

REEDS INC
Form 10-Q
November 14, 2011

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, 2011

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

REED'S INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

35-2177773
(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):

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Large Accelerated filer
Non-accelerated filer

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 10,867,427 shares of Common Stock outstanding as of November 9, 2011.

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, 2011	December 31, 2010
(unaudited)		
ASSETS		
Current assets:		
Cash	\$554,000	\$1,084,000
Inventory	6,121,000	4,555,000
Trade accounts receivable, net of allowance for doubtful accounts and returns and discounts of \$135,000 and \$105,000, respectively	2,164,000	1,295,000
Prepaid inventory	392,000	138,000
Prepaid and other current assets	77,000	78,000
Total Current Assets	9,308,000	7,150,000
Property and equipment, net of accumulated depreciation of \$1,586,000 and \$1,178,000, respectively	3,606,000	3,650,000
Brand names	1,029,000	1,029,000
Deferred financing fees, net of amortization of \$34,000 and \$8,000, respectively	55,000	47,000
Total assets	\$13,998,000	\$11,876,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$3,742,000	\$2,586,000
Accrued expenses	177,000	162,000
Dividends payable	96,000	44,000
Recycling fees payable	147,000	325,000
Line of credit	2,789,000	2,038,000
Current portion of long term financing obligation	67,000	55,000
Current portion of capital leases payable	54,000	39,000
Current portion of note payable	-	71,000
Total current liabilities	7,072,000	5,320,000
Long term financing obligation, less current portion, net of discount of \$639,000 and \$677,000, respectively	2,254,000	2,268,000
Capital leases payable, less current portion	168,000	146,000
Total Liabilities	9,494,000	7,734,000
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
Series B Convertible Preferred stock, \$10 par value, 500,000 shares authorized, 80,415 and 85,766 shares issued and outstanding, respectively	804,000	858,000
	1,000	1,000

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Common stock, \$.0001 par value, 19,500,000 shares authorized, 10,859,813 and 10,446,090 shares issued and outstanding, respectively		
Additional paid in capital	22,766,000	21,701,000
Accumulated deficit	(19,533,000)	(18,884,000)
Total stockholders' equity	4,504,000	4,142,000
Total liabilities and stockholders' equity	\$ 13,998,000	\$ 11,876,000

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

REED'S, INC.

CONDENSED STATEMENTS OF OPERATIONS
 For the Three and Nine months Ended September 30, 2011 and 2010
 (Unaudited)

	Three months ended		Nine months ended September	
	September 30,		30,	
	2011	2010	2011	2010
Sales	\$6,400,000	\$5,428,000	\$17,731,000	\$14,345,000
Cost of tangible goods sold	3,970,000	3,583,000	11,053,000	9,034,000
Cost of goods sold – idle capacity	405,000	268,000	1,300,000	822,000
Gross profit	2,025,000	1,577,000	5,378,000	4,489,000
Operating expenses:				