REEDS INC
Form SB-2/A
October 22, 2002

As filed with the Securities and Exchange Commission
on October 17, 2002
Registration Statement No. 333-72198

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 5 TO FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

Delaware
(State or other jurisdiction of incorporation or organization)

2086
(Primary Standard Industrial Classification Code Number)

95-4348325
(IRS Employer Identification No.)

13000 South Spring Street,
Los Angeles, California 90061
Telephone: (310) 217-9400
(Address and telephone number of principal executive offices)

13000 South Spring Street,
Los Angeles, California 90061
(Address of principal place of business or intended principal place of business)

Christopher J. Reed
Reed's, Inc.
13000 South Spring Street,
Los Angeles, California 90061
Telephone: (310) 217-9400
(Name, address and telephone number of agent for service)

Copies of all communications to:

Edward T. Swanson, Esq.
1135 17th Street, Suite E,
Santa Monica, California 90403
(310) 283-1035

Approximate date of proposed sale to the public: As soon as practicable after the effective date of this registration statement.
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the

following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.[]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Common stock, $.0001 par value
Proposed maximum aggregate offering price (1)	$18,000,000.00
Amount of registration fee (1)	$4,500.00 (2)

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(2) Previously paid.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS (SUBJECT TO COMPLETION)
DATED October 17, 2002

[logo]

REED'S, INC.

Offering of 3,000,000 common shares
of Reed's, Inc. at $6.00 / share.

We develop, market and distribute gourmet natural non-alcoholic beverages, as well as candy, ice cream and cookies.

We are offering 3,000,000 shares of our common stock. No public market currently exists for our shares. The public offering price is $6.00 per share.
The shares are offered on a best efforts basis through Blue Bay Capital, Ltd., a member of the National Association of Securities Dealers, Inc., for a commission equal to 8.5% (before expenses) of all sales through Blue Bay. In addition, Blue Bay will receive an accountable expense allowance of up to 2% of all sales through Blue Bay. There is no public trading market for our securities, and if a market develops for our securities, it will most likely be limited, sporadic and highly volatile.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 5 to read about factors you should consider before buying shares of the common stock.

	Per Share	If 300,000 shares are sold(1)	If 1,500,000 shares are sold(1)	If 3,000,000 shares are sold(1)
Proceeds to the Company	$6.00	$1,800,000	$9,000,000	$18,000,000
Selling Agent Commission	$0.51	$ 153,000	$ 765,000	$ 1,530,000
Proceeds to the Company before estimated expenses of the offering	$5.49	$1,647,000	$8,235,000	$16,470,000
Proceeds to the Company after estimated expenses of the offering	$5.23	$1,431,000	$7,815,000	$15,800,000

(1) The amounts shown are for illustrative purposes only. The offering is a best efforts offering with no assurance that all or any shares will be sold.

There is no minimum offering amount. Offering proceeds will not be placed in escrow. However, sales will not be accepted from residents of Arkansas or the District of Columbia until at least 200,000 shares of common stock have been sold pursuant to the offering. See

"Plan of Distribution." Upon receipt, offering proceeds will be deposited into the operating account of Reed's and used to conduct the business affairs of Reed's. The offering will terminate nine months after the effective date of this prospectus unless terminated sooner by us.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Selling Agent for this Offering is Blue Bay Capital, Ltd.

The date of this prospectus is _____________

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PROSPECTUS SUMMARY

This summary highlights information found in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section titled "Risk Factors." This prospectus describes our company, finances and products. Federal and state securities laws require that we include in this prospectus all the important information that you will need to make an investment decision.

About Our Company

Reed's, Inc. is a Delaware corporation with its main offices in Los Angeles, California. We changed our name to "Reed's, Inc." from "Original Beverage Corporation" and our state of incorporation from Florida to Delaware in October of 2001. We began operations in June of 1987 as a sole proprietorship founded by Christopher J. Reed.

We are primarily in the business of manufacturing and marketing gourmet natural non-alcoholic beverages, as well as candy, ice cream and cookies. We currently offer 19 beverages, including six varieties of Reed's Ginger Brews, Virgil's Root Beer, two varieties of China Cola, six varieties of Malibu Teaz and four varieties of Reed's Ginger Juice Brews. However, we consider our core business to be ginger products rather than strictly beverages. Our more recent products include Reed's Crystallized Ginger Candy, Reed's Crystallized Ginger Baking Bits, Reed's Ginger Candy Chews, Reed's Original Ginger Ice Cream, Reed's Chocolate Ginger Ice Cream, and Reed's Green Tea Ginger Ice Cream. We expect to be launching our Reed's Ginger Cookie line during 2002. We sell our products primarily in upscale gourmet and natural food stores in the United States and Canada. Most of our products are sold in the natural food industry.

The Offering

Common Stock being offered...........3,000,000 shares
Offering Price.......................$6.00 per share
Common stock outstanding:
Prior to this offering.............. 4,720,591 shares
After this offering:
if 300,000 shares are sold...........5,020,591 shares
if 1,500,000 shares are sold.........6,220,591 shares
if all shares offered hereby are sold.7,720,591 shares

Use of proceeds

We plan to use the first $420,000 of net proceeds to repay outstanding debt, and any balance for hiring additional sales representatives, new product launches, retail slotting, brand advertising, and placing coolers and vending machines, with the amount of proceeds depending on the number of shares sold. If at least 1,500,000 shares are sold, we also intend to use a portion of the proceeds to construct an east coast production facility and for working capital.

Summary Financial Information

	Six Months Ended June 30, 2002 (unaudited)	Six Months Ended June 30, 2001 (unaudited)	Years Ended December 31, 2001	Years Ended December 31, 2000
Statements of Income Data:				
Sales	$3,362,834	$3,256,000	$6,188,221	$5,728,153
Gross profit	830,967	594,338	1,277,013	1,164,673

Selling, general and administrative expenses	735,947	767,266	1,595,518	1,614,830
Income (loss) from operations	95,020	(172,928)	(318,505)	(450,157)
Loss before income taxes and cumulative effect of change in accounting principles	(31,772)	(231,066)	(521,456)	(483,813)
Provision for income taxes (benefit)	800	4,800	(13,200)	(40,310)
Loss before cumulative effect of change in accounting principles	(32,572)	(235,866)	(508,256)	(443,503)
Cumulative effect of change in accounting principles	(11,973)	--	--	--
Net loss	(44,545)	(235,866)	(508,256)	(443,503)
Loss per share	(0.01)	(0.05)	(0.11)	(0.11)
Weighted average shares used to compute loss per share	4,720,591	4,696,075	4,702,208	4,010,904

	June 30, 2002 (unaudited)	December 31, 2001
Balance Sheet Data:		
Total assets	$4,601,115	$4,212,927
Current liabilities	1,679,304	1,221,265
Long-term liabilities, less current portion	1,381,667	1,406,973
Stockholders' equity	1,540,144	1,584,689

RISK FACTORS

An investment in our common stock is very risky. You should carefully consider the risk factors described below, together with all other information in this prospectus, before making an investment decision. The trading price of our common stock could decline due to any of these risks, and you could lose all or part of your investment. You also should refer to the other information set forth in this prospectus, including our financial statements and the related notes thereto.

IF WE ARE NOT ABLE TO RETAIN OUR PRESIDENT AND CEO, IT WILL BE MORE DIFFICULT FOR US TO MANAGE OUR OPERATIONS AND OUR OPERATING PERFORMANCE WOULD SUFFER.

Our business is dependent, to a large extent, upon the services of Christopher J Reed, our founder, President, CEO and Chairman of the Board. Mr. Reed is in charge of all of our day-to-day operations. In the event of the loss or unavailability of Mr. Reed to us, there can be no assurance that we would be able to timely locate or employ qualified personnel to replace him. We do not have a written employment agreement with Mr. Reed. As a result, there is no assurance that Mr. Reed will remain in our employ.

DESPITE OUR DEPENDENCE ON MR. REED, WE DO NOT MAINTAIN KEY MAN LIFE INSURANCE ON HIM.

In the event of Mr. Reed's death, for at least a short period our revenues and any profits could decrease substantially without life insurance benefits to offset at least a portion of such decrease.

THE BEVERAGE BUSINESS IS HIGHLY COMPETITIVE.

We compete primarily with other natural soda companies including SoBe, Snapple, Mystic, Arizona, Hansen's, and Knudsen & Sons. Several of our competitors and potential competitors have financial resources superior to ours. These greater resources permit our competitors to implement extensive advertising and promotional programs, which we have not been, and may not be, able to match. As these competitors enter the field, our market share may fail to increase or may decrease despite our efforts to continue to produce superior products through the use of higher quality ingredients and a brewing process that we believe remains a trade secret. See "Business - Competition"

Competitors in the soft drink industry include bottlers and distributors of nationally advertised and marketed products as well as chain store and private label soft drinks. The principal methods of competition include: brand recognition, price and price promotion, retail space management, service to the retail trade, new product introductions, packaging changes, distribution methods and advertising.

IF OUR COMPETITORS MISAPPROPRIATE OUR UN-PATENTED PROPRIETARY KNOW-HOW, TRADE DRESS AND TRADE SECRETS, WE WILL HAVE GREATER DIFFICULTY IN COMPETING WITH THEM FOR BUSINESS.

We rely primarily on proprietary know-how (trade secrets) in the production of our beverages, as well as on confidentiality agreements with the companies that produce our beverages and with our employees.

If our competitors develop substantially equivalent proprietary information or otherwise obtain access to our know-how, we will have greater difficulty in competing with them for business, and our market share could shrink.

We regard the protection of our trademarks, trade dress and trade secrets as critical to our future success. We have registered our trademarks in the United States. We also rely on a combination of laws and contractual restrictions, such as confidentiality agreements, to establish and protect our proprietary rights, trade dress and trade secrets. However, laws and contractual restrictions may not be sufficient to prevent misappropriation of our proprietary rights, trade dress or trade secrets. See "Business -

Proprietary Rights."

ANY DECREASE IN THE SUPPLY OF GINGER OR OTHER KEY INGREDIENTS OR INCREASE IN THE PRICES OF SUCH INGREDIENTS COULD SIGNIFICANTLY INCREASE OUR COSTS AND REDUCE PROFITS.

We depend upon an uninterrupted supply of ginger and certain other ingredients. See "Business - Raw Materials." Any decrease in the supply of these ingredients or increase in the prices of these ingredients as a result of any adverse weather conditions, pests or fungal disease could substantially increase our costs and consequently reduce profits.

AN INCREASE IN THE COSTS OF PACKAGING FOR OUR PRODUCTS COULD DECREASE PROFITS.

We spend significant amounts on packaging for our Products because we consider packaging to be an important component in the sale of our products. If the costs of our packaging increases significantly, the total cost of our products would increase significantly and our profits would decrease.

THE LOSS OF EITHER OF OUR TWO LARGEST CUSTOMERS WOULD SUBSTANTIALLY REDUCE OUR REVENUES.

During the year 2001, Trader Joes and Mountain Peoples accounted for approximately 12% and 10%, respectively, of our sales. The loss of either customer would substantially reduce our revenues.

WE DETERMINED THE OFFERING PRICE FOR THE SHARES BEING OFFERED ARBITRARILY. THE MARKET PRICE FOR THE COMMON STOCK AFTER THE OFFERING MAY VARY FROM THE OFFERING PRICE.

Prior to this offering, there was no public market for our common stock. We arbitrarily determined the offering price for the shares being offered. The price bears no direct
relationship to our assets, earnings, book value or other such criteria of value.

For this reason, the market price after the offering may vary from the initial offering price. As a result, shareholders may not be able to re-sell their stock or may have to sell at prices substantially lower than the price they paid for it.

SINCE THERE IS NO MINIMUM NUMBER OF SHARES WHICH MUST BE SUBSCRIBED FOR BEFORE WE CAN USE THE PROCEEDS FROM SALES, OUR EXPANSION PLANS COULD BE AFFECTED BY THE NUMBER OF SHARES ACTUALLY SOLD.

The speed with which we implement our expansion plans will depend on the amount of funds available for expansion. Such funds may be provided by the sale of common stock pursuant to this offering, our existing line of credit, revenues from sales, future loans, or otherwise. If we only sell a limited number of the shares pursuant to this offering, our ability to implement the expansion plans described under "Use of Proceeds" could be delayed, depending on the amount of other funds available to us for such purposes.

YOU WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION.

The initial public offering price is expected to be substantially higher than the net tangible book value of each outstanding share of common stock. Purchasers of common stock in this offering will suffer immediate and substantial dilution. The dilution will be $3.88 per share, or 65%, in the net tangible book value of the common stock from the public offering price if all shares offered hereby are sold. Such dilution will be $4.66 per share (78%) if only 1,500,000 shares are sold, and $5.61 per share (94%) if only 300,000 shares are sold. If the outstanding options and warrants to purchase shares of common stock were exercised (which have an exercise price ranging from $0.02 to $3.00 per share),there would be further dilution. See "Dilution"

IF WE CONTINUE TO INCUR OPERATING LOSSES, WE EVENTUALLY MAY HAVE INSUFFICIENT WORKING CAPITAL TO MAINTAIN OPERATIONS.

During the year 2001, we had a loss from operations of $318,505. If we are not able to begin to earn an operating profit at some point in the future, we eventually may have insufficient working capital to maintain operations.

OUR NEED FOR ADDITIONAL FINANCING IS UNCERTAIN, AS IS OUR ABILITY TO OBTAIN FURTHER FINANCING, IF REQUIRED.

We currently anticipate that our available cash resources combined with the net proceeds from this offering will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least 24 months after the date of this prospectus. We may need to raise additional funds to respond to business contingencies, which may include the need to:

* Fund more rapid expansion,
* Fund additional marketing expenditures,
* Enhance our operating infrastructure,
* Respond to competitive pressures, or
* Acquire complementary businesses.

We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, our ability to fund our operations, take advantage of opportunities, develop products or services or otherwise respond to competitive pressures could be significantly limited.

FUTURE FINANCINGS COULD ADVERSELY AFFECT YOUR

OWNERSHIP INTEREST AND RIGHTS IN COMPARISON WITH THOSE OF OTHER SHAREHOLDERS.

If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders will be reduced, and these newly-issued securities may have rights, preferences or privileges senior to those of existing shareholders, including, those acquiring shares in this offering.

WE MAY INCUR SUBSTANTIAL LOSSES AS A RESULT OF PRODUCT RECALL AND PRODUCT LIABILITY.

We may be liable if the consumption of any of our products causes injury, illness or death. We also may be required to recall some of our products if they become contaminated or are damaged or mislabeled. A significant product liability judgment against the Company or a widespread product recall, to the extent either such event was in excess of the limits of our product liability insurance, could substantially impair our business, financial condition and results of operations.

WE NEED TO MANAGE OUR GROWTH AND MAINTAIN PROCEDURES AND CONTROLS.

We are in a period of significant growth in our operations and market opportunities. This expansion is expected to place a significant strain on our management, operational and financial resources. We expect to increase our employee base. Such growth may require improvements in our operational, accounting and information systems, procedures and controls.

OUR MANAGEMENT HAS BROAD DISCRETION IN THE APPLICATION OF THE NET PROCEEDS FROM THIS OFFERING.

Our management presently intends to utilize a substantial portion of the net proceeds of this offering for the specific purposes set forth in "Use of Proceeds." However, we have broad discretion with respect to redirecting the application and allocation of the net-proceeds of this offering in light of changes in circumstances and the availability of certain business opportunities. As a result, any return on investment to investors will be substantially dependent upon the discretion and judgment of our management with respect to the application and allocation of the net proceeds of the offering. See "Use of Proceeds"

OUR BOARD OF DIRECTORS HAS THE POWER TO ISSUE ADDITIONAL SHARES OF COMMON STOCK.

Our board of directors has the power to issue any or all of such additional common shares for general corporate purposes without shareholder approval. Potential investors should be aware that any such stock issuances might result in a reduction of the book value of the common shares. If we issue any additional common shares, such issuance will reduce the proportionate ownership and voting power of each other shareholder.

WE DO NOT INTEND TO DECLARE ANY CASH DIVIDENDS IN THE FORESEEABLE FUTURE.

For the foreseeable future we expect that any earnings, which may be generated from our operations, will be used to finance our growth and that we will not pay any cash dividends to shareholders. See "Dividend Policy"

THE LOSS OF ANY OF OUR THIRD-PARTY SUPPLIERS OR SERVICE PROVIDERS COULD IMPAIR OUR OPERATIONS AND FINANCIAL RESULTS.

We rely on third parties to produce our beverages, to produce our glass bottles and to bottle our beverages. The loss of our third-party suppliers or service providers could impair our operations and substantially reduce our financial results.

THE LOSS OF OUR THIRD PARTY DISTRIBUTORS COULD INTERFERE WITH OUR OPERATIONS AND SIGNIFICANTLY REDUCE OUR FINANCIAL RESULTS WHILE WE TRY TO REPLACE THE DISTRIBUTORS.

We depend on distributors to distribute our beverages and other products. Most of our distributors are not bound by written agreements with us and may discontinue their relationship with us on short notice. The loss of our third party beverage distributors could interfere with our operations and consequently reduce our sales and financial results.

BECAUSE IT MAY BE IMPOSSIBLE TO EFFECT A CHANGE IN CONTROL OF REED'S WITHOUT THE CONSENT OF CHRISTOPHER J. REED, MANAGEMENT IS ENTRENCHED EVEN THOUGH SHAREHOLDERS MAY BELIEVE OTHER MANAGEMENT MAY BE BETTER AND A POTENTIAL SUITOR WHO OTHERWISE MIGHT BE WILLING TO PAY A PREMIUM TO REED'S MAY DECIDE NOT TO ATTEMPT AN ACQUISITION.

Christopher J. Reed, our President, CEO and Chairperson of the Board, currently owns approximately 68% our outstanding voting stock. If all shares offered hereby are sold, Mr. Reed will hold approximately 42% of our outstanding voting stock. If only 1,500,000 shares offered hereby (50%) are sold, Mr. Reed will own 51.6% of the outstanding voting stock, while if only 300,000 shares (10%) are sold, he will own 64% of the outstanding voting stock. Consequently, Mr. Reed may be able to control the outcome on all matters requiring shareholder approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets, and the ability to control our management and affairs. See "Principal Shareholders." Furthermore, an event of default will occur under our loan agreement with ALCO Financial

Services LLC, among other things, if Mr. Reed owns less than 50% of our outstanding common stock, or fails to devote 100% of his efforts towards our business, or no longer holds his current positions with us. See "Business - Loan Agreement." These default provisions could hinder any attempted change of control.

THERE IS NO PUBLIC TRADING MARKET FOR OUR SECURITIES, AND IF A MARKET DEVELOPS FOR OUR SECURITIES, IT WILL MOST LIKELY BE LIMITED, SPORADIC AND HIGHLY VOLATILE.

As a result, if you purchase shares of our common stock and later decide to sell the shares, you may have difficulty selling the shares, and the price at which you can sell the shares (if at all) could be less than you might otherwise obtain if a broad public market for the common stock existed.

A SUBSTANTIAL NUMBER OF OUR SHARES WILL BE AVAILABLE FOR SALE IN THE PUBLIC MARKET AFTER THE OFFERING AND SALES OF THOSE SHARES COULD ADVERSELY AFFECT OUR STOCK PRICE.

Sales of a substantial number of shares of common stock into the public market after this offering, or the perception that such sales could occur, could substantially reduce our stock price in any public market and could impair our ability to obtain capital through an offering of equity securities.
After the offering we will have 7,720,591 shares of common stock outstanding if all shares offered hereby are sold, 6,220,591 shares outstanding if half (1,500,000) of the shares offered hereby are sold, and 5,020,591 shares outstanding if ten percent (300,000) of the shares offered hereby are sold. All of the shares of common stock to be sold in this offering will be freely tradable without restriction or further registration under the federal securities laws.

Of the shares currently outstanding, 4,275,889 shares are "restricted securities" under the Securities Act. Some of these "restricted securities" will be subject to restrictions on the timing, manner and volume of sales of such shares, as described under "Shares Available For Future Resale."

OUR SELLING AGENT WAS FORMED RECENTLY AND IS INEXPERIENCED.

Because Blue Bay Capital, Ltd. was organized on October 24, 2001 and is inexperienced, it may not be as able to assist us in selling the shares as a more experienced broker-dealer.

OUR COMMON STOCK MAY BECOME SUBJECT TO PENNY STOCK REGULATION THAT MAY AFFECT THE LIQUIDITY FOR OUR COMMON STOCK.

Shares of our common stock may become subject to the rules adopted by the Securities and Exchange Commission that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks are generally equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure document prepared by the Securities and Exchange Commission, which contains the following:

a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;

a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of Securities' laws;

a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and significance of the spread between the "bid" and "ask" price;

a toll-free telephone number for inquiries on disciplinary actions; definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and

such other information and is in such form (including language, type, size and format), as the Commission shall require by rule or regulation.

Prior to effecting any transaction in penny stock, the broker-dealer also must provide the customer the following:

the bid and offer quotations for the penny stock;

the compensation of the broker-dealer and its salesperson in the transaction;

the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and

to the depth and liquidity of the market for such stock; and

monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitably statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock such as our common stock that is subject to the penny stock rules.

FORWARD LOOKING STATEMENTS

Some of the statements under the "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this prospectus constitute 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 achievement expressed or implied by such forward-looking statements. Such factors include, among other things, those listed under "Risk Factors" and elsewhere in this prospectus.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plan," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus.

USE OF PROCEEDS

Our net proceeds from this offering, after deducting the 8.5% sales commission and offering expenses estimated to range from approximately $180,000 to $670,000, will be from $0 to $15,800,000 depending upon the number of shares sold. The offering is being made on a best efforts basis, and we do not know how many shares will be sold in the offering.

The primary purposes of this offering are to obtain additional capital, create a public market for the common stock, and facilitate future access to public markets. In general, we intend to use the net proceeds from this offering to retire indebtedness; hire additional sales representatives; purchase and place coolers, vending machines and other marketing tools; and to continue launching new products. We intend to use a small portion of the net proceeds to provide for increased office staff and infrastructure.

We presently expect to use the estimated net proceeds from the offering substantially as set forth in the table below if the number of shares indicated are sold pursuant to the offering. However, this is a best efforts offering and there is no assurance that all or any shares will be sold.

Proposed Use	Estimated Amount If 300,000 Shares Are Sold (%of Total)	Estimated Amount If 1,500,000 Shares Are Sold (%of Total)	Estimated Amount If 3,000,000 Shares Are Sold (% of Total)
Debt retirement	$420,000 (29.3%)	$420,000 (5.4%)	$420,000 (2.7%)
Additional sales representatives	250,000 (17.4%)	1,100,000 (14.1%)	1,800,000 (11.4%)
New product launches	200,000 (14.0%)	600,000 (7.7%)	1,000,000 (6.3%)
Retail slotting	220,000 (15.4%)	1,700,000 (21.7%)	4,500,000 (28.5%)
Brand advertising	150,000 (10.5%)	1,000,000 (12.8%)	1,500,000 (9.5%)
Cooler/vending program	50,000 (3.5%)	2,000,000 (25.6%)	5,200,000 (32.9%)
Eastern production facility	0 (0%)	745,000 (9.5%)	745,000 (4.7%)
Working capital	141,000 (9.9%)	250,000 (3.2%)	635,000 (4.0%)
Total	$ 1,431,000 (100.0%)	$ 7,815,000 (100.0%)	$15,800,000 (100.0%)

We cannot assure you that the above dollar amounts will be specifically allocated as set forth in the foregoing table. As a result, our management will have discretion in the application of the proceeds. Allocation of net proceeds is further subject to future events including general economic conditions, changes in our strategy and response to competitive pressures and consumer preferences associated with the products will sell. Pending ultimate application, the net proceeds will be invested in interest-bearing securities guaranteed by the U.S. government or its agencies.

Depending on the number of shares sold pursuant to this offering, we intend to repay some or all of the $370,000 in loans from unrelated third parties and the $50,000 loan from a related party that we are using to fund this offering and the building of our first production facility.

We currently have two sales representatives working alongside our mainstream distributors. As a result of these tests, we are anticipating expanding the number of direct hired sales representatives to work along side our mainstream distributors. Each sales representatives is expected to cost the Company approximately $50,000 per year in salary and expenses.

New product launches cost from $25,000 to $100,000. We currently intend to launch up to twenty or more new products during the next twelve months. Strategic expansions of the Virgil's line and the China Cola line are planned. At least two more Ginger Brews are in the works. Four ice creams, four cookies, ginger chews and three more ginger candies round out the work in progress and ahead.

Retail supermarkets require slotting fees to place products on the shelf. Based on our successes to date in supermarkets, we are planning to expand our presence in supermarkets. The cost for a new placement is normally between one case of free goods per store per new item placed to $100 per store per new item placed. We are planning to place 3 new items in up to 30,000 new accounts.

We are planning to use strategic consumer and trade targeted advertising to build brand awareness. The advertising will be employed to support existing and new product placements. The advertising planned will include print ads in both magazine and newspapers, public relations and consumer event sponsorships where our products can be sampled.

Marketing plans include placement of up to 2,000 Reed's branded refrigerated coolers and a similar placement of Reed's branded vending machines throughout the United States and Canada. We consider coolers and vending machines to be very efficient and proven marketing models.

We believe that our operations become more efficient with each brewing and bottling facility we open. We plan in the next few years to open and outfit at least three regional facilities in the United States and Canada. Each additional facility costs about $745,000 to bring online including location, equipment and personnel. Each facility creates greater efficiency in production and distribution, direct savings in shipping costs and greater exposure for our brands. Most importantly, ownership of production protects proprietary formulas, recipes, and procedures while maintaining consistent, high quality control.

In the event that only a limited number of shares are sold, we will reduce or eliminate the proposed uses as described in the table above. The speed with which we expand our marketing and advertising of our products, and the number of products we offer to the public, will depend in substantial part on the number of shares of common stock sold pursuant to this offering. If only a limited number of shares are sold, our expansion plans will take substantially longer to implement. This, in turn, could reduce our potential profitability.

In June 2002, we entered into a revolving loan and security agreement pursuant to which we are able to borrow up to $500,000. See "Business - Loan Agreement." We intend to use all or a portion of any funds borrowed pursuant to this agreement, in addition to the proceeds from the sale of the shares offered hereby, for the uses described above.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and expansion of our business.

CAPITALIZATION

The following table sets forth our capitalization at June 30, 2002.

Current liabilities:	
Bank overdraft	$ 26,757
Current portion of long-term debt	169,017
Line of credit	35,947
Other liabilities	1,447,583
Total current liabilities	1,679,304
Long-term liabilities	
Long-term debt	1,116,123
Notes payable to related parties	265,544
Total long-term liabilities	1,381,667
Stockholders' equity:	
Common stock - par value $.0001 per share:	
Authorized -	
50,000,000 shares Issued and	
outstanding - 4,720,591 shares	472
Additional paid-in capital	2,414,824
Retained (deficit)	(875,152)
Total stockholders' equity	1,540,144
Total capitalization	$4,601,115

DILUTION

Our net tangible book value at June 30, 2002 was $678,991, or $0.14 per share. Our net tangible book value per share is determined by subtracting the total amount of our liabilities from the total amount of our tangible assets and dividing the remainder by the weighted average number of shares of our common stock outstanding.

The as adjusted net tangible book value per share after this offering will be $2.12 if all shares offered hereby are sold. Therefore, purchasers of shares of common stock in this offering will realize an immediate dilution of at least $3.88 per share or about 65% of their investment. If fewer than all shares offered hereby are sold, the dilution will be greater. The following table illustrates this dilution, assuming all shares offered hereby are sold:

Offering price per share of common stock	$6.00
Net tangible book value per common share at June 30, 2002	$0.14
Increase per common share attributable to new Investors	$1.98
Net tangible book value per share of common stock after the offering	$2.12
Dilution per share of common stock to new Investors	$3.88

If only 1,500,000 shares of common stock are sold pursuant to this offering, the as adjusted book value per share after the offering will be $1.34, and purchasers in this offering will realize an immediate dilution of $4.66 per share (approximately 77% of their investment). If only 300,000 shares of common stock are sold pursuant to this offering, the as adjusted book value per share after the offering will be $0.39, and purchasers in this offering will realize an immediate dilution of $5.61 per share (approximately 94% of their investment).

Additional dilution will result to the extent that outstanding options, warrants, and convertible debt to purchase our common stock are exercised. As of June 30, 2002, we had outstanding options and warrants to purchase an aggregate of 483,876 shares of common stock at a weighted average exercise price of $1.06 per share. As of March 31, 2002, we had outstanding convertible debt to purchase an aggregate of 90,770 shares of common stock at a weighted average exercise price of $2.06 per share.

During the five years prior to the date of the prospectus, the Company has sold shares of common stock for prices ranging from $1.00 to $4.00 per share. None of such persons were executive officers, directors, affiliates or promoters of the Company at the time of purchase.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a premium, natural beverage company with a small but growing line of non-beverage food items such as ice cream and candy. Currently, our products are being produced by third party co-packers that we supply with our products raw materials and packaging.

We are in the process of constructing a production plant on the west coast where we have bought a warehouse and are retrofitting it for beverage manufacturing. We expect to realize production, freight and warehouse savings in excess to the related increase in depreciation and amortization. We expect to become a co-pack facility for other beverage companies potentially increasing revenues.

In recent years the premium beverage business has experienced the following trends:

?Growing consumer demand for all-natural, health oriented products;

?Proliferation of new products including premium beverages, bottled water and beverages enhanced with herbal additives or vitamins; and

?Consolidation/acquisition of beverage companies;

In June 2002, the Company executed an agreement which provides a line of credit of up to $500,000. See "Business - Loan Agreement."

Twelve Months Ended December 31, 2000 Compared To Twelve Months Ended December 31, 2001

Net Sales. Net sales increased by $460,068 or 8.0% from $5,728,153 in 2000 to $6,188,221 in 2001. The net sales increase was primarily a result of sales growth of existing products in existing accounts (3.8%), and the new ginger ice cream line (4.2%).

Gross Profit. As a percentage of net sales, gross profit increased from 20.3% in 2000 to 20.6% in 2001. This increase was primarily the result of decreased trade discounts.

Selling Expenses. Selling expenses decreased by $23,524 or 3.5% from $681,513 in 2000 to $657,989 in 2001 and decreased as a percentage of net sales from 11.9% in 2000 to 10.6% in 2001. The decrease in selling expenses was primarily due to a reduction in promotion expenses(1.9%) and trade show expenses(1.6%).

General And Administrative Expenses. General and administrative expenses increased by $4,212 or 0.5% from $933,317 in 2000 to $937,529 in 2001 and decreased as a percentage of net sales from 16.3% in 2000 to 15.2% in 2001. Accounting expenses increased 82% from 2000 to 2001 due to this SB-2 filing. Amortization and Depreciation increased 82% from 2000 to 2001 due to software, equipment purchases and goodwill. Most other expenses decreased as cost cutting measures have been implemented.

Interest and Other Expenses. In fiscal 2001, interest expense was $204,457 and interest income was $2,894, resulting in a net interest expense of $201,563. In the previous fiscal year, interest expense was $62,299 and interest income was $13,051, for a net interest expense of $49,248. The Company had lower interest income due to the reduced cash in money market accounts. Interest expenses were higher due to the mortgage for the new production facility, a $74,340 non-cash expense associated with stock warrants for the $420,000 loan in 2001, a $16,516 non-cash imputed interest expense associated for the Virgil's purchase loan which was interest free, actual interest on the $420,000 loan in 2001 and discount on notes payable.

In 2001, we had other non-operating expenses of $1,388 was due to exchange rate losses from overseas purchases. In 2000, we had non-operating income of $15,592 due to a one time forgiveness of debt.

Liquidity And Capital Resources. We have financed our operations to date through a public offering of common stock, private sales of equity and convertible debt securities, a line of credit from a financial institution and a private debt offering. At December 31, 2001, we had working capital of $836,199, an increase of $46,440 over our working capital balance of $789,759 at December 31, 2000. The net increase in working capital was primarily attributable to our sales of corporate interest bearing notes.

Net cash provided by operating activities for the year ending December 31, 2001 was $149,978, primarily a result of the increase in accounts payable, and collections on receivables.

Net cash used in investing activities of $211,514 primarily related to the purchase of property and equipment.

Net cash provided by financing activities of $289,358 resulted primarily from the private placement in 2001 of corporate interest bearing notes. A building improvement loan of $168,000 is still available from the SBA and is expected to be used in 2002.

Twelve Months Ended December 31, 2000 Compared To Twelve Months Ended December 31, 1999

Net Sales. Net sales increased by $714,116 or 14.2% from $5,014,037 in 1999 to $5,728,153 in 2000. The net sales increase was primarily a result of the acquisition of Virgil's Root Beer (7.8%), sales growth of existing products in existing accounts (4.1%), and new products (2.3%).

Cost of Goods Sold. Cost of goods sold increased by $798,714 or 21.2% from $3,764,766 in 1999 to $4,563,480 in 2000 and increased as a percentage of net sales from 75.1% in 1999 to 79.7% in 2000. This 4.6% increase in cost of goods sold was primarily the result of increased trade discounts (2.1%) reducing net sales and increased freight costs (2.5%). Freight costs increased due to fuel prices increasing and trade promotions and discounts increased due to new product launches.

Selling Expenses. Selling expenses increased by $314,448 or 85.7% from $367,065 in 1999 to $681,513 in 2000 and increased as a percentage of net sales from 7.3% in 1999 to 11.9% in 2000. The increase in selling expenses was primarily due to increased use of brokers (21.4%), additional direct hire sales representatives (23.2%), increased trade show expenses and promotion expenses (27.4%). These costs were incurred in an effort to expand our sales both beyond our traditional markets and geographically.

General And Administrative Expenses. General and administrative expenses increased by $241,330 or 34.9% from $691,987 in 1999 to $933,317 in 2000 and increased as a percentage of net sales from 13.8% in 1999 to 16.3% in 2000. The increase in general and administrative expenses is primarily a result of an increase in amortization (3.6%), payroll (9.0%), travel (8.3%), telephone (1.7%) and storage and moving. These expenses increased due to increased staff to support our expanded marketing efforts.

Interest and Other Expenses. In fiscal 2000, interest expense was $62,299 and interest income was $13,051, resulting in a net interest expense of $49,248. In the previous fiscal year, interest expense was $44,840 and interest income was $104, for a net interest expense of $44,736. The Company had higher interest income due to the equity investments of the SCOR offering. Interest expenses were higher due to the purchase of Virgil's Root Beer.

In 1999, we had other non-operating expenses of $142,175 less non-operating income of $5,000. In 2000, we had non-operating income of $15,592 and no non-operating expenses. The non-operating expenses in 1999 were related to the company's first SCOR public offering. The non-operating income from 1999 was for a settlement income from a lawsuit and the $15,592 of non-operating income in 2000 was for a onetime forgiveness of debt.

Liquidity And Capital Resources. We have financed our operations to date through a public offering of common stock, private sales of equity and convertible debt securities, a line of credit from a financial institution and cash generated from operations. At December 31, 2000, we had working capital of $789,759, an increase of $483,243 over our working capital balance of $306,516 at December 31, 1999. The net increase in working capital was primarily attributable to our use of the proceeds from the common stock sales to invest in inventory and pay down certain current liabilities.

Net cash used by operating activities for the year ended December 31, 2000 was $688,076, primarily a result of the net loss and an increase in inventories.

Net cash used in investing activities of $423,730 primarily related to the purchase of property and equipment.

Net cash provided by financing activities of $1,108,973 resulted primarily from the sale of the Company's common stock.

Six Months Ended June 30, 2001 Compared To Six Months Ended June 30, 2002

Net Sales. Net sales increased by $106,834 or 3.3% from $3,256,000 in the first six months of 2001 to $3,362,834 in the first six months of 2002. The net sales increase was primarily a result of sales growth of existing products 2.1%) and the introduction of new products (1.2%).

Gross Profit. As a percentage of net sales, gross profit increased from 18.3% in the first six months of 2001 to 24.7% in the first six months of 2002. This increase was primarily the result of decreased trade discounts thereby increasing the net sales per case (3.8%) and by the negotiating of better pricing from suppliers for most of the raw materials and packaging used in the finished goods sold (2.6%).

Selling Expenses. Selling expenses decreased by $73,273 or 21.0% from $348,016 in the first six months of 2001 to $274,743 in the first six months of 2002, and decreased as a percentage of net sales from 10.7% in the first six months of 2001 to 8.2% in the first six months of 2002. The decrease in selling expenses was primarily due to reduction in the sales force (10.2%), which reduced travel expenses(4.6%). Also, promotional expenses decreased (5.2%). The company reduced staff and promotional expenses in certain markets until new funding was available.

General And Administrative Expenses. General and administrative expenses increased by $41,954 or 10.0% from $419,250 in the first six months of 2001 to $461,204 in the first six months of 2002, and increased as a percentage of net sales from 12.9% in the first six months of 2001 to 13.7% in the first six months of 2002. Expenses are continuing to run much higher than normal due to the increased accounting expenses due to the this offering. Normal general and administrative expenses have been relatively constant.

Interest And Other Expenses. In the first six months of 2001, interest expense was $59,417 and interest income was $1,279, resulting in a net interest expense of $58,138. In the first six months of 2002, interest expense was $129,482 and interest income was $1,114 for a net interest expense of $128,368. The Company had higher interest expenses due to the interest on the $420,000 loan in 2001 and a non-cash interest expense generated by the options granted for this loan of $74,340.

In the first six months of 2002 we had a non-operating income of $1,576 due to exchange rate gains in connection with overseas purchases.

Liquidity And Capital Resources. At June 30, 2002, we had working capital of $668,267, a decrease of $90,568 over our working capital balance of $758,835 at June 30, 2001. The net decrease in working capital was attributable to payments on long-term debt. As of June 30, 2002, the Company executed an agreement from a new lender for a $500,000 revolving line of credit. The SBA building improvement loan is still active and is approximately 75% utilized. This funding is covering the cash needs to improve the warehouse used for the Company's new west coast production facility.

Net cash used in operating activities for the six months ended June 30, 2002 was $521, consisting primarily of the Company incurring expenses that were not currently due offset by an increase in accounts receivable representing sales made that had not yet been collected and a small operating loss.

Net cash used in investing activities of $128,495 primarily related to the purchase of property and equipment and acquisition of intangible assets.

Net cash used in financing activities of $99,656 resulted primarily from payments on long term debt.

Our trade accounts receivable, net were $869,154 at June 30, 2002, an increase of $490,776 (230%) over our accounts receivable of $378,378 at December 31, 2001. Although accounts receivable increased significantly in comparison to our increase in sales for the six months period, we believe that the increase in accounts receivable was due to a significant increase in sales during the latter part of this six month period and not to any change in our credit policy.

BUSINESS

Background

We are a growing specialty developer, marketer and seller of gourmet natural non-alcoholic beverages, as well as candy, ice cream and cookies. We currently offer 19 beverages, including six varieties of Reed's Ginger Brews, Virgil's Root Beer, two varieties of China Cola, six varieties of Malibu Teaz and four varieties of a new line of ginger brews called the Reed's Ginger Juice Brews. However, we consider our core business to be ginger products rather than strictly beverages. Our recent products include Reed's Crystallized Ginger Candy, Reed's Crystallized Ginger Baking Bits, Reed's Ginger Candy Chews, Reed's Original Ginger Ice Cream, Reed's Chocolate Ginger Ice Cream, and Reed's Green Tea Ginger Ice Cream. We expect to be launching our Reed's Ginger Cookie line during 2003.

We sell our products primarily in upscale gourmet and natural food stores in the United States and Canada. Most of our beverages are sold in the natural food industry.

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 strong distributor relationships,

*Stimulating strong consumer demand for our existing brands and products, and

*Developing unique alternative beverage brands and other products.

At this time, we use contract packers to prepare, bottle and package our internally developed products, continually reviewing our contract packing needs in light of regulatory compliance and logistical requirements. Currently, our primary contract packer is located in Pennsylvania. 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 have begun outfitting our own brewery and bottling plant.

Our expansion plans will be contingent to a great extent by the success of this offering. If all or most of the shares being offered hereby are sold, we will be able to substantially increase our marketing, advertising and distribution, as well as the products we offer. If only a limited number of shares are sold, we will need to expand at a much slower rate.

During the year 2001, Trader Joes and Mt. Peoples accounted for approximately 12% and 10%, respectively, of our sales. The loss of either customer would substantially reduce our revenues.

Historical Development

We began operations in June of 1987 as a sole proprietorship founded by Christopher J. Reed. The first two years were dedicated to developing and organizing production of our first product, the award-winning Reed's Original Ginger Brew.

In June 1989, production started with a test batch of 50 cases. A local sales effort in the Los Angeles area was immediately successful. The initial test market included ten health and specialty food stores and several restaurants. Through these outlets the product met and passed the critical test for commercial success, as consumers enthusiastically came back for repeat purchases.

Reed's presented what we believe was a new category of beverages: a premium gourmet soda manufactured by ancient methods without additives or preservatives. We sought an original image as well. We believe we were the first to place soda in a longneck beer bottle. We also believe that our brewing method has not, to date, been successfully reproduced by others. We also strive to provide a utilize an eye-catching packaging concept that will stand out on the market shelf.

In 1991, we moved our production to a large regional contract brewing and bottling facility and we began exhibiting at the national natural and specialty food shows. This resulted in more distributors climbing on board to sell the Company's products. These included east coast and Midwestern American natural food distributors, several specialty food distributors and the Company's first mainstream supermarket distributor. Sales reached $0.51 million. In the following years, we continued to expand our distribution and added additional flavors of our ginger beverages.

In 1997, we began selling Reed's Crystallized Ginger Candy. The candy, manufactured in Fiji under a proprietary, natural, non-sulfured process, represented our first venture outside the beverage industry.

In 1998, we launched what we believe was the nation's first organic agave sweetener, Sweet Cactus Farms Organic Agave Nectar, under license from Malibu Teaz. During that year, we also hired our first outside sales representative.

In 1999, we purchased the Virgil's Root Beer brand from Crowley Beverage Company in an asset purchase agreement for $371,000 cash and a promissory note for $500,000 and payable in five annual installments of $100,000. In our opinion, Virgil's Root Beer generally is recognized throughout the natural foods and specialty foods industries as one of the crown jewels of root beers. The brand has won numerous awards in the United States, Canada and Europe for excellence, quality and taste. Because the Virgil's brand is partially produced under our auspices in Europe, this purchase also secures duty free entree to the European Union for our entire line of products.

The year 2000 was a watershed year for us as revenues reached about $5.7 million. In a limited public offering under SCOR regulations, we sold nearly 450,000 common shares at $2.00 between approximately April 1999 and April 2000, raising approximately $900,000 for expansion of our product lines and acquisition of production facilities both of which have been accomplished according to plan.

In April of 2000, we undertook the first test marketing of Reed's Original Ginger Ice Cream. We considered the initial reactions within the industry and at the Las Vegas Natural Foods Show to be phenomenal. By the end of the Year, two more varieties, Reed's Chocolate Ginger Ice Cream and Reed's Green Tea Ginger Ice Cream, were in development and on their way to launch.

In June 2000, we launched Reed's Cherry Ginger Brew. At the same time, we introduced a beautiful designer gift tin of the Reed's Crystallized Ginger Candy.

In December 2000, we acquired our licensee, China Cola, for 130,000 shares of our common stock and royalty payments of $0.75/case sold over the two year period commencing July 1, 2000. Also in December, we purchased an 18,000 square foot warehouse property in a Los Angeles County enterprise zone. This means the county participates in wages, training and benefits for all new employees. The enterprise zone also qualifies us for low interest loans and a variety of beneficial tax breaks. This property now houses our executive offices and serves as our Southern California warehouse facility. We have begun plans to construct our own brewery and bottling plant on the property.

In the spring of 2001, we began the national launch of Reed's Chocolate Ginger Ice Cream and Reed's Green Tea Ginger Ice Cream to join Reed's Original Ginger Ice Cream in the retail freezer. Less than a month after launch, we received orders for more than 4,700 cases of our ice cream.

In June 2001, we expanded our candy line with two new products: Reed's Crystallized Ginger Baking Bits and Reed's Ginger Candy Chews. The package for Reed's Ginger Candy Chews resembles an old style, 1930's cigarette pack and in our opinion has found immediate cachet and enthusiastic acceptance with distributors and retailers alike.

In the beginning of May 2002, we launched our Reed's Ginger Juice Brews lines, with four flavors of juice blends. These products are made from organic ginger and are organically sweetened.

We were incorporated in 1991 in Florida as Original Beverage Corporation. In October 2001, we changed our state of incorporation to Delaware and changed our name to Reed's, Inc.

Industry Overview

Our beverages are classified as "new age" or "alternative" beverages, a category that includes natural soda, fruit juices and fruit drinks, ready-to-drink teas, sports drinks, and water. From 1992 to 1999, the alternative beverage market has experienced significant growth, with volumes more than doubling to 1.4 billion cases. The alternative beverage category is the fastest growing segment of the beverage marketplace, with sales estimated to have reached approximately $9.7 billion at wholesale in 2000 with a growth rate of approximately 11% over the prior year. (Source: Beverage Marketing Corporation) The Alternative Beverage category is a small portion of the non-alcoholic beverage market, which has sales in excess of $80 billion.

The candy industry in the United States exceeds $23 billion in sales annually, of which approximately 40% is non-chocolate candy. In pounds, Americans consume over 25 pounds of candy per person per year. (Source: National Confectioners Association)

The ice cream industry in the United States generates more than $20 billion in annual sales. (Source: International Dairy Foods Association and the United States Dairy Association) The packaged ice cream industry includes economy, regular, premium, and super premium products.

Super-premium ice cream such as Reed's Ginger Ice Creams is generally characterized by a greater richness and density than other kinds of ice cream. This higher quality ice cream generally costs more than other kinds and is usually marketed by emphasizing quality, flavor selection, texture and brand image. Based on supermarket sales, super premium sales in were $600 million, or approximately 3% of all ice cream sales. (Source: AC Nielsen Scan Trak) The highest supermarket sales increases in 1999 were seen by the premium and super premium higher fat varieties. Gallon sales of super premium ice cream grew 14% in 1999 versus 1998. (Source: International Dairy Foods Association)

In 2000, Americans spent over $4.56 billion on cookies in all retail outlets combined, according to AC Nielsen.

Ginger

Ginger products, rather than beverages, are in fact our core business. We have found friends and advocates among alternative, holistic, naturopathic and homeopathic medical practitioners, dieticians and medical doctors. This is not surprising, as our beverages contain a high volume of ginger. A number of practitioners have contacted us of their own accord, telling us of their habit of recommending Reed's Extra Ginger Brew for their patients as a simple way to ingest a known level of ginger. Reed's Ginger Brews contain between 8 and 26 grams of fresh ginger in every 12-ounce bottle. Very simply said, Reed's drinkers are mega-dosing a spice that is considered by many persons to be quite beneficial.

Among the applications frequently cited in articles on ginger are:

*Recommended use for prevention and relief of motion sickness,
*A preferred alternative to aspirin in heart attack prevention,

*A safe and effective alternative
 to pharmaceutical anti-ulcer drugs,
*Anti-inflammatory treatment for arthritis,
*Treatment for a variety of digestive disorders,
 including both constipation and diarrhea,
*Natural therapy for menstrual discomfort,
 nausea, cold, parasites and more, and
*Daily tonic to increase general well being.

Our Products

We manufacture and sell 19 beverages and other products. All of our products are made using premium all natural ingredients. Most of our beverage sales are in the natural foods industry. As of the date of this prospectus, approximately 70% of our sales are through this natural food channel of distribution.

According to Spence Information Services (SPINS), which is the only sales information service catering to the natural food trade, Reed's Brews and Virgil's Root Beer hold the #1, 2, 3, 5, 7 and 9 positions among all beverages in the natural foods industry.

Our products include:

Reed's Ginger Brews

Ginger ale is the oldest known soft drink. Before modern soft drink technology existed, non-alcoholic beverages were brewed at home directly from herbs, roots, spices and fruits. These handcrafted brews were then aged like wine and highly prized for their taste and their tonic, health-giving properties. Reed's Brews are a revival of this home brewing art and are made the original way using the finest fresh herbs, roots, spices and fruits. Each batch is carefully brewed and aged with great pride by our expert brew masters under the supervision of our founder, Christopher J. Reed.

We believe that Reed's Ginger Brews are the only naturally brewed soft drink line in the United States. Reed's Brews derive their distinctive tastes from the brewing of fresh herbs, roots and spices from around the world. No refined sugars are used for sweetening. The products differ from commercial soft drinks in three particular characteristics: sweetening, carbonation and coloring. Reed's Ginger Brews present 20% less sweetness for greater adult appeal. Carbonation, rather than being injected, is produced naturally through slower, beer-oriented techniques, which produce smaller, longer lasting bubbles that do not dissipate as rapidly upon opening the bottle. No coloring is added; the color comes naturally from the herbs, fruits, spices, roots and juices. In addition, since Reed's Brews are pasteurized and fire brewed, they do not require or contain any preservatives.

In contrast, modern commercial soft drinks generally are produced using natural and artificial flavor concentrates prepared by flavor laboratories, tap water and refined sweeteners. Typically, manufacturers make a centrally processed concentrate that will lend itself to a wide variety of situations, waters and filling systems. The end product is generally cold-filled and thus requires preservatives for stability. Finally, colors tend to be synthetically altered.

We currently manufacture and sell six varieties of Reed's Ginger Brews:

* Reed's Original Ginger Brew was our first creation, and is a Jamaican recipe for homemade ginger ale using 17 grams of fresh ginger root, lemon, lime, honey, fructose, pineapple, herbs and spices. Reed's Original Ginger Brew is 20% fruit juice.

* Reed's Extra Ginger Brew is the same approximate recipe, with 26 grams of fresh ginger root for a stronger bite. Reed's Extra Ginger Brew is 20% fruit juice.

* Reed's Premium Ginger Brew is the no-fructose version of Reed's Original Ginger Brew, and is sweetened only with honey and pineapple juice. Reed's Premium Ginger Brew is 20% fruit juice.

* Reeds Raspberry Ginger Brew is brewed from 17 grams of fresh ginger root, raspberry juice, and lime. It is 20% raspberry juice and is sweetened with fruit juice and fructose.

* Reed's Spiced Apple Brew uses 8 grams of fresh ginger root, the finest tart German apple juice, and such apple pie spices as cinnamon, cloves, and allspice. Spiced Apple Brew is 50% apple juice and sweetened with fruit juice and fructose.

* Reed's Cherry Ginger Brew is the newest addition to our Ginger Brew family, and is naturally brewed from: filtered water, fructose, fresh ginger root, cherry juice from concentrate, and spices. Reed's Cherry Ginger Brew is 23% cherry juice.

All six Reed's Ginger Brews are offered in 12-ounce bottles are sold in stores as singles, in four-packs and in 24-bottle cases. Reed's Original Ginger Brew is sold in select Costco stores in a special 12-pack.

Virgil's Root Beer

Virgil's Root Beer has a steady, growing cadre of fans and long-time aficionados who gladly pay as much as $5.00 for a single ceramic topped, pint bottle. Over the years Virgil's has won numerous awards, and is considered by many to be the best root beer made anywhere. Virgil's Root Beer has been voted "Outstanding Beverage" at the International Fancy Food and Confection Show three times and named by the Canadian Fancy Food Industry as 'Best Imported Food Product'. Virgil's Root Beer has also been named "Best Beverage" by Bon Appetit magazine. Originally brewed in the north of England, Virgil's is a delicious micro-brewed root beer. With the exception of Bavarian Pints and Kegs, we now make Virgil's in the United States from imported ingredients.

Virgil's is a gourmet root beer.
We use these all-natural ingredients:

* Filtered water,
* Unbleached cane sugar,
* Anise from Spain,
* Licorice from France,
* Bourbon vanilla from Madagascar,
* Cinnamon from Ceylon,
* Clove from Indonesia,
* Wintergreen from China,
* Sweet birch and molasses from the southern United States,
* Nutmeg from Indonesia,
* Pimento berry oil from Jamaica,
* Balsam oil from Peru, and
* Cassia oil from China

These ingredients are collected worldwide and gathered together at the brewing and bottling facilities we use in the United States and Germany. At the breweries, the ingredients are then combined and brewed under strict specifications, and finally heat pasteurized to insure quality.

Virgil's Root Beer is sold in 12-ounce bottles as singles, in four-packs, in 24-bottle cases, in a special ceramic-swing-capped Grolsch-style pint bottle as a single and 12 bottle cases of the 'pints' as well as in 5 liter self-tapping party kegs.

China Cola

An authentic herb master in China developed the herb formula in both Original China Cola and Cherry China Cola. The formula was taken to an American beverage master who had worked on the original colas in the early 1900's. The result is what we consider to be the best tasting and most natural cola in the world. Now sweetened with raw cane, China Cola has been restored to its original delicious blend of imported Chinese herbs, essential oils and natural spices. China Cola contains no caffeine. It comes in two varieties, Original Tianfu China Cola and Cherry China Cola.

* Original China Cola is made from filtered water, raw cane sugar, Szechwan peony root, cassia bark, Malaysian vanilla, oils of lemon, oil of lime, oil of orange, nutmeg, clove, licorice, cardamom, caramel color, citric acid and phosphoric acid.

* Cherry China Cola is made from filtered water, raw cane sugar, Szechwan peony root, cassia bark, Malaysian vanilla, oils of lemon, oil of lime, oil of orange, nutmeg, clove, licorice, cardamom, natural cherry flavor, caramel color, citric acid and phosphoric acid.

China Cola and Cherry China Cola are sold as singles, in four-packs and in 24-bottle cases.

Malibu Teaz

We believe that Malibu Teaz is the only truly organic line of RTD (ready to drink) teas currently on the market. They are sweetened exclusively with organic agave nectar, a whole, unrefined sweetener with recognized health benefits. Agave nectar is a highly efficient sweetener, so very little is found in each serving of the Teaz. Malibu Teaz are brewed from 100% certified organic, non-irradiated herbs with organic juice concentrates and pure mountain spring water in a natural slow-brewing process.

In comparison to regular commercial RTD teas, Malibu Teaz is:

* Brewed with hot Mountain Spring Water instead of filtered, cold tap water,
* Made from organic wild crafted herbs instead of tea concentrates or herbal extracts,
* Made with real organic fruit juices from concentrate instead of fruit flavors,
* Made with no added colorings instead of chemical dyes and colors, and
* Sweetened with a whisper of organic agave nectar instead of corn syrup or aspartame.

All this makes Malibu Teaz a delicious, healthful alternative to commonplace, commercial ready-to-drink teas.

The six Malibu Teaz are:

* Heavenly Hibiscus-Berry, which is made from mountain spring water, non-irradiated organic herbs (hibiscus, lemongrass, rosehips, alfalfa), organic raspberry juice from concentrate and organic agave nectar.

* Luscious Lemon-Rose, which is made from mountain spring water, non-irradiated organic herbs (rosehips, lemongrass, alfalfa, chamomile), organic agave nectar and citric acid.

* Miraculous Mints, which is made from mountain spring water, non-irradiated organic herbs (peppermint, spearmint, chamomile, alfalfa), organic agave nectar and citric acid.

* Precious Passion Fruit, which is made from mountain spring water, non-irradiated organic herbs (rosehips, hibiscus, chamomile, lemongrass, alfalfa), organic passion fruit juice from concentrate and organic agave nectar.

* Comforting Chamomile, which is made from mountain spring water, non-irradiated organic herbs (chamomile, hibiscus, rosehips), organic agave nectar and citric acid.

* Mellow Mocha Spice, which is made from mountain spring water, non-irradiated organic herbs and spices (roasted barley, carob, cinnamon), organic agave nectar, organic vanilla and citric acid.

The six varieties of Malibu Teaz are sold as singles in pint bottles and in 24-bottle cases.

* Reed's Ginger Candies

Reed's Crystallized Ginger was the first to be sweetened with raw cane instead of white sugar. Tender Reed's Crystallized Ginger is custom-made for Reed's Inc. in the South Pacific Islands of Fiji.

The process is an ancient one that hasn't changed much through time excepting a slight variation. After harvesting baby ginger (the most tender kind), the root is diced and soaked in a strong salt brine to soften the fibrous core of the ginger. After a very thorough fresh water rinsing cycle, the soft, diced, baby ginger root is then steeped in large vats filled with simmering raw cane syrup. Steeping for several days, the ginger is then removed and allowed to crystallize into soft, delicious nuggets in the Fijian sun. Islanders have long enjoyed these treats for health and pleasure, as do Reed's customers. Reed's Ginger Baking Bits are smaller pieces of Reed's Crystallized Ginger Candy.

*Reed's Crystallized Ginger Candy and Reed's Crystallized Ginger Baking Bits are made for us in Fiji from diced baby ginger and raw cane sugar.

Reed's Crystallized Ginger Candy is sold in 4 oz. bags, 8 oz. enameled, rolled steel gift tins, 16 oz. resealable Mylar bags, 16 oz. resealable plastic tubs and in bulk-bins. Reed's Crystallized Ginger Baking Bits are sold in the bulk-bins.

*Reed's Ginger Candy Chews

For a hundred years or more residents of Southeast Asia from Indonesia to Thailand have enjoyed soft, gummy ginger candy chews. Individually wrapped, ten to a 'Lucky Strike' style soft-pack, Reed's has taken them a step further, adding more ginger, using no gelatin (vegan-friendly), and making them slightly easier to unwrap than their Asian counterparts.

*Reed's Ginger Candy Chews are made for us in Indonesia from: Sugar, maltose (malt sugar), ginger, and tapioca starch.

Reed's Ginger Candy Chews are sold individually wrapped in Soft-packs of ten candies and as individually wrapped loose pieces in bulk.

Reed's Ginger Ice Creams

Reed's Ginger Ice Creams are made 100% naturally using the finest rGBH free cream and milk. (The dairy has filed for organic status.) The milk and cream are combined with the finest natural ginger extract from Fiji, Reed's Crystallized Ginger Candy and natural raw cane sugar to make a delicious ginger ice cream with a super premium, ultra-creamy texture and Reed's signature spicy-sweet bite.

The three Reed's Ginger Ice Creams are:

*Reeds Original Ginger Ice Cream
Ingredients: milk; cream, raw cane sugar, Reed's Crystallized Ginger Candy (finest ginger root, raw cane sugar), ginger puree, and guar gum (a natural vegetable gum)

*Reed's Chocolate Ginger Ice Cream
Ingredients: milk; cream, raw cane sugar, finest Belgian Cocoa (used to make Belgian Chocolate), Reed's Crystallized Ginger Candy (fresh baby ginger root, raw cane sugar), chocolate shavings (sugar, unsweetened chocolate, Belgian Cocoa, soy lecithin and real vanilla), natural ginger extract, and guar gum (a natural vegetable gum) combine creating the ultimate chocolate ginger ice cream.

* Reed's Green Tea Ginger Ice Cream
Ingredients: Milk, cream, the finest Green Tea, raw cane sugar, Reed's Crystallized Ginger Candy (fresh baby ginger root, raw cane sugar), and guar gum (a natural vegetable gum) combine to make the ultimate green tea ginger ice cream.

Reed's Ginger Ice Creams are sold in pint-containers and cases of eight pints. We plan to supply Reed's Ginger Ice Creams in foodservice volume-packaging as well.

Reed's Ginger Juice Brews

In the beginning of May 2002 we launched a new line of ginger brews called the Reed's Ginger Juice Brews. They are 100% juice products that are non-carbonated and brewed from an organic juice sweetener and organic fresh ginger root. These drinks are in a 16 oz juice bottle. We have seen a strong trend toward organic ingredients and toward non-carbonated beverages in the marketplace. We have wanted to extend the ginger brew line and have decided that these new flavors will cater to the growing market for organic non-carbonated beverages.

The four Reed's Ginger Juice Brews are:

* Reed's Lemon Guava Ginger Juice Brew, which is brewed from filtered water, sweetened by organic white grape juice, organic fresh ginger root, guava juice and lemon juice from concentrate.

* Reed's Strawberry Kiwi Ginger Juice Brew, which is brewed from filtered water, sweetened by organic white grape juice, organic fresh ginger root, strawberry

juice and kiwi juice from concentrate.

* Reed's Pineapple Orange Ginger Juice Brew, which is brewed from filtered water, sweetened by organic white grape juice, organic fresh ginger root, pineapple juice, orange juice and lime juice all from concentrate.

* Reed's Cranberry Raspberry Ginger Juice Brew, which is brewed from filtered water, sweetened by organic white grape juice, organic fresh ginger root, cranberry and raspberry juice from concentrate.

These new ginger juice brews have already been accepted as new items by a number of our largest distributors. A full national rollout to our customers is currently underway with product samples and literature going out to key industry buyers.

Our Primary Markets

We sell the majority of our products in upscale gourmet and natural food stores in the United States and Canada. The products are currently sold on an increasing basis in restaurants, delicatessens, neighborhood grocery markets, and supermarkets. A limited market has been developed for our products in Europe and Asia, although it currently represents less than 1% of our total sales. Most of our beverage sales are in the natural food industry. We expect this to change as our mass-market promotions mature.

Sales, Marketing and Distribution

We utilize a number of strategies in bringing our products to market. These can be broken down into marketing to distributors (our direct customers), marketing to retail stores (our distributors' customers) and marketing to consumers (the retail store's customers). We also offer our products and promotional merchandise direct to consumers via the Internet on our website, www.reedsgingerbrew.com. We also plan to introduce vending machines and proprietary coolers in the near future.

Marketing to Distributors

We market to distributors using a number of marketing strategies, including direct solicitation, telemarketing, trade advertising, and trade show exhibition. These distributors, who may also have relationships with our competitors, include natural food, gourmet food and mainstream distributors. Direct contact with the distributors is by in-house sales representatives, food brokers and outside representatives. In early 2001, we shifted our primary focus toward mainstream distribution. Such mainstream distributors include Big Geyser for New York City, Southern Wine and Spirits for Arizona, and Beverage Express for Colorado.

Marketing to Retail Stores

We market to stores by utilizing trade shows, trade advertising, telemarketing, direct mail pieces, and direct contact with the store. We have representatives and brokers who visit stores to sell more directly in many regions. Sales to retail stores are coordinated through our distribution network and our regional warehouses. Parts of the proceeds of this offering are earmarked for expansion of direct personal sales contact.

We intend to create our direct distribution organization on a market-by-market basis. In this way, we anticipate a smooth transition over a couple of years. This approach will allow the growing team of in-house marketers to 'get the bugs out' before moving on to each successive market. The first effort of this sort is expected to begin in 2002 in our home market of western Los Angeles.

Marketing to Consumers

We utilize several marketing strategies to market directly to consumers. Advertising in targeted consumer magazines such as "Vegetarian Times" and "New Age" magazine, in-store discounts on the products, in-store product demonstration, street corner sampling, coupon advertising, consumer trade shows, event sponsoring and our website www.reedsgingerbrew.com are all among current consumer-direct marketing devices.

Vending Machines

In the mass-marketplace to date, we believe that no independent manufacturer of soft drinks other than Coca-Cola and PepsiCo has placed fully branded, backlit vending machines nationwide. We believe we are the first natural soft drink manufacturer to create its own vending machine. We believe that the Reed's Vending Machine is also the first vending machine to vend glass bottles in over twenty years. We intend to expand direct consumer distribution through placement of these vending machines in publicly accessible locations across the USA and Canada.

Vending machines present several advantages. As an outdoor source of product, a vending machine acts as a twenty-four hour a day, seven days a week point of sale and consumer self-demonstration device. Using modern cellular technology, we will be able to track performance of each machine and the individual products within the machine. This means if Extra Ginger Brew, for example, were outselling other varieties to a great extent, we would see this in real time and be able to respond in plenty of time to avert a sold out message on the machine. Such data would also be invaluable as a tracking demographic, allowing us to place more of what sells best in a particular neighborhood in a responsive fashion or, in the case of a low performance location, to relocate the machine.

Proprietary Coolers

In-store placements of branded refrigerated coolers by Snapple, SoBe and Jones Soda, among others, have shown a significant return on investment. SoBe created its pervasive presence in the mass-marketplace almost entirely on a backbone of cooler placements. Jones saw a doubling of business in just 18 months based upon this concept. We are currently testing our own Reed's branded coolers in a number of locations and hope to see comparable results.

Manufacture of Our Products

We presently produce the Reed's beverage line at a contract brewery in Pennsylvania. China Cola and Virgil's are produced at our Pennsylvania contract plant as well. Virgil's has a contract production facility in Germany for some of its products. Malibu Teaz is brewed in Northern California at a contract packaging facility. The majority of this production will be supplanted by our own Los Angeles brewery, which the Company is currently outfitting. We believe our brewery facility will create efficiencies of supply and production, which will create a net effect of raising the gross margin of profit for the entire enterprise.

Reed's Crystallized Ginger is custom made for us in the South Pacific Islands of Fiji.

Reed's Ginger Candy Chews are prepared to our specifications in Indonesia.

Reed's Ginger Ice Creams are made according our recipe by a contract dairy in the United States.

Raw Materials

The ingredients used in our products generally are obtained from domestic suppliers and each ingredient has several reliable suppliers. We have no major supply contracts with any of our suppliers. As a general policy, we pick ingredients in the development of our products that have multiple suppliers. This provides a level of insurance against a major supply constriction or calamity.

We import our ginger candies in bulk from the South Pacific and have it repackaged in the United States.

Product Development & Expansion Plans

Our plans for future product development and expansion include the following:

Mainstream Distribution

One of our first priorities in current brand placement expansion is to give attention to and expand marketing efforts with our current mainstream accounts and distributors.

New Ginger Products

We will continue to expand the Reed's Ginger Brew, Reed's Ginger Juice Brew, Reed's Ginger Ice Cream, Reed's Ginger Candy, and Reed's Ginger Cookie lines with great vigor. Other Reed's Ginger Product concepts and lines are under consideration.

Mainstream Supermarkets

We target a niche in the soft drink industry known as 'New Age Beverages'. New Age Beverages are generally characterized as being made more naturally, utilizing upscale packaging, and often creating and utilizing new and unique flavors and flavor combinations. The New Age Beverage Segment has grown from $620 million in annual sales for 1989 to over $8 billion in annual revenues for 2000 (Source: Beverage Marketing Corporation).

This niche is sold both through the fast-growing natural food industry, where we believe our lines have achieved a dominant position in their category, and through the much larger mainstream supermarket industry. We are seeking to increase our position in the mainstream supermarket industry.

Typically, supermarket chains and prominent local supermarkets impose slotting fees as a one-time payment before the products are permitted in the store or chain. We are pursuing broad-based slotting in supermarket chains throughout the United States and Canada.

We are currently slotted in 110 Safeway stores in Oregon and all 130 Raley's stores in Northern California. Safeway and Raley's data show Reed's Ginger Brews, with minimal ads and promotions, performing in the 'middle of the pack' in the New Age Beverage Set.

The New Age Beverage Set includes SoBe (1999 revenues-$166.4 million), Snapple (1999 revenues-$854 million), Arizona (1999 revenues-estimated over $200 million) and Hansen's (2000 Revenues-$79 million) among others. (Sources: BevNet, Beverage World, and SEC Filings) These brands have the advantage of being seen everywhere in the national market and being commonly well known for years through well funded ad campaigns.

In spite of having a higher price, no mass advertising and a relatively small presence in mass market, we believe that results to date demonstrate that Reed's Ginger Brews hold up well among these significantly larger brands. We intend to build on this success by placing Reed's, Virgil's and the rest of our lines in the New Age Set in as many of the nation's 35,000 supermarkets as possible.

To date, our presence in supermarkets includes the following:

Supermarket Chain	Location in Which Our Products Are Sold
Acme	Philadelphia
AJ's	Arizona
Albertson's	Texas
Bashas	Arizona
Big Save	Hawaii
Byerly's	Minnesota
Foodarama	New England
Fred Meyers	Northwestern US
Gelson's	Southern California
Giant Food	Maryland
Henry's	San Diego
Kroger	Nationwide
Larry's Markets	Seattle
Overwaitea/Save-On Foods	Western Canada
Patrini's	San Francisco
Publics	Florida
QFC	Northwestern US
Raley's/Nob Hill	Northern California
Randall's	Houston
Rice's	Houston
Safeway	Northern California
Safeway	Oregon
Safeway	Western Canada
Sentry Foods	Milwaukee
Smith's	Utah
Super Fresh	Philadelphia
Thriftway	Northwest
Trader Joe's	East and West Coasts
Treasure Island	Chicago
Vons	Southern California
Wegman's	New York
Winn-Dixie	New Orleans

International Marketing and Distribution

Discussions are being held with trading companies and import/export companies for the distribution of our products throughout Japan, China and the rest of Asia. These areas are a natural fit for Reed's Ginger products, as ginger of quality is a cultural paradigm throughout those lands.

The European Union is an open market for Reed's with access to that market due in part to the ongoing production of Virgil's Special Extra Nutmeg Root Beer in Germany. Reaction to the Reed's brands at Natural Products Exposition Europe in June 2000 was very positive. Some success has already been realized in Europe through our distributor in Amsterdam. The UK distributor of our lines has also expressed a great enthusiasm for a mass-market push.

Foodservice

On-premise activity in commercial and non-commercial locations is an increasing component of total beverage sales. (Source: Beverage Marketing Corporation) In recognition of this trend, we are marketing aggressively to bars and restaurants. Placement of our products in stadiums, sports arenas, concert halls, theatres, and other cultural centers is another long term marketing priority. In addition, we are currently seeking placement of our ice cream in restaurants nationwide.

Competition

Our premium beverage products compete generally with all liquid refreshments and in particular with numerous other "new age" beverages, including SoBe, Snapple, Mystic, Arizona, Hansen's, and Knudsen & Sons. Many of these brands have the advantage of being seen everywhere in the national market and being well known for years through well funded ad campaigns, so that they are better-established in terms of brand recognition. In addition, the companies manufacturing these products generally have greater financial resources than we do and have greater access to additional financing.

The Virgil's and China Cola lines compete with a number of other natural soda companies including Stewarts, IBC, Henry Weinhard, Blue Sky, Natural Brews and Journey. Malibu Teaz competes with Tazo Teas and Honest Teas and private label store brands at Whole Foods and Wild Oats. Many of these companies are better-established in terms of brand recognition and access to financing. We believe that Malibu Teaz is the only truly natural, organic RTD Tea on the market.

We believe our success to date is due in great part to our innovative beverage recipes and packaging, superior ingredients and to a brewing process that remains a trade secret. We believe our commitments to highest quality and brand innovation are key to our success. We will not allow these aspects of our corporate culture to be altered.

Reed's Crystallized Ginger Candy competes with other candies and snacks in general and in particular with other ginger candies. The main competitors are Royal Pacific, the U.S. marketing company for Australia's Buderim Ginger Company, and Frontier Herbs. These companies generally have better brand-recognition and greater financial resources than we do.

Most varieties of crystallized ginger candy in the marketplace contain sulfur dioxide as a curing and preservative agent; Reed's Ginger Candies do not. Our proprietary curing process for Reed's Crystallized Ginger Candies creates, in our opinion, a vastly superior product to that of our competitors at a competitive price.

Our Reed's Ginger Ice Creams will face competition both from other "premium" and "super premium" ice cream. Our principal competitors in the ice cream business are The Haagen-Dazs Company, Inc., Ben & Jerry's, Godiva, Starbucks, and Dreyers. These companies have greater brand recognition, market share and access to financing than we do.

Our Reed's Ginger Cookies will compete with other cookies and snacks in general and in particular with other "premium" cookies. Our principal competitors are expected to be Walkers of Scotland, Bahlsen of Germany, Duchy Originals of Scotland, and Pamela's of the USA. These companies have greater brand recognition, market share and access to financing than we do.

We compete with other companies not only for consumer acceptance but also for shelf space in retail outlets and for marketing focus by distributors, most of which also distribute other beverage brands. The principal methods of competition include product quality and taste, brand advertising, trade and consumer promotions, pricing, packaging and the development of new products.

Licenses and Royalties

We have a license with Malibu Teaz for its RTD tea line and its sweetener line. These licenses are exclusive and renewed annually. Profits are equally split between Malibu Teaz and us.

In connection with our acquisition of China Cola, we agreed to pay the seller royalties equal to $0.75 per case sold. The minimum payments per agreement year are $18,750. The royalties expire on July 1, 2002.

Proprietary Rights

We own several trademarks that are considered material to our business, including Reed's, Virgil's and China Cola. In addition, we consider our finished product and concentrate formulae, which are not the subject of any patents, to be trade secrets.

Our brewing process is a trade secret. This process can be used to brew other flavors of beverages other than ginger ale/beer such as root beer, cream soda, cola and other spice and fruit beverages. No patents have been sought because we would be required to disclose our brewing process.

Three of our material trademarks are registered trademarks in the U.S. Patent and Trademark Office: Reed's, Virgil's, and China Cola. Registrations for trademarks in the United States will last indefinitely as long as the trademark owners continue to use and police the trademarks and renew filings with the applicable governmental offices. We have not been challenged in our right to use any of our material trademarks in the United States. We are in the process of obtaining international registration of certain trademarks under the Berne Convention.

Government Regulation

The production and marketing of our products are governed by the rules and regulations of various federal, state and local agencies, including the United States Food and Drug Administration. The Food and Drug Administration also regulates the labeling of our products. We have not encountered any regulatory action as a result of our operations, and no such action is anticipated.

Environmental Matters

Our primary cost of environmental compliance at the present time is in recycling fees, which are estimated at $40,000.00 for 2002. This is a standard cost of doing business in the soft drink industry.

Employees

We currently employ seven persons full-time and three part-time: one general management employee, four sales and marketing support, and five in operations. Additional persons are employed as needed on a part-time basis. Consultants are employed as required by circumstance. We have never participated in a collective bargaining agreement. We believe our relationship with our employees is good.

Property

In December 2000 we purchased an 18,000 square foot warehouse property at 13000 South Spring Street in unincorporated Los Angeles County. The purchase price was $850,000 with a down payment of $102,000. We financed the balance with US Bank with a Small Business Administration loan; and obtained a building improvement loan in the amount of $168,000. Christopher J. Reed, our President and CEO, personally guaranteed the loans. Both loans have 25-year terms, with interest at the New York prime rate plus 1%, adjusted monthly with no cap or floor. The combined principal and interest payments are $8,660 initially with annual adjustments. This property now houses our executive offices and acts as our Southern California warehouse facility.

A working brewery and bottling plant is being outfitted on the property and will be called Reed's Original Ginger Brewery. We expect the brewery to be finished and operating during the fourth quarter of 2002. We believe that the brewery and plant will save us freight, production and warehousing expenses. We also expect to be able to produce other companies' products under co-packing agreements.

The property resides in the Los Angeles County Mid-Alameda Corridor Enterprise Zone. Businesses located in the enterprise zone are eligible for economic incentives designed to stimulate business investment, encourage growth and development and promote job creation. The incentives include a hiring credit for wages paid to a qualified employee, up to $26,895 over a five-year period; a credit for the sales or use tax paid or incurred on the purchase of certain qualified machinery or equipment; a business expense deduction for the cost of qualified property (up to $20,000) purchased for exclusive use in the enterprise zone; the ability to carry up to 100% of net operating losses over a maximum of 15 years to reduce the amount of taxable enterprise zone income for those years; a deduction from income on the amount of "net interest" earned on loans made to a trade or business located exclusively in the enterprise zone; and a 6% tax credit for qualifying manufacturers (which includes the Company).

Loan Agreement

In June 2002, we entered into a loan and security agreement with ALCO Financial Services LLC, pursuant to which we are able to borrow up to $500,000. The actual amount which may be borrowed at any amount is the lesser of (1) 75% of the net face amount of our eligible accounts, less reserves determined by ALCO to reflect negative events, conditions, contingencies or risks, or (2) $500,000. As of May 31, 2002, the net face amount of eligible accounts was over $900,000. The loan is guaranteed by Christopher J. Reed and his wife. The loan fee for the loan and security agreement is $6,250. The interest rate for amounts borrowed is the greater of 8% per annum in excess of the prime rate, as reflected in the Wall Street Journal, or 12.75% per annum, and the minimum monthly interest is $3,500. Any loans pursuant to the loan and security agreement will be secured by all present and future accounts, chattel paper, goods (including inventory and equipment), instruments, investment property, documents, and general intangibles, and the proceeds therefrom. The agreement will terminate on its first anniversary, or such earlier date as the lender elects to terminate the agreement pursuant to the terms of the agreement. We can terminate the agreement prior to its termination date, upon the payment of the greater of (1) the total interest for the immediately preceding three months, or (2) $15,000.

In the event of an event of default, as defined in the loan and security agreement, then, at the election of the lender, (1) the agreement may be terminated, (2) the lender may declare all obligations under the agreement to be immediately due and payable, (3) all obligations shall accrue interest at a default rate equal to 10% per annum in excess of the interest rate, and (4) the lender may, immediately and without expiration of any period of grace, enforce payment of all obligations under the agreement and exercise any and all other remedies granted to it. An event of default includes

any default by us in the payment of any obligations under the agreement when due, whether at maturity, upon acceleration, or otherwise;

such obligations at any time exceed the amount allowable under the agreement;

any adverse change occurs with respect to our financial condition of operations which results in a material impairment of the prospect of repayment of such obligations;

any guarantor defaults in the performance of its obligations to the lender or notifies the lender of its intention to rescind, modify, terminate or revoke its guaranty or the guaranty shall cease to be in full force and effect for any reason whatever;

an order for relief is entered against us or a guarantor by a bankruptcy court, or we or a guarantor does not generally pay its debts as they become due;

Christopher J. Reed ceases to own over 50% of our voting stock;

any subordinating creditor fails to perform or observe any of its obligations under any subordination agreement, or notifies lender of an intention to rescind, modify, terminate or revoke the subordination agreement, or the subordination agreement ceases to be in full force and effect for any reason whatever;

Christopher J. Reed fails to devote 100% of his efforts in furtherance of our business affairs for any one month, or ceases to be employed by us in his current capacity;

any provision of this agreement or any of the loan documents ceases for any reason to be valid and binding on us; and

any other default which lender believes in good faith will have a material adverse effect upon our ability to repay the obligations under the agreement.

MANAGEMENT

General

The following table sets forth certain information with respect to our directors, executive officers and key employees:

Name	Age	Position
Christopher J Reed	43	Founder, CEO, CFO & Chairperson of the Board
Eric Scheffer	35	Vice President & National Sales Manager
David Robinov	46	Director
Joseph R Grace	37	Director
Mark Panely	52	Director

Christopher J. Reed, the founder, has been with the Company since its inception in 1987. Chris has been responsible for the design of the Company and its products including the original product recipes, the proprietary brewing process, and the packaging and marketing. Chris' instincts in branding and flavors have produced top sellers in the natural foods industry. Under Chris' leadership the Reed's label has earned a reputation for quality. Chris' prior experience was in the oil and gas industry as a chemical engineer. He was involved in the design and development of new technology in the field of natural gas purification and liquefaction. He also worked four years as a salesperson for an advertising agency. Chris received a B.S. in Chemical Engineering in 1980 from Rennselaer Polytechnic Institute at Troy, N.Y.

Eric Scheffer has valuable experience in natural foods and mainstream marketing. From 1995 to 1997 Eric was employed by Vita Source and was their first sales representative. While there, Eric played an integral part in raising their revenues in one year from $5 million to $7 million. From 1997 to 1998, USA Nutritionals employed Eric. Eric led a successful effort bridging their marketing from natural foods to mainstream stores. 1998 to 1999 were spent managing the US and Canadian outside sales force for Earth Science, Inc. From 2000 to mid 2001, Eric led the sales team at Rachel Perry, the venerable alternative cosmetics company, as Vice President and National Sales Manager. By eliminating a large outside distributor and broker and hiring an efficient in-house broker, Eric lowered costs and managed to raise an extra $20,000 per month from this single action. Eric has been with us since May 2001.

David Robinov, in his more than 20 years in business, has been the founder, developer, partner and CEO in nearly a dozen successful ventures in the natural and organic products industries. David started, developed and sold at profit several successful health foods, natural foods and alternative health retail concepts, eventually merging into or selling to larger concerns. David spent the last ten years developing the China Cola line. China Cola is the most successful herbal cola in natural foods. Reed's Inc. acquired China Cola in December 2000. Recently, David has been involved in launching a specialty and natural foods company, Mediterranean Organics, which features the best of organic products from around the Mediterranean Sea. David became a director of Reed's in 2001.

Joseph Grace earned his B.S. in Computer Science from Yale University in 1986. Joseph's experience includes work on the ARPAnet (precursor to the internet) and the internet well before the internet became a household word. He also programmed and consulted on NEXTstep (precursor to Apple's latest, award winning operating system, OS X). From 1994 as an "angel investor" and from 1997 to early 2000 as a game researcher and developer, Joseph was a member of Wizards of the Coast, a developer and marketer of the popular trading card games, Magic: The Gathering and Pokemon. Joseph enjoyed participating in the growth of a garage startup into an industry leader with over

1,000 employees. Wizards was sold to Hasbro for over $300 million in 1999. Joseph has been an independent consultant since 2000. He currently consults on distributed software applications, startup business management,and continues to search for emerging trends, quality products, and business opportunities. Joseph became a director of Reed's in 2001.

Mark Panely has been the owner and Chief Executive Officer of Journey Food and Beverage Company, Inc. since 1994, where he created and marketed a line of soft drinks and juice brews. Prior thereto, Mark founded a company, helped it to eventually achieve $25 million in annual revenues, and sold the company to J.M. Smucker Co. Mark has more than 30 years' experience in product development and marketing. At the Build Brand Value CEO Forum in 1998, Mark won the "Brandy Award" for brand personality. Mark earned a B.S. in Chemistry at Stony Brook University in 1972. Mark became a director of Reed's in 2002.

Executive Compensation

The following table sets forth for 2001 and 2000 each component of compensation paid or awarded to, or earned by, Christopher J. Reed, our President and CEO. There were no other persons who were serving as executive officers as of December 31, 2001.

Name And Principal Position	Year	Salary	Bonus
Annual Compensation			
Christopher J. Reed,	2001	$150,000	$ --
President & CEO	2000	$150,000	$ --

Mr. Reed's salary has not changed since 2001, and there are no discussions underway as of the date of this prospectus to increase his salary.

Director Compensation

At this time, we do not pay any compensation to directors for the attendance at board meetings.

Option/SAR Grants and Exercises in 2001

During 2001, no stock options or SARs were granted to Christopher J. Reed, and at December 31, 2001 Mr. Reed held no unexercised options or SARs.

The following table summarizes the stock option activity for employees of the Company for the year ended December 31, 2001:

	Options	Weighted Average Exercise Price
Balance, January 1, 2001	37,500	$ 2.00
Granted - 2001	17,500	3.00
Exercised - 2001	--	--
Forfeited - 2001	--	--

Balance, December 31, 2001	55,000	$ 2.32

Employment Agreements

There are no written employment agreements with any of our officers or key employees.

2001 Stock Option Plan

Pursuant to our 2001 Stock Option Plan, options to purchase up to 500,000 shares of common stock are authorized for issuance under the Plan. When a stock award expires or is terminated before it is exercised, the shares set aside for that award are returned to the pool of shares available for future awards. No options have been granted under the Plan as of the date of this prospectus.

The plan permits the grant of options to our employees, directors and consultants. The options may constitute either "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code or "non qualified stock options."

The plan is administered by the board of directors or a committee appointed by the board. The board currently administers the plan. The administrator has full and final authority to select the individuals to receive options and to grant such options as well as a wide degree of flexibility in determining the terms and conditions of options.

The option price cannot be less than 100% of the fair market value per share of Common Stock on the date of the grant of the option. The exercise price of an incentive stock option granted to a person owning more than 10% of the total combined voting power of the common stock must be at least 110% of the fair market value per share of common stock on the date of the grant.

Options may not be granted under the plan on or after the tenth anniversary of the adoption of the plan. Incentive stock options granted to a person owning more than 10% of the combined voting power of the Common Stock cannot be for more than five years.

Indemnification of Directors and Officers

As permitted pursuant to the corporate law of the State of Delaware, our state of incorporation, the Certificate of Incorporation requires that we indemnify our directors and officers against certain liabilities and expenses incurred in their service in such capacities to the fullest extent permitted by applicable law. These provisions would provide indemnification for liabilities arising under the federal securities laws to the extent that such indemnification is found to be enforceable under, and to be in accordance with applicable law. Additionally, we have entered into an indemnity agreement with each director and officer, which generally provides that they are indemnified with respect to actions taken in good faith. Furthermore, the personal liability of the directors is limited as provided in our Certificate of Incorporation.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore unenforceable.

Certain Transactions

The Company has two loans payable to Robert T. Reed Sr., the father of our founder. The first loan was made to us in 1991 to provide $94,000 in working capital, and bears interest at 10% per annum. The balance as of December 31, 2001 was $49,804. The second loan was made in 1999 to provide $250,000 for the acquisition of Virgil's Root Beer, and bears interest at 8% per annum. The balance as of December 31, 2001 was $177,540. This note currently is convertible into a maximum of 88,770 shares of common stock at $2.00 per share until July 2005. We believe that the terms of these transactions were as favorable to us as those generally available from unaffiliated parties.

Mark Reed, the brother of our founder, was owed $5,000 on December 31, 2000 for a loan to the Company. This loan was subsequently converted into 8,889 shares of common stock. We believe that the terms of this transaction were as favorable to us as those generally available from unaffiliated parties.

Christopher Reed, our founder and CEO, has a company credit card. Mr. Reed is permitted to use the card for personal purchases as well as for corporate purposes. At the end of each year, Mr. Reed reimburses the Company for the amount of any personal purchases.

At the time of each of the transactions described above, the Company had no independent directors to ratify the transactions at the time the transactions were initiated.

The Company has and will maintain at least two independent directors on its board of directors who are not officers of the Company and who do not own 5% or more of the outstanding common stock of the Company. All future material affiliated transactions will be made or entered into on terms that are no less favorable to the Company that those that can be obtained from unaffiliated third parties. In addition, all future material affiliated transactions and loans, and any forgiveness of loans, must be approved by a majority of the Company's independent directors who do not have an interest in the transactions and who had access, at the Company's expense to the Company's or independent legal counsel. If there are only two independent directors at the time, both independent directors must be disinterested and approve such transactions.

PRINCIPAL SHAREHOLDERS

The following table sets forth information (except as otherwise indicated by footnote) as to common shares owned as of April 30, 2002 or which can be acquired in sixty days, by (i) each person known by management to beneficially own more than five percent (5%) of our outstanding common shares, (ii) each of our directors and executive officers, and (iii) all executive officers and directors as a group. On that date, there were 4,720,591 shares outstanding.

Name & Address of Beneficial Owner & Number of Shares Owned	%Owned Before Offering	%Owned If 300,000 Shares Are Sold	%Owned If 1,500,000 Shares Are Sold	%Owned If 3,000,000 Shares Are Sold
Christopher J Reed 13000 South Spring St Los Angeles, CA 90061 3,200,000 (1)	67.8%	63.7%	51.4%	41.4%
Joseph R Grace PMB 158 1900 West Nickerson St Suite 116 Seattle, WA 98119 500,000 (2)	10.6%	10.0%	8.0%	6.5%
Robert T Reed, Jr. 4411 Galesbury Lane Chantilly, VA 20151 267,000 (3)	5.7%	5.3%	4.3%	3.5%
David Robinov 215 Katona Ave Katonah, NY 10536 119,500 (4)	2.6%	2.5%	1.9%	1.6%
Mark Panely 4832 Blank Road Sebastopol, CA 95472 0	0%	0%	0%	0%
All officers and directors as a group (4 persons) 4,086,500	86.6%	81.4%	65.7%	52.9%

(1) These shares were issued to Christopher Reed in 1991 in consideration for product formulas and trademarks held by Mr. Reed.

(2) Of these shares, 250,000 shares were purchased in April 2000 for $2.00 per share, and 250,000 shares were purchased in October 2000 for $2.00 per share.

(3) Of these shares, 187,500 shares were purchased in October 1991 for $0.27 per share, 50,000 shares were purchased in May 1993 for $1.00 per share, 10,000 shares were purchased in December 1996 for $1.00 per share, and 20,000 shares were purchased in February 2001 for $1.00 per share pursuant to the exercise of options granted in 1993.

(4) These shares were issued to Mr. Robinov in December 2000 in consideration for the assets of China Cola.

DESCRIPTION OF SECURITIES

As of the date of this prospectus, we have the authority to issue 50,000,000 shares of common stock, $.0001 par value per share. There were 4,720,591 shares of common stock outstanding immediately prior to this offering. Our certificate of incorporation does not authorize our board of directors to issue preferred stock.

Common Stock

* Holders of common stock are entitled to receive dividends only if we have funds legally available and the Board of Directors declares a dividend.

*Holders of common stock do not have any rights to purchase additional shares.

*Holders of common stock are entitled to one vote per share on all matters requiring a vote of shareholders.

*Since the common stock does not have cumulative voting rights in electing directors, the holders of more than a majority of the outstanding shares of common stock can elect all of the directors whose terms expire that year, if they choose to do so. Christopher J. Reed, our President and CEO, holds a majority of our outstanding common shares and may continue to hold a majority of our outstanding common shares if less than all shares offered hereby are sold, and consequently may be able to elect all of our directors.

*There is no public market for our common stock at the present time.

Outstanding Options and Warrants

As of June 30, 2002, we had outstanding options and warrants to purchase an aggregate of 483,876 shares of common stock at an average price of $1.06 per share.

The options and warrants expire at various dates between 2006 and 2007.

No additional options or warrants will be issued with an expiration date greater than five years from the date of grant.

Voting Requirements

Delaware corporate law and our by-laws require the approval of the holders of a majority of our voting securities for most actions requiring shareholder approval. These actions include:

* Election of directors,

* Mergers,

* Sales of substantially all of our shares, and

* Amendment to our certificate of incorporation.

There are no provisions in our Articles of Incorporation or by-laws that would delay, defer or prevent a change in control of Reed's.

Delaware Anti-Takeover Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents certain Delaware corporations, under certain circumstances, from engaging in a "business combination" with:

* A stockholder who owns 15% or more of our outstanding voting stock (known as an "interested stockholder"),

* An affiliate of an interested stockholder, or

* An associate of an interested stockholder, for three years following the date that the stockholder became an "interested stockholder." A "business combination" includes a merger or sale of more than 10% of our assets.

However, the above provisions of Section 203 do not apply if:

* Our board approves the transaction that made the stockholder an "interested stockholder," prior to the date of that transaction,

* After the completion of the transaction that resulted in the stockholder becoming an "interested stockholder," the stockholder owned at least 85% of our voting stock outstanding at the time the transaction began, excluding shares owned by persons who are our officers and directors, or

* On or subsequent to the date of the transaction, the business combination is approved by our board and

authorized at a meeting of our stockholders by an affirmative vote of at least 2/3 of the outstanding voting stock not owned by the "interested stockholder."

The provisions of this statute could prohibit or delay mergers or other change and control attempts, and thus may discourage attempts to acquire Reed's.

SHARES AVAILABLE FOR FUTURE RESALE

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect prevailing market prices of our common stock. Those circumstances could also adversely affect our ability to raise capital on favorable terms.

All of the shares issued in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, except for shares, which may be purchased by our affiliates. The term "affiliates" is defined in Rule 144 of the Securities Act of 1933. Of the 4,720,591 shares outstanding before this offering, 4,259,700 shares are restricted securities as that term is defined in Rule 144. Restricted securities may be sold publicly only if registered or if the sale qualifies for an exemption under Rule 144. Of these 4,259,700 shares, 3,404,500 shares are held by our affiliates.

Under Rule 144, a person who has beneficially owned restricted shares of our common stock for at least one year can sell within any three month period a number of shares that does not exceed the greater of:

* 1% of the shares of common stock then outstanding (in our case, between 47,206 shares if no shares are sold pursuant to this offering and 77,206 shares immediately after this offering if all shares offered hereby are sold); or
* The average weekly trading volume during the four preceding weeks

Under Rule 144(k), a person who has not been our affiliate for 90 days preceding a sale can sell shares owned for at least two years without the volume limitations referred to above.

Of the 4,259,700 restricted shares of our common stock outstanding, 3,839,600 shares have been owned for at least one year and 3,588,900 of these shares have been owned for at least two years.

PLAN OF DISTRIBUTION

General

We are offering to sell, on a best efforts basis, up to 3,000,000 newly issued shares of our common stock at $6.00 per share. No minimum number of shares is required to be sold. Sales will be made only in states in which we have registered the offering and only in states in which Blue Bay is registered to sell securities.

This offering is being made through Blue Bay Capital Ltd., a member of the NASD. For serving as a selling agent for this offering, Blue Bay will receive a selling commission equal to 8.5% of the purchase price of the common stock sold through it. In addition, Blue Bay will receive an accountable expense allowance of up to 2% of the proceeds from sales through it, as well as a five-year option, commencing one year after the effective date of the offering, to purchase a number of shares of common stock equal to 15% of the shares sold through Blue Bay in this offering, at a purchase price of $10 per share. Of the options received by Blue Bay, 90% will be assigned by Blue Bay to Peter Sharma, its registered representative. We agreed to indemnify Blue Bay against certain liabilities, including liabilities under the Securities Act of 1933. We also have agreed that any liability of Blue Bay shall not exceed the aggregate commissions actually paid to Blue Bay by us, and that Blue Bay shall have no liability for any indirect, special, incidental or consequential damages arising out of Blue Bay's performance or nonperformance of the selling agent agreement. Blue Bay is an underwriter of this offering, and its compensation may be deemed to be underwriting commission.

Blue Bay Capital, Ltd. is a general securities broker/dealer registered with the NASD, and is licensed with the NASD to sell corporate debt, corporate equity OTC, mutual funds, private placements of securities, and as an underwriter and/or selling group participant for corporate securities other than mutual funds. Blue Bay was formed in the State of Washington in October 2001 and either is licensed or has applied for licensing in all fifty states. Blue Bay has not conducted any operations prior to this offering. Peter Sharma, a registered representative with Blue Bay, has provided various consulting services for us, including advice regarding product development, computer matters, sales and marketing, and corporate financing.

We will publish announcements of the offering on certain of our products and on our web site, and will mail and e-mail copies of the announcement to our shareholders, customers and inquirers. An announcement of the offering also will be published on Blue Bay's web site. The announcements will provide the very limited information permitted under applicable securities laws and will give our telephone number, mailing address and e-mail address for requesting this prospectus. Similar announcements may be published in other selected magazines.

Shares may be purchased by completing and delivering to us the share purchase agreement attached hereto as Appendix A, along with the purchase price by payment instrument made payable to Reed's, Inc. The share purchase agreement, among other things, requires the potential investor to certify his or her state of residence. In addition, investors will be able to execute share purchase agreements on the Internet at Blue Bay's web site and purchase shares via credit/debit cards, electronic check, Western Union Quick-Collect and wire transfer. Within 10 days after our receipt of a share purchase agreement accompanied by payment for the purchase price, a written confirmation will be sent by electronic mail or first class mail to notify the subscriber of the extent, if any, to which such subscription has been accepted by us.

The offering will begin on the date of this prospectus and continue until either all of the shares have been sold or we terminate the offering, but in no event later than nine months after the date of this prospectus. Subject to the foregoing, the timing of the termination is at the discretion of our board of directors.

Escrow of Promotional Shares

Certain persons who are deemed promoters have executed a promotional shares lock-in agreement with respect to all or some of their common stock and/or options and pursuant to which (i) they generally will be unable to transfer the subject shares and/or options and (ii) in the event of a dissolution, merger, consolidation, reorganization, sale of exchange of the Company's assets or securities with a person who is not a promoter, they will not share in any distribution until the public shareholders have received an amount equal to $6.00 times the number of shares of common stock that they purchased in this offering and which they still hold at the time of such distribution (adjusted for stock splits, stock dividends, recapitalizations and the like). The latter restriction can be waived by the vote of holders of a majority of the outstanding common stock which is not subject to the promotional shares lock-in agreements. However, the voting rights of the common stock subject to the escrow will not be affected. In the event of a non-cash transaction, the fair value of the non-cash consideration will be used. In the event of a transaction with a promoter, the persons named below also will not share in any distribution until the public shareholders have received an amount equal to $6.00 times the number of shares of common stock that they purchased in this offering and which they still hold at the time of such distribution (adjusted for stock splits, stock dividends, recapitalizations and the like). Beginning one year from the completion or termination of this offering, 2 1/2% of the shares placed in escrow will be released each quarter. All remaining promotional shares will be released from escrow on the second anniversary of the completion or termination of this offering. Shares released from the promotional shares lock-in agreements will no longer be considered "promotional shares" and the holders of such released shares consequently can participate in any di