

REFLECT SCIENTIFIC INC  
Form 10-Q  
August 14, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2013

or

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

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

Commission File Number 000-31377

**REFLECT SCIENTIFIC, INC.**

(Exact name of registrant as specified in its charter)

**Utah**

**87-0642556**

(State or other jurisdiction of  
(IRS Employer Identification No.)  
incorporation or organization)

**1266 South 1380 West Orem, Utah 84058**

(Address of principal executive offices) (Zip Code)

**(801) 226-4100**

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes  No

**Applicable Only to Issuers Involved in Bankruptcy Proceedings During the Preceding Five Years:**

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Not applicable.

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**Applicable Only to Corporate Issuers:**

Indicate the number of shares outstanding of each of the Registrant's classes of common equity, as of the latest practicable date.

**Class**

**Outstanding as of August 14, 2013**

47,213,634 shares of \$0.01 par value common stock on August 14, 2013

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**Part I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Reflect Scientific, Inc.**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

June 30, 2013

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. However, in the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the financial position and results of operations for the periods presented have been made. These financial statements should be read in conjunction with the accompanying notes, and with the historical financial information of the Company.





**REFLECT SCIENTIFIC, INC.**

## Condensed Consolidated Balance Sheets

(Unaudited)

ASSETS

|                          | June 30,            | December 31,        |
|--------------------------|---------------------|---------------------|
|                          | 2013                | 2012                |
| <b>CURRENT ASSETS</b>    |                     |                     |
| Cash                     | \$ 215,126          | \$ 260,575          |
| Accounts receivable, net | 124,637             | 139,932             |
| Inventories              | 325,774             | 365,394             |
| Prepaid assets           | 49,767              | 105,767             |
| Total Current Assets     | 715,304             | 871,668             |
| <b>FIXED ASSETS, NET</b> | <b>5,157</b>        | <b>9,645</b>        |
| <b>OTHER ASSETS</b>      |                     |                     |
| Intangible assets, net   | 92,754              | 112,326             |
| Goodwill                 | 325,895             | 325,895             |
| Deposits                 | 3,100               | 3,100               |
| Total Other Assets       | 421,749             | 441,321             |
| <b>TOTAL ASSETS</b>      | <b>\$ 1,142,210</b> | <b>\$ 1,322,634</b> |

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

**REFLECT SCIENTIFIC, INC.**

## Condensed Consolidated Balance Sheets (Continued)

(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

|   | June 30,<br>2013    | December 31,<br>2012 |
|---|---------------------|----------------------|
| <b>CURRENT LIABILITIES</b>                                  |                     |                      |
| Accounts payable  | \$ 58,966           | \$ 90,984            |
| Short-term lines of credit                                  | 73,501              | 74,713               |
| Convertible debenture                                       | 650,000             | 650,000              |
| Interest payable  | 471,375             | 419,625              |
| Accrued expenses  | 10,963              | 11,081               |
| Loan from related party                                     | 40,000              | 40,000               |
| Income taxes payable  | 100                 | 100                  |
| <b>Total Current Liabilities</b>                            | <b>1,304,905</b>    | <b>1,286,503</b>     |
| <b>Total Liabilities</b>                                    | <b>1,304,905</b>    | <b>1,286,503</b>     |
| <b>SHAREHOLDERS' EQUITY (DEFICIT)</b>                       |                     |                      |
| Preferred stock, \$0.01 par value, authorized               |                     |                      |
| 5,000,000 shares; No shares issued and outstanding          | -                   | -                    |
| Common stock, \$0.01 par value, authorized                  |                     |                      |
| 100,000,000 shares; 47,213,634 and 47,213,634               |                     |                      |
| issued and outstanding, respectively                        | 472,137             | 472,136              |
| Additional paid in capital                                  | 17,978,725          | 17,978,725           |
| Accumulated deficit   | (18,613,557)        | (18,414,730)         |
| <b>Total Shareholders' Equity (Deficit)</b>                 | <b>(162,695)</b>    | <b>36,131</b>        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b> | <b>\$ 1,142,210</b> | <b>\$ 1,322,634</b>  |

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

**REFLECT SCIENTIFIC, INC.**

## Condensed Consolidated Statements of Operations

(Unaudited)

|                                    | For the Three Months Ended |              | For the Six Months Ended |                  |
|------------------------------------|----------------------------|--------------|--------------------------|------------------|
|                                    | June 30,<br>2013           | 2012         | 2013                     | June 30,<br>2012 |
| REVENUES                           | \$ 296,271                 | \$ 357,697   | \$ 564,965               | \$ 682,714       |
| COST OF GOODS SOLD                 | 125,301                    | 163,894      | 266,992                  | 335,989          |
| GROSS PROFIT                       | 170,970                    | 193,803      | 297,973                  | 346,725          |
| OPERATING EXPENSES                 |                            |              |                          |                  |
| Salaries and wages                 | 96,527                     | 102,379      | 189,277                  | 208,888          |
| Rent expense                       | 9,412                      | 9,412        | 18,824                   | 19,518           |
| Research and development expense   | 7,671                      | 2,719        | 17,167                   | 9,831            |
| General and administrative expense | 116,026                    | 158,968      | 218,051                  | 314,166          |
| Total Operating Expenses           | 229,636                    | 273,478      | 443,319                  | 552,403          |
| OPERATING LOSS                     | (58,666)                   | (79,675)     | (145,346)                | (205,678)        |
| OTHER INCOME (EXPENSE)             |                            |              |                          |                  |
| Other income                       | 2,170                      | -            | 2,170                    | -                |
| Interest expense other             | (1,929)                    | (1,705)      | (3,901)                  | (3,371)          |
| Interest on debentures             | (29,250)                   | (131,625)    | (51,750)                 | (263,250)        |
| Total Other Expenses               | (29,009)                   | (133,330)    | (53,481)                 | (266,621)        |
| NET LOSS BEFORE TAXES              | (87,675)                   | (213,005)    | (198,827)                | (472,299)        |
| Income tax benefit (expense)       | -                          | -            | -                        | -                |
| NET LOSS                           | \$ (87,675)                | \$ (213,005) | \$ (198,827)             | \$ (472,299)     |
|                                    | (0.01)                     | (0.01)       | (0.01)                   | (0.01)           |



|  |            |            |            |            |
|--|------------|------------|------------|------------|
| LOSS PER SHARE -<br>BASIC AND DILUTED                                      | \$         | \$         | \$         | \$         |
| WEIGHTED AVERAGE<br>NUMBER OF SHARES<br>OUTSTANDING -<br>BASIC AND DILUTED | 47,213,634 | 44,791,890 | 47,213,634 | 44,791,890 |

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

**REFLECT SCIENTIFIC, INC.**

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the

Six Months Ended

June 30,

|   | 2013         |    | 2012      |
|---|--------------|----|-----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |              |    |           |
| Net loss  | \$ (198,827) | \$ | (472,299) |
| Adjustments to reconcile net loss to net cash<br>from operating activities: |              |    |           |
| Depreciation  | 4,488        |    | 4,799     |
| Amortization  | 19,571       |    | 139,038   |
| Changes in operating assets and liabilities:                                |              |    |           |
| (Increase)/decrease in accounts receivable                                  | 15,295       |    | (159)     |
| (Increase)/decrease in inventory  | 39,620       |    | 22,133    |
| (Increase)/decrease in prepaid assets                                       | 56,000       |    | -         |
| Increase/(decrease) in accounts payable<br>and accrued expenses             | 19,617       |    | 250,299   |
| Increase/(decrease) in customer deposits                                    | -            |    | (3,000)   |
| Net Cash from Operations  | (44,236)     |    | (59,189)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |              |    |           |
| Increase in lines of credit   | 4,794        |    | -         |
| Payments made on lines of credit  | (6,007)      |    | (7,867)   |
| Net Cash from Financing Activities  | (1,213)      |    | (7,867)   |
| NET DECREASE IN CASH  | (45,449)     |    | (67,056)  |
| CASH AT BEGINNING OF PERIOD   | 260,575      |    | 346,697   |
| CASH AT END OF PERIOD   | \$ 215,126   | \$ | 279,641   |

**SUPPLEMENTAL CASH FLOW INFORMATION:**

## Cash Paid For:

|              |          |    |       |
|--------------|----------|----|-------|
| Interest     | \$ 3,901 | \$ | 3,371 |
| Income taxes | \$ -     | \$ | -     |

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

**REFLECT SCIENTIFIC, INC.**

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

NOTE 1 -

**BASIS OF FINANCIAL STATEMENT PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to accounting principles generally accepted in the United States of America. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with rules and regulations of the Securities and Exchange Commission. The information furnished in the interim condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited consolidated financial statements and notes thereto included in its December 31, 2012 financial statements. Operating results for the three and six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

NOTE 2 -

**ORGANIZATION AND DESCRIPTION OF BUSINESS**

Cole, Inc. (the Company) was incorporated under the laws of the State of Utah on November 3, 1999. The Company was organized to engage in any lawful activity for which corporations may be organized under the Utah Revised Business Corporation Act. On December 30, 2003 the Company changed its name to Reflect Scientific, Inc.

NOTE 3 GOING CONCERN

The Company is currently in default on its issued and outstanding debentures (See note 4). While the Company is working diligently to secure funding to enable it to retire the debenture obligations, there can be no assurance that such funding will be available. The Company has also accumulated significant operating losses. These factors raise

substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management has taken a number of actions to reduce expenses. Management continues to seek additional funding through the capital markets to facilitate the settlement of the remaining debentures and commercialize its patented detector and refrigeration products, as well as to provide operating capital for its operations. However, there can be no assurance that additional funding will be available on acceptable terms, if at all.

#### NOTE 4 DEFAULT ON CONVERTIBLE DEBENTURES

At June 30, 2013, the remaining outstanding convertible debentures in default were \$650,000, including penalties. The debentures bear an 18% interest rate. The Company accrued an additional \$29,250 in interest during the quarter ended June 30, 2013. The total accrued interest on this remaining debenture was \$471,375 as of June 30, 2013. Assuming the debentures were converted, 1,000,000 shares of restricted common stock would be issued.

**REFLECT SCIENTIFIC, INC.**

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

**NOTE 5 EQUITY TRANSACTIONS**

During the three month period ended June 30, 2013, the Company did not sell or issue any shares of its common stock.

**NOTE 6 RELATED PARTY TRANSACTIONS**

As of June 30, 2013, a son of the President of the Company had loaned \$40,000 in the form of interest bearing notes to the Company. The notes bear interest at the rate of 7.75% per annum with the interest paid monthly. The notes are demand notes, with the principal and any unpaid interest payable upon seven days written notice from the note holder. In the three and six months ended June 30, 2013, interest payments of \$775 and \$1,809 were made, respectively.

**NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, payables and notes payable. The carrying amount of cash and cash equivalents and payables approximates fair value because of the short-term nature of these items. The carrying amount of the notes payable approximates fair value as the individual borrowings bear interest at rates that approximate market interest rates for similar debt instruments.

**NOTE 8 RECENT ACCOUNTING PRONOUNCEMENTS**

The Company has reviewed all recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on its consolidated results of operation, financial position and cash flows. Based on that review, the

Company believes that none of these pronouncements will have a significant effect on its current or future earnings or operations.

NOTE 9 CONSULTING AGREEMENT

On May 1, 2013, the Company entered into a consulting contract with Golden Oak Consulting. The consultant will work to develop governmental markets for the Company's products. The agreement is for a term of six months with compensation of \$1,000 per month in cash and 33,333 shares of restricted common stock to be issued at the conclusion of the services under the agreement.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### Special Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements made by or on behalf of our Company. Our Company and our representatives may from time to time make written or oral statements that are forward-looking, including statements contained in this Annual Report and other filings with the Securities and Exchange Commission and in reports to our Company's stockholders. Management believes that all statements that express expectations and projections with respect to future matters, as well as from developments beyond our Company's control including changes in global economic conditions are forward-looking statements within the meaning of the Act. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that management's expectations will necessarily come to pass. Factors that may affect forward-looking statements include a wide range of factors that could materially affect future developments and performance, including the following:

Changes in Company-wide strategies, which may result in changes in the types or mix of businesses in which our Company is involved or chooses to invest; changes in U.S., global or regional economic conditions, changes in U.S. and global financial and equity markets, including significant interest rate fluctuations, which may impede our Company's access to, or increase the cost of, external financing for our operations and investments; increased competitive pressures, both domestically and internationally, legal and regulatory developments, such as regulatory actions affecting environmental activities, the imposition by foreign countries of trade restrictions and changes in international tax laws or currency controls; adverse weather conditions or natural disasters, such as hurricanes and earthquakes, labor disputes, which may lead to increased costs or disruption of operations.

This list of factors that may affect future performance and the accuracy of forward-looking statements are illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

### Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the unaudited Financial Statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.



Actual results could differ from these estimates under different assumptions or conditions. The Company believes there have been no significant changes during the three and six month periods ended June 30, 2013, to the items disclosed as significant accounting policies in management's Notes to the Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Plan of Operation and Business Growth

Our efforts continue focus on increasing the sales of our life science consumables and detectors while, at the same time, working on the commercialization of our liquid nitrogen refrigeration products. Of those liquid nitrogen refrigeration products, the refrigerated trailer, known as a reefer , is receiving highest

priority. We have our first manufactured unit operational and are currently operating it and collecting data as to its efficiency and reliability.

We also continue to focus on the expansion of our detector line and developing alliances with contract manufacturers for our ultra-low temperature freezers and reefer units. Our new detector unit has received very positive reviews. We believe that its enhanced functionality, coupled with its low cost, will provide us with a competitive edge over products currently being sold in that specialized market.

Concurrent with the development and commercialization of the above products, we have completed our on-line catalog and are making progress in identifying new distributors for our consumable products. It is expected that new distribution partners will reverse the sales decline in our consumable products.

Our revenues during the reporting period decreased during 2013 compared to 2012 revenues. A slow-down in European sales, coupled with the discontinuance of some product lines offered by one of our major distributors are the major reason for the declining revenue. We do not expect this trend to continue. We are currently working to bring on new distributors who will carry our entire line of specialty laboratory products. While some of our products are relatively new to the marketplace and we expect the demand for those to grow as customers become more familiar them, there are a number of our product lines which are well established and have strong, consistent demand. With the additional of new distribution channels we believe that sales will increase over the remainder of the year.

## Results of Operations

### Three Months Ended June 30, 2013 and 2012

|                        |    | For the three months ended June 30, |             |          |
|------------------------|----|-------------------------------------|-------------|----------|
|                        |    | 2013                                | 2012        | Change   |
| Revenues               | \$ | 296,271\$                           | 357,697\$   | (61,426) |
| Cost of goods sold     |    | 125,301                             | 163,894     | (38,593) |
| Gross profit           |    | 170,970                             | 193,803     | (22,833) |
| Operating expenses     |    | 229,636                             | 273,478     | (43,842) |
| Other income (expense) |    | (29,009)                            | (133,330)   | 104,321  |
| Net loss               | \$ | (87,675)\$                          | (213,005)\$ | 125,330  |

Revenues decreased during the quarter ended June 30, 2013, to \$296,271 from \$357,697 for the quarter ended June 30, 2012, a decrease of \$61,426. We completed our catalog web site and have distributed our catalog to a number of potential new distributors. We believe we are beginning to see results from those efforts, as sales for the 2<sup>nd</sup> quarter of 2013 were \$27,577 higher than those for the 1<sup>st</sup> quarter of 2013. We are currently working to bring on additional distributors to expand the distribution channels for our products. As additional distributors come on we anticipate that revenues for the remaining reporting periods of 2013 will increase over those reported for this three month period. All of the revenues generated during the three month period ended June 30 2013 were from our specialized laboratory supplies and detector sales. We are continuing work to refine and commercialize the ultra low temperature freezer technologies, and have hired a consulting group to identify and qualify potential customers for those technology products.

With decreased sales during the reporting period, cost of goods decreased in the quarter ending June 30,

2013, as compared to June 30, 2012 to \$125,301 from \$163,894, a decrease of \$38,593. The gross profit percentage increased to 58% for the three months ended June 30, 2013, compared to 54% for the three months ended June 30, 2012. The gross profit percentage is dependent on the mix of product sales, which varies from quarter to quarter, and was benefited in the current quarter by a significant increase in detector sales, which carry higher margins than some of the commodities. We continue to actively work to obtain more favorable pricing from our vendors in order to increase the margins realized on our product lines.

As a result of our continued focus on operating expenses we realized a reduction of operating expenses in the current period. This reduction is the result of cost reduction efforts implemented by management and an ongoing quest to gain additional operating efficiencies. Operating expenses for the three months ended June 30, 2013 were \$229,636; this represents a decrease of \$43,842 from the \$273,478 in operating expenses recorded for the three month period ended June 30, 2012. The decrease results primarily from reductions in advertising, salaries, payroll taxes, licensing, and lower depreciation and amortization charges, offset in part by increases in consulting fees and research and development costs. Operating expenses for the remaining reporting periods in 2013 are expected to remain close to the expense levels shown for the period of this report.

The net loss for the three month period ended June 30, 2013 was \$87,675, an improvement of \$125,330 from the \$213,005 loss for the three month period ended June 30, 2012. Management continues to look for opportunities to increase sales, improve gross margins and reduce ongoing operating expenses in order to achieve profitability.

The net loss for the three months ended June 30, 2013 was \$0.01 per share. The net loss for the three months ended June 30, 2012 was also \$0.01 per share.

#### Six Months Ended June 30, 2013 and 2012

|                        |    | For the six months ended June 30, |             |           |
|------------------------|----|-----------------------------------|-------------|-----------|
|                        |    | 2013                              | 2012        | Change    |
| Revenues               | \$ | 564,965\$                         | 682,714\$   | (117,749) |
| Cost of goods sold     |    | 266,992                           | 335,989     | (68,997)  |
| Gross profit           |    | 297,973                           | 346,725     | (48,752)  |
| Operating expenses     |    | 443,319                           | 552,403     | (109,084) |
| Other income (expense) |    | (53,481)                          | (266,621)   | 213,140   |
| Net loss               | \$ | (198,827)\$                       | (472,299)\$ | 273,472   |

Revenues decreased during the six month period ended June 30, 2013, to \$564,965 from \$682,714 for the six month period ended June 30, 2012, a decrease of \$117,749. All of the revenues were generated from our specialized

laboratory supplies and detector sales, as we work to continue to refine and commercialize the ultra low temperature freezer technologies. We completed our catalog web site and have distributed our catalog to a number of potential new distributors. We are currently working to bring on additional distributors to expand the distribution channels for our products. As additional distributors come on we anticipate that revenues for the remaining reporting periods of 2013 will increase over those reported for this six month period.

Decreased sales during the reporting period reduced cost of goods in the six month period ending June 30,

2013 by \$68,997, to \$266,992 for the six month period ended June 30, 2013 from \$335,989 for the six month period ended June 30, 2012. The gross profit percentage increased to 53% for the six month period ended June 30, 2013, compared to 51% for the six months ended June 30, 2012. The gross profit percentage is dependent on the mix of product sales, which varies from quarter to quarter. We continue to actively work to obtain more favorable pricing from our vendors in order to increase the margins realized on our product lines.

Continued focus to reduce operating expenses resulted in a reduction of \$109,084 in the current six month period. This reduction is the result of cost reduction efforts implemented by management and an ongoing quest to gain additional operating efficiencies. Operating expenses for the six months ended June 30, 2013 were \$443,319, compared to \$552,403 for the six month period ended June 30, 2012. The decrease results primarily from reductions in advertising, salaries, licensing, and lower amortization charges, offset in part by an increase in consulting fees. Operating expenses for the remaining reporting periods in 2013 are expected to remain close to the expense levels shown for the period of this report.

The net loss for the six month period ended June 30, 2013 was \$198,827, a \$273,472 improvement from the \$472,299 loss for the six month period ended June 30, 2012. Management continues to look for opportunities to increase revenue, improve gross margins and reduce ongoing operating expenses in order to achieve profitability.

The net loss for the six months ended June 30, 2013 was \$0.01 per share. The net loss for the six months ended June 30, 2012 was also \$0.01 per share.

#### Seasonality and Cyclicity

We do not believe our business is cyclical.

#### Liquidity and Capital Resources

Our cash resources at June 30, 2013, were \$215,126, with accounts receivable of \$124,637 and inventory of \$325,774. To this time we have relied on revenues and sales of equity and debt securities for our cash resources. Our working capital deficit on June 30, 2013, was \$589,601, due primarily to the \$650,000 in outstanding debentures and \$471,375 in accrued interest on those debentures. Working capital on December 31, 2012 was a deficit of \$414,835. Management is working to obtain financing to enable it to retire the remaining outstanding debentures and provide the capital needed to commercialize the low temperature freezer and refrigeration technology. There can be no

assurance that funds will be available, or that terms of available funds will be acceptable to the Company. The inability of the Company to obtain funding at acceptable terms could negatively impact its ability to execute its business plan.

For the six month period ended June 30, 2013, net cash used for operating activities was \$44,236 which compares to \$59,189 of net cash used for operating activities for the six month period ended June 30, 2012.

### **Off-Balance Sheet Arrangements**

We lease office and warehouse space under a non-cancelable operating lease in Utah. Future minimum lease payments under the operating lease at June 30, 2013 are \$52,700 for that facility. In addition, we

have automobile leases with future minimum lease payments of \$1,965.

**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

Not required

**Item 4. Controls and Procedures**

(a)

**Evaluation of Disclosure Controls and Procedures.**

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon this evaluation, our Chief Executive Officer and Principal Financial Officer concluded that information required to be disclosed is recorded, processed, summarized and reported within the specified periods, and is accumulated and communicated to management, including our Chief Executive Officer and Principal Financial Officer, to allow for timely decisions regarding required disclosure of material information required to be included in our periodic Securities and Exchange Commission reports. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures are effective to a reasonable assurance level of achieving such objectives. However, it should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

(b)

**Changes in Internal Control Over Financial Reporting.**

There were no changes in our internal control over financial reporting during the period covered by this Quarterly Report.

**PART II - OTHER INFORMATION**



**ITEM 1. Legal Proceedings**

On October 16, 2009, the Company filed a complaint in the Third District Court in the State of Utah in which it seeks the return of the stock issued for the acquisition of Cryomastor. The action alleges misrepresentation and, in addition to the return of the stock, seeks monetary damages.

In December 2011 the case was submitted to arbitration and a settlement agreement was reached. As a part of the settlement two patents were assigned to the Company, the royalty agreement was terminated and agreement was reached on the return of stock issued as a part of the acquisition of Cryomastor. As of the date of this filing, the defendant has assigned the patents but has not submitted the stock agreed upon and is thus in breach of the terms of the settlement agreement. Notice of such breach has been sent.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Recent Sales of Unregistered Securities**

We have not sold any restricted securities during the six months ended June 30, 2013.

**Use of Proceeds of Registered Securities**

None; not applicable.

**Purchases of Equity Securities by Us and Affiliated Purchasers**

During the six months ended June 30, 2013, we have not purchased any equity securities nor have any officers or directors of the Company.

**ITEM 3. Defaults Upon Senior Securities**

At June 30, 2013, the remaining outstanding convertible debentures in default were \$650,000, including penalties. The debentures bear an 18% interest rate. The Company accrued an additional \$29,250 in interest during the quarter ended June 30, 2013. The total accrued interest on this remaining debenture was \$471,375 as of June 30, 2013. Assuming the debentures were converted, 1,000,000 shares of restricted common stock would be issued.

**ITEM 4. Mine Safety Disclosure**

Not applicable.

**ITEM 5. Other Information.**

None

**ITEM 6. Exhibits**

(a)

Exhibits.

| Exhibit No. | Title of Document                                  | Location if other than attached hereto      |
|-------------|--|---|
| 3.1         | Articles of Incorporation                          | 10-SB Registration Statement*               |
| 3.2         | Articles of Amendment to Articles of Incorporation | 10-SB Registration Statement*               |
| 3.3         | By-Laws  | 10-SB Registration Statement*               |
| 3.4         | Articles of Amendment to Articles of Incorporation | 8-K Current Report dated December 31, 2003* |
| 3.5         | Articles of Amendment to Articles of Incorporation | 8-K Current Report dated December 31, 2003* |
| 3.6         | Articles of Amendment                              | September 30, 2004 10-QSB Quarterly Report* |
| 3.7         | By-Laws Amendment                                  | September 30, 2004 10-QSB Quarterly Report* |
| 4.1         | Debenture  | 8-K Current Report dated June 29, 2007*     |
| 4.2         | Form of Purchasers Warrant                         | 8-K Current Report dated June 29, 2007*     |
| 4.3         | Registration Rights Agreement                      | 8-K Current Report dated June 29, 2007*     |
| 4.4         | Form of Placement Agreement                        | 8-K Current Report dated June 29, 2007*     |
| 10.1        | Securities Purchase Agreement                      | 8-K Current Report dated June 29, 2007*     |
| 10.2        | Placement Agent Agreement                          | 8-K Current Report dated June 29, 2007*     |
| 14          | Code of Ethics                                     | December 31, 2003 10-KSB Annual Report*     |
| 21          | Subsidiaries of the Company                        | December 31, 2004 10-KSB Annual Report*     |
| 31.1        | 302 Certification of Kim Boyce                     |   |
| 31.2        | 302 Certification of Keith Merrell                 |   |
| 32          | 906 Certification                                  |   |

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### Exhibits

#### Additional Exhibits Incorporated by Reference

|   |                                     |   |
|---|-------------------------------------|---|
| * | Reflect California Reorganization   | 8-K Current Report dated December 31, 2003  |
| * | JMST Acquisition                    | 8-K Current Report dated April 4, 2006      |
| * | Cryomastor Reorganization           | 8-K Current Report dated September 27, 2006 |
| * | Image Labs Merger Agreement Signing | 8-K Current Report dated November 15, 2006  |
| * | All Temp Merger Agreement Signing   | 8-K Current Report dated November 17, 2006  |
| * | All Temp Merger Agreement Closing   | 8-KA Current Report dated November 17, 2006 |
| * | Image Labs Merger Agreement Closing | 8-KA Current Report dated November 15, 2006 |

\* Previously filed and incorporated by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Reflect Scientific, Inc.

(Registrant)

Date:

August 14, 2013

By: /s/ Kim Boyce

Kim Boyce, CEO, President and Director

Date:

August 14, 2013

By: /s/ Tom Tait

Tom Tait, Vice President and Director

Date:

August 14, 2013

By: /s/ Keith Merrell

Keith Merrell, CFO, Principal Financial

Officer

