

REEDS INC  
Form 10-Q  
November 09, 2010

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_ to \_\_\_  
Commission file number

Commission file number: 001-32501

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REED'S INC.  
(Exact name of registrant as specified in its charter)

Delaware 35-2177773  
(State of incorporation) (I.R.S. Employer Identification No.)

13000 South Spring St. Los Angeles, Ca. 90061  
(Address of principal executive offices) (Zip Code)

(310) 217-9400  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer       Accelerated filer   
Non-accelerated filer       Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: There were a total of 10,400,247 shares of Common Stock outstanding as of November 5, 2010.

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### Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. There may be events in the future that we are not able to accurately predict or control. Before you invest in our securities, you should be aware that the occurrence of any of the events described in this Quarterly Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline and you could lose all or part of your investment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results.

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## Part I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## REED'S, INC.

## CONDENSED BALANCE SHEETS

	September 30, 2010	December 31, 2009
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash	\$958,000	\$1,306,000
Inventory	3,957,000	2,884,000
Trade accounts receivable, net of allowance for doubtful accounts and returns and discounts of \$105,000 and \$90,000, respectively	1,473,000	866,000
Prepaid Inventory	491,000	3,000
Prepaid expenses and other current assets	134,000	96,000
Total Current Assets	7,013,000	5,155,000
Property and equipment, net of accumulated depreciation of \$1,062,000 and \$727,000, respectively	3,693,000	3,655,000
Brand names	1,029,000	1,029,000
Deferred financing fees, net of amortization of \$102,000 and \$10,000, respectively	39,000	131,000
Total assets	\$11,774,000	\$9,970,000
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$2,643,000	\$954,000
Accrued expenses	129,000	127,000
Dividends payable	36,000	-
Recycling fees payable	359,000	456,000
Line of credit	1,518,000	1,415,000
Current portion of long term financing obligation	51,000	40,000
Current portion of capital leases payable	38,000	24,000
Current portion of note payable	97,000	102,000
Total current liabilities	4,871,000	3,118,000
Long term financing obligation, less current portion, net of discount of \$689,000 and \$726,000, respectively	2,271,000	2,274,000
Capital leases payable, less current portion	157,000	130,000
Note payable, less current portion	-	71,000
Total liabilities	7,299,000	5,593,000
Commitments and contingencies		
Stockholders' equity:		
Series A Convertible Preferred stock, \$10 par value, 500,000 shares authorized, 46,621 shares issued and outstanding	466,000	466,000

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Series B Convertible Preferred stock, \$10 par value, 500,000 shares authorized, 91,442 and 120,820 shares issued and outstanding, respectively	914,000	1,208,000
Common stock, \$.0001 par value, 19,500,000 shares authorized, 10,353,884 and 9,606,127 shares issued and outstanding, respectively	1,000	1,000
Additional paid in capital	21,478,000	20,203,000
Accumulated deficit	(18,384,000)	(17,501,000)
Total stockholders' equity	4,475,000	4,377,000
Total liabilities and stockholders' equity	\$11,774,000	\$9,970,000

The accompanying notes are an integral part of these condensed financial statements

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REED'S, INC.

CONDENSED STATEMENTS OF OPERATIONS

For the Three and Nine Months Ended September 30, 2010 and 2009