1997, we retained a new flavor house, Pro-Liquitech, Inc., to produce the concentrate for the *Jones Soda Co*.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At the extraordinary general meeting of shareholders held on December 17, 1999, the security holders authorized the Board of Directors to change our domicile from the Province of British Columbia to the State of Wyoming (the "Continuation").

For further information about the Continuation, please refer to (i) our Registration Statement of Form S-4 (File No. 333-75913) which was filed with the Securities and Exchange Commission on April 8, 1999 and declared effective on November 12, 1999 and (ii) our Current Report on Form 8-K dated February 17, 2000.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Common Shares

Our common shares are currently traded on the Canadian Venture Exchange (previously the "Vancouver Stock Exchange") under the symbol "UJS". Our common shares are also quoted on the OTC Bulletin Board under the symbol "UJSA". We have not made any application to list the common shares on any other exchange. The following table shows the high and low closing sale prices of the common shares for the calendar quarters indicated, as reported by the Canadian Venture Exchange.

	HIGH	LOW
1999:		
Fourth quarter	Can.$	Can.$____
Third quarter	Can.$ 1.48	Can.$1.05
Second quarter	Can.$ 1.35	Can.$0.76
First quarter	Can.$ 0.90	Can.$0.45
1998:		
Fourth quarter	Can.$ 0.56	Can.$0.40
Third quarter	Can.$ 1.15	Can.$0.42
Second quarter	Can.$ 1.34	Can.$0.83
First quarter	Can.$ 1.10	Can.$0.73

As of March 14, 2000, there were 18,813,398 common shares issued and outstanding. Those common shares were held by ________ holders of record. To the best of our knowledge, we are not directly or indirectly owned or controlled by another corporation or by any foreign government.

Common Share Purchase Warrants

Broker Warrants

In connection with the issuance of common shares in 1997, 1998 and 1999, the Company issued to the brokers warrants to purchase the Company's common shares, with exercise prices ranging from $0.42 to $0.62 per share. As of December 31, 1999, warrants to purchase 261,620 common shares remain outstanding.

Warrants

We also issued warrants to purchase 850,000 common shares in connection with a private placement of common shares that closed on December 9, 1998. The exercise price of these warrants is Can.$0.60 per share and expire on December 9, 2000. We relied on Rule 903 of the Regulation S for the private placement closed on May 4, 1999 as the warrants were only offered in Canada and we were a foreign private issuer at the time.

Finally, in connection with a private placement of our common shares that closed on May 4, 1999, we issued warrants to purchase 1,458,947 common shares, at an aggregate exercise price of Can.$0.75 per share until May 4, 2000, and Can.$0.90 per share until May 4, 2001. We relied on Rule 506 of the Regulation D for the private placement closed on May 4, 1999 as the only purchasers of our common shares were "accredited investors" as such term is defined under Rule 501(a) of the Regulation D.

There is no trading market for the warrants and we do not intend to request the listing of the warrants on any exchange.

Dividends

We have not paid any cash dividends with respect to our Common Shares and it is unlikely that we will pay any dividends on our Common Shares in the foreseeable future. Earnings we realize, if any, will be retained in the business for further development and expansion.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Overview

We currently produce and market two New Age Beverages. In 1994 we created, and in 1995 launched, two unique beverage brands, *Jones Soda Co.*, a "premium" soda, and *WAZU*, a natural spring water. In June 1998 we launched *Natural Jones* Soda, a product extension of *Jones Soda Co*. In November 1999 we re-formulated, and in January 2000 re-launched *Natural Jones* Soda. We also introduced a new flavor of *Natural Jones* Soda in January 2000. In January 1999, we launched *Slim Jones*, another product extension of *Jones Soda Co*. and added a new flavor in June 1999. In August 1999 we created, and in October 1999 launched, *Jones Soda*

WhoopAss, the third product extension of *Jones Soda Co*. Prior to the launch of these two Urban Juice brands, we were solely a regional distributor of licensed and unlicensed alternative or New Age beverage brands and products in various territories located in Western Canada.

In connection with transforming our business focus from being solely a regional distributor of licensed and unlicensed brands and products to being solely a developer, producer, marketer and distributor of our own brands and products, we believe our short-term sales growth will be substantially dependent on our ability to build the *Jones Soda Co.* brand franchise and expand our distributor network. We believe that our long-term sales growth will be largely dependent on the ability to continue to build the quality of our distributor network for our brands, and to successfully launch new unique beverage brands and products through that network when the lifecycle of our existing brands and products warrant doing so.

One of the main reasons for our change in strategic direction was the potential to earn higher gross margins from the sale of our own unique beverage brands. We anticipate that gross margins will improve as we increase the volume of sales of our brands. This increase, we believe, will come from falling marginal costs as we increases our sales volume.

In order to better align the business operations of Urban Juice & Soda Company Ltd. and our wholly-owned subsidiaries, WAZU Products Ltd. will sell assets used in its U.S. operations to Urban Juice & Soda (USA) Inc. The assets will be sold for proceeds equal to their fair market value. Urban Juice & Soda (USA) Inc. will assume debt of WAZU Products Ltd. equal to their fair market value of the U.S. assets **[Tim, what does this mean?].** Under Canadian and U.S. GAAP, this transaction will be treated as a transfer of assets under common control, and accordingly will be accounted for at historical cost in a manner similar to a pooling of interests.

Results Of Operations

Net Sales

For the year ended December 31, 1999, net sales were $11,086,450, an increase of $6,359,159, or 134.5% over the net sales of $4,727,291 for the year ended December 31, 1998. The increase in net sales was attributable to increased sales of *Jones Soda Co.* through existing distributors, and to a lesser extent, to the creation in August 1999 and launch in October 1999 of a *Jones Soda Co*. product extension, *Jones Soda WhoopAss*, which is a functional energy drink in an 8.4 ounce (250ml) slim can. As of December 31, 1999, *Jones Soda Co.* products were sold in 41 states of the United States and eight provinces of Canada.

Gross Profit

Gross profit was $3,731,886 for the year ended December 31, 1999, an increase of $2,458,857, or 193.2% over the gross profit of $1,273,029 for the year ended December 31, 1998. The increase in gross profit was primarily attributable to increased net sales as well as cost reductions achieved in certain raw materials and packaging. Gross profit as a percentage of net sales increased to 33.7% for the year ended December 31, 1999 from 26.9% for the year ended

December 31, 1998. The increase in gross profit as a percentage of net sales was primarily attributable to the lower costs achieved.

Total Operating Expenses

Total operating expenses were $4,560,227 for the year ended December 31, 1999, an increase of $1,742,649, or 61.8% over the total operating expenses of $2,817,578 for the year ended December 31, 1998. The increase in total operating expenses was primarily attributable to increase selling, general and administration expenses incurred as a result of the Company's increased sales volume. Total operating expenses as a percentage of sales decreased to 41.1% for the year ended December 31, 1999 from 59.6% for the year ended December 31, 1998.

Promotion And Selling Expenses

Promotion and selling expenses were $3,036,094 for the year ended December 31, 1999, an increase of $1,538,193, or 102.7% over the promotion and selling expenses of $1,497,901 for the year ended December 31, 1998. The increase in promotion and selling expenses was primarily attributable to increased costs of promotional allowances and material associated with the ongoing development of *Jones Soda Co.* and increased advertising such as event sponsorships associated with building the *Jones Soda Co*. brand awareness. Promotion and selling expenses as a percentage of net sales decreased to 27.4% for the year ended December 31, 1999 from 31.7% for the year ended December 31, 1998.

General And Administrative Expenses

General and administrative expenses were $1,524,133 for the year ended December 31, 1999, an increase of $204,456, or 15.5% over the general and administrative expenses of $1,319,677 for the year ended December 31, 1998. The increase in general and administrative expenses was primarily attributable to expenses associated with the Company's continuation into the United States as well as legal fees associated with the Company's litigation against Tastemaker. General and administrative expenses as a percentage of net sales decreased to 13.7% for the year ended December 31, 1999 from 27.9% for the year ended December 31, 1998.

Other Expenses

Other income was $19,165 for the year ended December 31, 1999, an increase of $9,451, or 97.3% over the other income of $9,714 for the year ended December 31, 1998. This increase was primarily attributable to the increase in interest income associated with cash balances during the 1999 year.

Net Loss

Net loss was $809,176 for the year ended December 31, 1999, compared to net loss of $1,534,835 for the year ended December 31, 1998. The $725,659 decrease in the net loss was attributable to increased sales and improved gross profit margins, partially offset by increased total operating expenses. Net loss as a percentage of sales decreased to 7.3% from 32.5% primarily due to increasing sales volume.

Liquidity And Capital Resources

The operations of the Company historically have primarily been funded through the issuance of common stock and external borrowings.

As at December 31, 1999, the Company had working capital of $1,663,211 compared to working capital of $697,578 as at December 31, 1998. The increase in working capital was primarily attributable to the decrease in the net loss and the issuance of common stock in May 1999.

On March 17, 2000, a credit facility was granted to the Company by Bank of America Commercial Finance, consisting of a three-year revolving line of credit of up to $3,000,000. The utilization of the revolving line of credit by the Company is dependent upon certain levels of eligible accounts receivable and inventory from time to time. Such revolving line of credit is secured by all of the Company's assets, including accounts receivable, inventory, trademark license and trademarks, and certain equipment. Borrowings under the credit facility bear interest at a rate of Prime + 1.5%. The credit facility does not impose any financial covenants.

Cash and cash equivalents increased by $124,732 for the year ended December 31, 1999. Net cash used in operating activities was $1,678,369. The Company's investing activities used $178,470 cash for the year ended December 31, 1999, primarily for the purchase of cooler and computer equipment. Cash flow provided by financing activities was $1,969,144 for the year ended December 31, 1999 and consisted primarily of $1,651,460 in proceeds from a private placement of common shares which closed in May 1999. **[Tim will add a sentence to explain the $12,427 gap.]**

Investor Relations

During the period ending December 31, 1999, the Company completed all Investor Relations activities in-house. The Company sent out copies of news or press releases, the Company's corporate brochure, and communicated to shareholders with a monthly newsletter and a quarterly Investor Conference Call.

Impact of the Year 2000 Computer Problem

A number of computer programs are written using two digits rather than four to define the applicable year. As a result, computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

In 1998, the Company upgraded billing, accounting and administrative systems which are now fully operational and have been represented to be filly Year 2000 compliant. All of the Company's desktop computers are Year 2000 compliant and the Company has received written assurances from the manufacturers of the computers used in our co-packing facilities that all of their computers are Year 2000 compliant.

During the year ended December 31, 1999, the Company assessed its customer and suppliers' Year 2000 compliance status. Of the Company's suppliers and distributors, 12 suppliers and 15 distributors have been identified as material third parties to the Company based on volume of business and potential impact on the Company's business. As of December 31, 1999, the Company has received satisfactory response to its Year 2000 questionnaire from 11 of the 12 material suppliers and 10 of 15 of the material distributors.

During the year ended December 31, 1999, the Company developed a contingency plan which included a non-computerized back-up of all accounting and non-accounting information. As at the date of this Annual Report, we have not encountered any material Year 2000 problems.

Seasonality

We have experienced significant fluctuations in quarterly results that have been the result of many factors, including the following: the addition or deletion of certain licensed brands to our distribution portfolio; the shift in our business focus from being solely a regional distributor of licensed and unlicensed brands and products to being solely a developer, producer, marketer and distributor of our internally developed brands and products; the seasonal demand for beverages; and competition and general economic conditions. Due to these and other factors, our results of operations have fluctuated from period to period. As a result, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance.

Like many other companies in the beverage industry, we generate a substantial percentage of our revenues during the warm weather months of April through September. We believe that the demand for our products will reflect such seasonal consumption patterns. While we expand our distribution network and increase its market penetration, however, such seasonality may not be easily discernible from our results of operations. Due to all of the foregoing factors, our operating results in a particular quarter may fail to meet market expectations.

ITEM 7. FINANCIAL STATEMENTS.

Financial Statements are listed in the Index to Financial Statements and filed and included elsewhere herein as a part of this Annual Report on Form 10-KSB.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

Part III is incorporated herein by reference from the Company's definitive proxy statement issued in connection with the Company's 2000 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of the Company's fiscal year ended December 31, 1999. Certain information regarding the executive officers of the Company is set forth in Part I of this Form 10-KSB.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following list describes the exhibits filed as part of this Annual Report on Form 10-KSB.

3.1*	Memorandum of Urban Juice & Soda Company Ltd.
3.2*	Articles of Urban Juice & Soda Company Ltd.
3.3**	Articles of Continuance of Urban Juice & Soda Company Ltd.
10.1**	Bottling Agreement between Urban Juice & Soda Company Ltd. and World Choice Bottling Corp.
10.2**	Bottle Supply Agreement between Urban Juice & Soda Company Ltd. and Zuckerman-Honickman, Inc.
23.1	Consent of KPMG LLP
27.1	Financial Data Schedule pursuant to Rule 12b-32 under the Securities Exchange Act of 1934, as amended

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* Previously filed as an exhibit to the Registration Statement on Form SB-2 (No. 333-5156-LA), as amended through the date hereof and incorporated herein by reference.

** Previously filed as an exhibit to the Registration Statement on Form S-4 (No. 333-75913), as amended through the date hereof and incorporated herein by reference.

(b) Reports on Form 8-K

None.

Supplemental information to be furnished with reports filed pursuant to section 15(d) of the act by registrants which have not registered securities pursuant to section 12 of the act.

The Registrant did not send an Annual Report covering the fiscal year ending December 31, 1999 nor did it send proxy materials to security holders. If such report and proxy materials are mailed to security holders, the Registrant shall furnish to the Commission, for its information, four (4) copies of the Annual Report to security holders and four (4) copies of the proxy materials.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March ___, 2000.

URBAN JUICE & SODA COMPANY LTD.

By: ______________________________________

Peter van Stolk
President and Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
______________________________ Peter M. van Stolk	President, Chief Executive Officer (Principal Executive Officer) and Director	March ___, 2000
______________________________ Jennifer L. Cue	Chief Financial Officer, (Principal Financial Officer and Principal Accounting Officer), Secretary and Director	March ___, 2000
______________________________ Ron B. Anderson	Director	March ___, 2000
______________________________ Michael M. Fleming	Director	March ___, 2000
______________________________ Matthew Kellogg	Director	March ___, 2000
______________________________ Peter Cooper	Director and Chairman of the Board	March ___, 2000

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