

REED'S, INC.  
Form 10-Q  
May 11, 2016

**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 March 31, 2016

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32501

**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 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 13,184,331 shares of Common Stock outstanding as of May 9, 2016.



*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**

	March 31, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash	\$648,000	\$1,816,000
Trade accounts receivable, net of allowance for doubtful accounts and returns and discounts of \$263,000 and \$356,000, respectively	2,675,000	2,894,000
Inventory, net of reserve for obsolescence of \$220,000 and \$290,000, respectively	8,186,000	7,927,000
Prepaid inventory	203,000	47,000
Prepaid and other current assets	456,000	769,000
<b>Total Current Assets</b>	<b>12,168,000</b>	<b>13,453,000</b>
Property and equipment, net of accumulated depreciation of \$4,416,000 and \$4,216,000, respectively	5,788,000	5,369,000
Brand names	1,029,000	1,029,000
<b>Total assets</b>	<b>\$18,985,000</b>	<b>\$19,851,000</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</b>		
Current Liabilities:		
Accounts payable	\$7,721,000	\$7,458,000
Accrued expenses	183,000	168,000
Line of credit	4,250,000	4,443,000
Current portion of long term financing obligations	167,000	160,000
Current portion of capital leases payable	151,000	153,000
Current portion of term loans	341,000	341,000
<b>Total current liabilities</b>	<b>12,813,000</b>	<b>12,723,000</b>
Long term financing obligation, less current portion, net of discount of \$907,000 and \$953,000, respectively	1,427,000	1,443,000
Capital leases payable, less current portion	536,000	490,000
Capital expansion loan	1,896,000	1,542,000
Term loan, less current portion, net of discount \$106,000 and \$132,000, respectively	2,894,000	2,868,000
<b>Total Liabilities</b>	<b>19,566,000</b>	<b>19,066,000</b>

Commitments and contingencies

Stockholders' equity (deficiency):

Series A Convertible Preferred stock, \$10 par value, 500,000 shares authorized, 9,411 shares issued and outstanding	94,000	94,000
Common stock, \$.0001 par value, 19,500,000 shares authorized, 13,184,331 and 13,160,860 shares issued and outstanding, respectively	1,000	1,000
Additional paid in capital	27,613,000	27,399,000
Accumulated deficit	(28,289,000)	(26,709,000)
Total stockholders' equity (deficiency)	(581,000)	785,000
<b>Total liabilities and stockholders' equity (deficiency)</b>	<b>\$18,985,000</b>	<b>\$19,851,000</b>

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

**REED'S, INC.****CONDENSED STATEMENTS OF OPERATIONS****For the Three Months Ended March 31, 2016 and 2015****(Unaudited)**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
Sales	\$10,004,000	\$10,672,000
Cost of goods sold	8,111,000	7,413,000
Gross profit	1,893,000	3,259,000
Operating expenses:		
Delivery and handling expenses	849,000	1,169,000
Selling and marketing expense	1,041,000	1,193,000
General and administrative expense	1,205,000	914,000
Total operating expenses	3,095,000	3,276,000
Loss from operations	(1,202,000)	(17,000 )
Interest expense		