

REED'S, INC.
Form 424B5
February 14, 2019

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement related to these securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not the solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-229105

Subject to completion, dated February 14, 2019

PROSPECTUS SUPPLEMENT

To Prospectus dated February 8, 2019

REED'S, INC.

Shares of Common Stock

We are offering _____ shares of our common stock. Our common stock is traded on the NYSE American under the symbol "REED." On February 13, 2019, the last reported sale price of our common stock was \$2.69 per share.

As of February 14, 2019, the aggregate market value of our common stock held by non-affiliates calculated pursuant to General Instruction I.B.6 of Form S-3 was \$48,735,000, calculated based on 18,050,000 shares of our common stock held by non-affiliates and a price of \$2.70, the last reported sale price of our common stock on January 11, 2019. As of the date hereof, we have not offered or sold any securities pursuant to General Instruction I.B.6 of Form S-3 during the prior 12 calendar month period that ends on and includes the date hereof.

	Per Share	Total
Public Offering price	\$	
<i>Underwriter commissions paid by us</i> (1)	\$	
Proceeds to us before expenses	\$	

(1) In addition, we have agreed to reimburse the underwriter for certain expenses. See “Underwriting” on page S-20 of this prospectus supplement for additional information.

We have granted the underwriter a 45-day over-allotment option to purchase up to an additional shares of common stock from us at the public offering price above, less the underwriting discount.

Investing in our securities involves a high degree of risk. See the section entitled “Risk Factors” beginning on page S-15 of this prospectus supplement and appearing on page S-1 of the accompanying base prospectus for a discussion of information that should be considered in connection with an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The underwriter expects to deliver the shares of common stock to the purchasers on or about _____, 2019.

The date of this prospectus supplement is February _____, 2019

Roth Capital Partners

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ABOUT THIS PROSPECTUS SUPPLEMENT

On December 31, 2018, we filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-3 (File No. 333-229105) utilizing a shelf registration process relating to the securities described in this prospectus supplement, which registration statement, as amended February 5, 2019, was declared effective on February 8, 2019. Under this shelf registration process, we may, from time to time, sell up to \$50,000,000 in the aggregate of common stock, warrants, units and/ or rights to purchase any of such securities, either individually or in units.

This prospectus supplement describes the specific terms of an offering of our securities and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part, the accompanying prospectus, provides more general information. If the information in this prospectus supplement is inconsistent with the accompanying prospectus or any document incorporated by reference therein filed prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement.

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and any relevant free writing prospectus. We have not authorized anyone to provide you with any other information. If you receive any information not authorized by us, you should not rely on it. We are not making an offer to sell the securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus or any relevant free writing prospectus is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since those dates.

It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. We include cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find additional related discussions. The table of contents in this prospectus supplement provides the pages on which these captions are located. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described in the sections entitled “Where You Can Find More Information” and “Incorporation of Certain Information by Reference” of this prospectus supplement, before investing in our securities.

We are offering to sell, and seeking offers to buy, our securities only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the securities in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about, and

observe any restrictions relating to, the offering of the securities and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

All references in this prospectus supplement and the accompanying prospectus to our consolidated financial statements include, unless the context indicates otherwise, the related notes.

The industry and market data and other statistical information contained in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference are based on management's own estimates, independent publications, government publications, reports by market research firms or other published independent sources, and, in each case, are believed by management to be reasonable estimates. Although we believe these sources are reliable, we have not independently verified the information. None of the independent industry publications used in this prospectus supplement, the accompanying prospectus or the documents we incorporate by reference were prepared on our or our affiliates' behalf and none of the sources cited by us consented to the inclusion of any data from its reports, nor have we sought their consent.

Unless the context otherwise requires, “Reeds”, “Company”, “we”, “us” and “our” refer to Reeds, Inc..

We have filed or incorporated by reference exhibits to the registration statement of which this prospectus supplement forms a part. You should read the exhibits carefully for provisions that may be important to you.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus supplement and the accompanying prospectus are part of the registration statement on Form S-3 we filed with the SEC under the Securities Act and do not contain all the information set forth in the registration statement. Whenever a reference is made in this prospectus supplement or the accompanying prospectus to any of our contracts, agreements or other documents, the reference may not be complete and you should refer to the exhibits that are a part of the registration statement or the exhibits to the reports or other documents incorporated by reference into this prospectus supplement and the accompanying prospectus for a copy of such contract, agreement or other document. We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and we file Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K, proxy statements and other required information and reports with the SEC. Our filings are available to the public over the Internet at the SEC’s web site at <http://www.sec.gov>.

We will also provide you with a copy of any or all of the reports or documents that have been incorporated by reference into this prospectus supplement, the accompanying prospectus, or the registration statement of which it is a part upon written or oral request, and at no cost to you. If you would like to request any reports or documents from us, please contact Investor Relations at Reed’s Inc., 201 Merritt 7 Corporate Park, Norwalk, Connecticut 06851, ir@reedsinc.com (800) 997-3337 Ext or (617) 956-6736.

Our Internet address is www.reedsinc.com. We have not incorporated by reference into this prospectus supplement or the accompanying prospectus the information on our website, and you should not consider it to be a part of this document. Our web address is included in this document as an inactive textual reference only.

INCORPORATION OF INFORMATION BY REFERENCE

The SEC allows us to “incorporate by reference” into this prospectus supplement the information we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement.

We are incorporating by reference the following documents that we have filed with the SEC (other than any filing or portion thereof that is furnished, rather than filed, under applicable SEC rules):

our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on April 2, 2018;

our Quarterly Reports on Form 10-Q for the periods ended March 31, 2018, June 30, 2018, and September 30, 2018, filed with the SEC on May 15, 2018, August 13, 2018 and November 14, 2018, respectively;

our Current Reports on Form 8-K dated January 1, 2018, January 11, 2018, January 17, 2018, March 28, 2018, May 14, 2018, May 16, 2018, August 2, 2018, August 13, 2018, August 21, 2018, September 12, 2018, September 26, 2018, October 9, 2018, November 13, 2018, December 18, 2018, December 21, 2018, and January 3, 2019 (as amended on February 14, 2019); and

the description of our common stock contained in our Registration Statement on Form 8-A (File No. 001-32501), filed with the SEC pursuant to Section 12(b) of the Exchange Act on December 19, 2012, as amended, including any further amendment or report filed hereafter for the purpose of updating such description.

All documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than Current Reports on Form 8-K, or portions thereof, furnished under Item 2.02 or 7.01 of Form 8-K) (i) after the initial filing date of the registration statement of which this prospectus supplement forms a part and prior to the effectiveness of such registration statement and (ii) after the date of this prospectus supplement and prior to the termination of the offering shall be deemed to be incorporated by reference in this prospectus supplement from the date of filing of the documents, unless we specifically provide otherwise. Information that we file with the SEC will automatically update and may replace information previously filed with the SEC. To the extent that any information contained in any Current Report on Form 8-K or any exhibit thereto, was or is furnished to, rather than filed with the SEC, such information or exhibit is specifically not incorporated by reference.

Upon written or oral request made to us at the address or telephone number below, we will, at no cost to the requester, provide to each person, including any beneficial owner, to whom this prospectus supplement is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus supplement (other than an exhibit to a filing, unless that exhibit is specifically incorporated by reference into that filing), but not delivered with this prospectus supplement. You may also access this information on our website at www.reedsinc.com and the URL

where incorporated reports and other reports may be accessed is <http://reedsinc.com/investors/sec-filings/>.

Investor Relations at Reed's Inc.

201 Merritt 7 Corporate Park

Norwalk, Connecticut 06851

ir@reedsinc.com

(800) 997-3337 Ext or (617) 956-6736

Except as expressly provided above, no other information, including none of the information on our website, is incorporated by reference into this prospectus supplement.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and our SEC filings that are incorporated by reference into this prospectus supplement contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are intended to be covered by the “safe harbor” created by those sections, which involve substantial risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words “outlook”, “believes”, “plans”, “intends”, “expects”, “goals”, “potential”, “continues”, “may”, “should”, “seeks”, “will”, “would”, “approximately”, “predicts”, “estimates”, “anticipates” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. You should read statements that contain these words carefully because they discuss our plans, strategies, prospects and expectations concerning our business, operating results, financial condition and other similar matters. We believe that it is important to communicate our future expectations to our investors. There will be events in the future, however, that we are not able to predict accurately or control. These important factors include those discussed under the heading “Risk Factors” contained or incorporated by reference in this prospectus supplement, the accompanying prospectus, and in the applicable prospectus supplement and any free writing prospectus we may authorize for use in connection with a specific offering. These factors and the other cautionary statements made in this prospectus supplement should be read as being applicable to all related forward-looking statements whenever they appear in this prospectus supplement. Except as required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PROSPECTUS SUPPLEMENT SUMMARY

Reed's Inc.

Our Products

We manufacture our hand-crafted natural beverages using premium natural ingredients. Our products are free of genetically modified organisms (GMO). Over the years, has developed several product offerings. In 2017, our new management team began to transform our business model by narrowing our focus to our core product flavor offerings of Reed's Ginger Beer flavors and Virgil's Craft Sodas. By the end of 2018, we put in place infrastructure to support accelerated growth, secured new marketing and sales support partners, upgraded key vendors to improve gross margins, upgraded credit line with flexible partner that will support our growth and sold the Los Angeles production plant and moved to an asset light model.

Reed's Ginger Beers

We believe Reed's Ginger Beers are unique in their kettle-brewed origin among all mass-marketed soft drinks. Reed's Ginger Beers contain between 17 and 39 grams of fresh ginger in every 12-ounce bottle. Our products differ from commercial soft drinks in three characteristics: sweetening, carbonation, and coloring for greater adult appeal. We sweeten our products using pure cane sugar. Instead of using injected-based carbonation, we produce our carbonation naturally, through slower, beer-oriented techniques. This process produces smaller, longer lasting bubbles which do not dissipate rapidly when the bottle is opened. We do not add coloring. The color of our products comes naturally from herbs, fruits, spices, roots, and juices.

Since Reed's Ginger Brews are pasteurized, they do not require or contain any preservatives. In contrast, modern commercial soft drinks are typically produced using natural and artificial flavor concentrates prepared by flavor laboratories, tap water, and highly refined sweeteners. Manufacturers make a centrally processed concentrate which lends itself to a wide variety of situations, waters, and filling systems. The final product is cold-filled and requires preservatives for stability. Added colors are either artificial, or if natural, they are often highly processed.

The Reed's Ginger Brews line contain the following products:

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, raw cane sugar, pineapple, herbs and spices. Reed's Original Ginger Brew is 20% fruit juice.

Reed's Premium Ginger Brew is sweetened only with honey and pineapple juice. Reed's Premium Ginger Brew is 20% fruit juice and contains 17 grams of fresh ginger root.

Reeds Extra Ginger Brew is the same recipe as Original Ginger Brew but has 26 grams of fresh ginger root for a stronger bite.

Reeds Stronger Ginger Brew has 50% more ginger than the Extra Ginger Brew and has the highest ginger content of any of our beverage products.

Reed's Raspberry Ginger Brew is brewed from 17 grams of fresh ginger root, raspberry juice, and lime. Reed's Raspberry Ginger Brew is 20% raspberry juice.

Reed's Light 55 Calories Extra Ginger Brew is a reduced calorie version of our top selling Reed's Extra Ginger Brew, made possible by using Stevia. We use the same recipe of 26 grams of fresh ginger root, honey, pineapple, lemon and lime juices, and exotic spices.

Reed's Natural Energy Elixir is an energy drink infused with all-natural ingredients designed to provide consumers with a healthy and natural boost to energy levels.

Virgil's Root Beer

Virgil's is a premium craft root beer made with natural ingredients. Our root beer contains filtered water, unbleached cane sugar, and spices sourced from around the world such as anise from Spain, licorice from France, bourbon vanilla from Madagascar, cinnamon from Sri Lanka, 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. We purchase these ingredients from vendors who source these spices worldwide and gather them together at the brewing and bottling facilities. We combine these ingredients under strict specifications and finally heat-pasteurize all Virgil's sodas, to ensure quality. We sell Virgil's in 12-ounce bottles in both 4 packs and 12 pack boxes. The Virgil's soda line is also GMO free.

In addition to our Virgil's Root Beer, we also offer a Virgil's Cream Soda and Virgil's Black Cherry Cream Soda, Virgil's Orange Cream Soda, and a Virgil's ZERO line. In 2018 our Virgil's ZERO line of 100% Stevia sweetened and zero calorie sodas will be replaced by our NEW Virgil's O Sugar line of craft sodas. This new natural line of Zero Sugar flavors includes Root Beer, Cola, Lemon-lime, Orange, Black Cherry, and Cream soda.

Other Popular Products

We have other popular brands with limited distribution including our Flying Cauldron Butterscotch Beer and Sonoma Sparkler brand of sparkling juices designed to be celebratory drinks for holidays and special occasions.

Prior Product Innovations

We are experts in flavor and recipe development and have developed many innovative and award-winning products and line extensions. With the expansion of our management team of beverage industry professionals and the added Chief Innovation Officer position, we will continue to be at the forefront of developing flavor profiles and products.

While product innovation will remain a top priority, we have discontinued some drinks in response to various market conditions including changes in consumer preferences and price points in various markets.

These innovations which have sold well in the past, may be reintroduced to the marketplace in the future given favorable market conditions. These products include:

Reed's Ginger Brews: Reed's Spiced Apple Brew, Reed's Cherry Ginger Brew, and Reed's Nausea Relief.

Reed's Kombucha: all flavors.

Other Products: China Cola, certain private label products, and Reed's ice creams.

Our Primary Markets

We target a niche in the estimated \$100 billion carbonated and non-carbonated soft drink markets in the U.S., Canada, and international markets. Our brands are regarded as premium and natural, with upscale packaging and are loosely defined as the artisanal (craft), premium bottled carbonated soft drink category.

We have an experienced and geographically diverse sales force promoting our products with senior sales representatives strategically placed in five regions across the country, supported by local Reeds sales staff. Our sales managers are responsible for all activities related to the sales, distribution, and marketing of our brands to our entire retail partner and distributor network in North America. We also employ an internal sales force and engages from time to time and in limited circumstances, independent sales brokers and outside representatives to promote our products.

We sell to well-known popular natural food and gourmet retailers, large grocery store chains, club stores, convenience and drug stores, liquor stores, industrial cafeterias (corporate feeders), and to on premise bars, gourmet restaurants, and delicatessens worldwide. We also sell our products and promotional merchandise directly to consumers via the Internet through our website, *www.reedsgingerbrew.com*.

Some of our key customers include:

Natural stores: Whole Foods Market, Sprouts Farmers Market, Natural Grocers, Earth Fare, and Fresh Thyme Farmers Market

Gourmet & Specialty stores: Trader Joe's, Bristol Farms, The Fresh Market, and Central Market

Grocery store chains: Kroger, Safeway, Publix, Stop & Shop, H.E.B., and Wegmans

Club and Mass Stores: Costco Wholesale, Target, and Walmart

Liquor stores: BevMo!, Total Wine & More, and Spec's

Convenience & Drug stores: Circle K, Rite Aid, and CVS Pharmacy

Our Distribution Network

Our products are brought to market through direct-store-delivery (DSD), customer warehouse, and distributor networks. The distribution system used depends on customer needs, product characteristics, and local trade practices. Our products are brought to market through an extremely flexible and fluid hybrid distribution model.

Our product reaches the market in the following ways:

Direct to Natural & Specialty Wholesale Distributors

Our natural and specialty distributor partners operate a distribution network delivering thousands of SKUs of natural and gourmet products to thousands of small, independent, natural retail outlets around the U.S., along with national chain customers, both conventional and natural. This system of distribution allows our brands far reaching access to some of the most remote parts of North America.

Direct to Store Distribution (DSD) through alcoholic and non-alcoholic distributor network

Our independent distributor partners operate DSD systems which deliver primarily beverages, foods, and snacks directly to retail stores where the products are merchandised by their route sales and field sales employees. DSD enables us to merchandise with maximum visibility and appeal. DSD is especially well-suited to products frequently restocked and respond to in-store promotion and merchandising.

Direct to Store Warehouse Distribution

Some of our products are delivered from our manufacturing plants and warehouses directly to customer warehouses. Some retailers mandate we deliver directly to them, as it is more cost effective and allows them to pass savings along to their consumer. Other retailers may not mandate direct delivery, but they recommend and prefer it as they have the capability to self-distribute and can realize significant savings with direct delivery.

Wholesale Distribution

Our Wholesale Distributor network handles the wholesale shipments of our products. They have a warehouse, distribution center and ship Reed's and Virgil's products directly to the Retailer (or to customers who opt for drop shipping).

International Distribution

We presently export Reed's and Virgil's brands throughout international markets via US based exporters. Some markets are: Spain, Mexico, Puerto Rico, Canada, Philippines, U.K., Israel, South Africa, and Australia.

International sales to some areas of the world are cost prohibitive, except for some specialty sales, since our premium sodas are packed in glass, which drives substantial freight costs when shipping overseas. Despite these cost challenges, we believe there are good opportunities for expansion of sales in Canada, the Middle East, England, and Australia and we are increasing our marketing focus on these areas by adding freight friendly packages such as aluminum cans. We are open to exporting and co-packing internationally and expanding our brands into foreign markets, and we have held preliminary discussions with trading companies and import/export companies for the distribution of our products throughout Asia, Europe, Australia, and South America. We believe these areas are a natural fit for Reed's ginger products, because of the importance of ginger in international markets, especially the Asian market, where ginger is a significant part of diet and nutrition.

We believe the strength of our brands, innovation, and marketing, coupled with the quality of our products and flexibility of our distribution network, allows us to compete effectively.

Category Leadership

Reed's is the leading selling ginger beer in the US, with an estimated 25% dollar share of the ginger beer market (the ginger beer segment represents 22% of total craft specialty CSD category)².

Virgil's is the leading *independent* all-natural full line craft soda (not aligned with Coca-Cola or Dr. Pepper Snapple) and is ranked fourth in the craft soda category as a whole.

Product Launches

Wellness Ginger Beer with Hemp Extract

By the end of the second quarter of 2019, we intend to launch a pilot test of our Wellness Ginger Beer with Hemp Extract in the Pacific Northwest. Packaging will be consistent with our new base brand design with color differentiation in a 10oz sleek can to reinforce functional halo and separation from core offerings. Pricing is expected to be \$3.99 SRP/can- in line with other hemp/CBD beverages. We will distribute this new product through our existing base Reed's distribution partners in mainstream (where possible) and health/ natural food channels.

¹ Based on Spins MULO/Natural/Specialty sales latest 52 weeks ended 12/2/18 with Reeds includes sales non-syndicated retailers in natural and specialty

² Based on Spins MULO/Natural/Specialty sales latest 52 weeks ended 12/2/18 with Reeds includes sales non-syndicated retailers in natural and specialty

³ Based on Spins sales 52 weeks ending 8/12/18

Our goal is to deliver therapeutic effects of hemp to create a balanced functional beverage unlike any existing offerings. We are utilizing Nano Biologics – a proprietary broad spectrum hemp extract, water soluble nano emulsification technology that delivers superior bioavailability, faster absorption and higher potency than standard hemp extracts.

Hemp based beverages appeal to a large and growing consumer base demanding innovative, functional, health & wellness beverages. Hemp/CBD is non-psychoactive and has claimed therapeutic benefits including pain relief, reduced inflammation, reduced anxiety, sleep aid.

The US functional beverages market is over \$30 billion⁴:

This category includes range of fortified/enhanced products (i.e., energy/sports/probiotic) and is the fastest growing segment within global non-alcoholic beverages projected to grow 8-10%.

The Hemp/CBD market is projected to be \$2 billion by 2020, with Hemp-infused (non-THC) beverages projected to be a \$260 million category by 2022.

Ready to Drink Mule

We expect to launch the pilot test of our ready to drink Mule in Southern California and the Pacific Northwest by the end of the second quarter of 2019. Packaging will be consistent with our new base brand design with tie to iconic copper Mule imagery. Pricing is expected to be \$9.99 4-Pack SRP. We will distribute this new product through our existing distribution partners that are also leading beer and spirit distributors in mainstream and liquor channels.

⁴ Source: Future Market Insights, Hemp Business Journal 2018

The ready to drink Mule represents an incremental, high margin \$3 billion category for Reed's. Consumer demand for craft alcoholic beverages is growing⁵:

Growth of craft segment across all alcohol categories, craft beer sales over \$20 billion

Flavored Malt Beverage (FMB) segment sales of about \$3 billion, growing double digit, with shift to "healthier" products such as emerging hard teas and seltzers (\$500 million+, growing 200%)

Dominated by national strategies and newly created brands

Expect halo from fast growing non-alcoholic ginger beer segment (\$100m+, fastest growing craft CSD flavor segment), similar to impact from sparkling water, kombucha and tea

Booming popularity of ginger beer based Mule cocktails on- premise (sales growing 30% YOY, now ranks #4 most popular cocktail tied with Martini)

Preliminary Financial Results and Financial Guidance

Net Sales

At December 31, 2017, our annual net sales were \$37.7 million as compared to \$42.5 million at December 31, 2016 and \$45.9 million at December 31, 2015. We estimate annual net sales of \$38 million to \$38.3 million for the year ended December 31, 2018. We forecast annual net sales of \$42 million to \$44 million and year-over-year core brands growth⁶ of 20% to 30% for the year ended December 31, 2019.

At the quarter ended December 31, 2017, our net sales were \$9.7 million. We estimate net sales of approximately \$9.5 million to \$9.8 million, and a year-over-year core brands growth of 8% to 11%, for the quarter ended December 31, 2018.

We estimate monthly net sales of \$2.8 million to \$3 million for January 2019. a year-over-year January growth of 15% to 20%, and a year-over-year core brands growth of 25% to 35%.

Gross Margin

Our gross margin was 25% for the third quarter 2018 and 13% for the first quarter 2017. We forecast a gross margin of 28% to 32% for the first half of 2019 and 32% or greater for the second half of 2019.

⁵ Source: Brewers Association, IRI Spring 2018 data, Cheers Beverage Info Group

⁶ Core brand growth excludes discontinued SKUs and private label production.

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Product Mix

For the year ended December 31, 2018, our product mix consisted of the following: 48% Reed's, 38% Virgil's, and 14% Private Label/Discontinued SKUs⁷.

We forecast that our product mix for the year ended December 31, 2019 will be as follows: 58% Reed's, 41% Virgil's, and 1% Private Label/Discontinued SKUs.

Distribution

We expect to significantly increase the volume of products sold for the year ended December 31, 2019 due to our efforts to expand distribution. We are investing in new brokers, distributors, sales resources, and merchandisers. Furthermore, we are investing in slotting, trade spend, point of sale, couponing, racks, and sampling.

The below table provides the estimated number of distribution doors (available placements in a channel) universally and the number of distribution doors we have as of the year ended December 31, 2018:

US CHANNEL	ESTIMATED DOOR UNIVERSE	2018 REED'S, INC. DOORS
Natural/Specialty	8,000	6,000
Grocery/Mass	45,000	20,000
Drug	55,000	3,000
Club	2,400	50
Bar	70,000	1,000
Liquor Stores	50,000	1,000
Restaurants	600,000	<2,000
Convenience stores	150,000	<2,000
TOTAL	980,400	30,000 +

We aim to increase the amount of our distribution doors by 5,000 to 10,000 for the year ended December 31, 2019.

This preliminary financial information and guidance has been prepared by our management and should not be viewed as a substitute for full financial statements prepared in accordance with GAAP. These estimated preliminary results are subject to completion of our customary quarterly financial closing and audit and review procedures and are not a comprehensive statement of our financial results for the three months and year ended December 31, 2018. In addition, this preliminary financial information is not necessarily indicative of the results to be achieved in any future period. Our financial statements and related notes as of and for the year and quarterly period ended December 31, 2018 are not expected to be filed with the SEC until after this offering is completed.

See “Risk Factors” on page S-15 of this prospectus supplement for risks, uncertainties and other factors that may impact these results.

Corporate Information

Our principal executive offices are located at 201 Merritt 7 Corporate Park Norwalk, Connecticut 06851. Our telephone number is (203) 890-0557. Our corporate website is www.reedsinc.com. Information contained on our website or that is accessible through our website should not be considered to be part of this prospectus supplement or the accompanying prospectus. Our transfer agent is Transfer Online, Inc., telephone (503) 227-2950.

⁷ Private Label/Discontinued SKUs includes Reed’s Kombucha, Dr. Better, and Sonoma and private label production.

THE OFFERING

Common stock offered by us pursuant to this prospectus supplement

shares

Purchase price

\$ per share

Common stock to be outstanding after this offering

shares (or shares if the underwriter exercises its over-allotment option in full)

Over-allotment option

We have granted the underwriter a 45-day option to purchase up to an aggregate of an additional shares of our common stock on the terms set forth herein to cover any over-allotments.

Use of proceeds

We estimate that the net proceeds from this offering will be approximately \$ (or approximately \$ if the underwriter exercises its over-allotment option in full), after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to fund the growth of our business, new products, sales and marketing efforts, working capital, and for general corporate purposes. See “Use of Proceeds” on page S-13.

Dividend policy

We do not anticipate paying any cash dividends on our common stock.

NYSE American trading symbol

Our common stock is listed on the NYSE American under the symbol “REED”.

Risk factors

See “Risk Factors” beginning on page S-15 of this prospectus supplement and on page S-1 of the accompanying prospectus and the documents incorporated by reference herein for a discussion of factors you should carefully consider before investing in our securities.

The above table is based on 25,658,159 shares outstanding, as of September 30, 2018 does not include, as of that date:

4,056,921 shares of our common stock reserved for issuance in connection with future awards under our equity compensation plans;

37,644 shares of our common stock that have been reserved for issuance upon conversion of outstanding preferred stock;

6,951,173 shares of our common stock that have been reserved for issuance upon exercise of outstanding warrants;

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2,266,667 shares of our common stock issuable upon conversion of outstanding notes payable; and

99,338 shares of our common stock issued subsequent to September 30, 2018 to service providers, pursuant to option exercise, warrant exercise and to holders of preferred units as dividends. Unless otherwise indicated, the information in this prospectus supplement assumes no exercise of the underwriter's over-allotment option.

To the extent that any outstanding warrants are exercised, outstanding notes are converted, new options are issued under our equity compensation plans, or we otherwise issue additional shares of common stock in the future, at a price less than the public offering price, there will be further dilution to the investor.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$ (or approximately \$ if the underwriter exercises its over-allotment option in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Proceeds from the offering will provide capital to fund the growth of our business, new products, sales and marketing efforts, working capital, and for general corporate purposes. The expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions, which could change in the future as our plans and business conditions evolve. The amounts and timing of our actual expenditures will depend on numerous factors, including the progress of our product development efforts and market acceptance of our products. As a result, our management will have discretion and flexibility in applying the net proceeds from this offering for this purpose.

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DILUTION

If you purchase shares in this offering, your interest will be diluted to the extent of the difference between the offering price per share and the net tangible book value per share of our common stock after this offering. Our net tangible book value as of September 30, 2018 was approximately \$(5,629,000.00) or approximately \$(0.22) per share of common stock. "Net tangible book value" is total assets minus the sum of liabilities and intangible assets. "Net tangible book value per share" is net tangible book value divided by the total number of shares of common stock outstanding.

After giving effect to the sale by us of _____ shares of our common stock in this offering at the public offering price of \$ _____ per share, and after deducting \$ _____ of estimated offering expenses payable by us, our net tangible book value as of September 30, 2018 would have been approximately \$ _____, or approximately \$ _____ per share of common stock. This amount represents an immediate increase in net tangible book value of \$ _____ per share to existing stockholders and an immediate dilution of \$ _____ per share to purchasers in this offering.

The following table illustrates the dilution:

Offering price per share	\$
Net tangible book value per share as of September 30, 2018	\$(0.22)
Increase in net tangible book value per share attributable to this offering	\$
Adjusted net tangible book value per share after giving effect to this offering	\$
Dilution in net tangible book value per share to new investors	\$

The information above assumes that the underwriter does not exercise its over-allotment option. If the underwriter exercises its over-allotment option in full, the as adjusted net tangible book value per share will increase to approximately \$ _____, representing an immediate increase to existing shareholders of approximately \$ _____ per share and an immediate dilution of \$ _____ per share to new investors.

The above table is based on 25,658,159 shares outstanding, as of September 30, 2018 does not include, as of that date:

4,056,921 shares of our common stock reserved for issuance in connection with future awards under our equity compensation plans;

37,644 shares of our common stock that have been reserved for issuance upon conversion of outstanding preferred stock;

6,951,173 shares of our common stock that have been reserved for issuance upon exercise of outstanding warrants;

2,266,667 shares of our common stock issuable upon conversion of outstanding notes payable; and

99,338 shares of our common stock issued subsequent to September 30, 2018 to service providers, pursuant to option exercise, warrant exercise and to holders of preferred units as dividends.

Unless otherwise indicated, the information in this prospectus supplement assumes no exercise of the underwriter's over-allotment option.

To the extent that any outstanding warrants are exercised, outstanding notes are converted, new options are issued under our equity compensation plans, or we otherwise issue additional shares of common stock in the future, at a price less than the public offering price, there will be further dilution to the investor.

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RISK FACTORS

Investment in any securities offered pursuant to this prospectus supplement and the accompanying prospectus involves risks. You should carefully consider the risk factors set forth below and incorporated by reference to our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K we file after the date of this prospectus supplement, and all other information contained or incorporated by reference into this prospectus supplement, as updated by our subsequent filings under the Exchange Act, and the risk factors and other information contained in the accompanying prospectus and any applicable prospectus supplement and free writing prospectus before acquiring any of such securities. Each of the risk factors could materially and adversely affect our business, operating results, financial condition and prospects, as well as the value of an investment in our securities, and the occurrence of any of these risks might cause you to lose all or part of your investment.

Risks Factors Relating to Our Industry

Alcohol Risk Factors

Our “Ready to Drink Mule” initiative is in its early stages and may not materialize or develop as planned due to business and regulatory factors.

Our ready to drink Mule test pilot is in its early stages, and may not materialize or develop as planned due a myriad of business and regulatory factors. For example, many companies have already entered, and many new companies are beginning to enter the ready to drink alcoholic beverage space and competition for market share and acceptance of new products we will be significant. Many details concerning our planned launch remain under development and the pilot test may not be as successful as planned.

Demand for our products may be adversely affected by many factors, including changes in consumer preferences and trends.

Consumer preferences may shift due to a variety of factors including changes in demographic and social trends, public health initiatives, product innovations, changes in vacation or leisure activity patterns and a downturn in economic conditions, which may reduce consumers' willingness to purchase distilled spirits or cause a shift in consumer preferences toward beer, wine or non-alcoholic beverages. Our success depends in part on fulfilling available opportunities to meet consumer needs and anticipating changes in consumer preferences with successful new products and product innovations. The competitive position of our brands could also be affected adversely by any failure to achieve consistent, reliable quality in the product or in service levels to customers.

We face substantial competition in our industry and many factors may prevent us from competing successfully.

We compete based on product taste and quality, brand image, price, service and ability to innovate in response to consumer preferences. The global spirits industry is highly competitive and is dominated by several large, well-funded international companies. It is possible that our competitors may either respond to industry conditions or consumer trends more rapidly or effectively or resort to price competition to sustain market share, which could adversely affect our sales and profitability.

Adverse public opinion about alcohol could reduce demand for our products.

Anti-alcohol groups have, in the past, advocated successfully for more stringent labeling requirements, higher taxes and other regulations designed to discourage alcohol consumption. More restrictive regulations, negative publicity regarding alcohol consumption and/or changes in consumer perceptions of the relative healthfulness or safety of beverage alcohol could decrease sales and consumption of alcohol and thus the demand for our products. This could, in turn, significantly decrease both our revenues and our revenue growth, causing a decline in our results of operations.

Class action or other litigation relating to alcohol abuse or the misuse of alcohol could adversely affect our business.

Companies in the beverage alcohol industry are, from time to time, exposed to class action or other litigation relating to alcohol advertising, product liability, alcohol abuse problems or health consequences from the misuse of alcohol. It

is also possible that governments could assert that the use of alcohol has significantly increased government funded health care costs. Litigation or assertions of this type have adversely affected companies in the tobacco industry, and it is possible that we, as well as our suppliers, could be named in litigation of this type.

Also, lawsuits have been brought in a number of states alleging that beverage alcohol manufacturers and marketers have improperly targeted underage consumers in their advertising. Plaintiffs in these cases allege that the defendants' advertisements, marketing and promotions violate the consumer protection or deceptive trade practices statutes in each of these states and seek repayment of the family funds expended by the underage consumers. While we have not been named in these lawsuits, we could be named in similar lawsuits in the future. Any class action or other litigation asserted against us could be expensive and time-consuming to defend against, depleting our cash and diverting our personnel resources and, if the plaintiffs in such actions were to prevail, our business could be harmed significantly.

Regulatory decisions and legal, regulatory and tax changes could limit our business activities, increase our operating costs and reduce our margins.

Our business is subject to extensive regulation in all of the countries in which we operate. This may include regulations regarding production, distribution, marketing, advertising and labeling of beverage alcohol products. We are required to comply with these regulations and to maintain various permits and licenses. We are also required to conduct business only with holders of licenses to import, warehouse, transport, distribute and sell beverage alcohol products. We cannot assure you that these and other governmental regulations applicable to our industry will not change or become more stringent. Moreover, because these laws and regulations are subject to interpretation, we may not be able to predict when and to what extent liability may arise. Additionally, due to increasing public concern over alcohol-related societal problems, including driving while intoxicated, underage drinking, alcoholism and health consequences from the abuse of alcohol, various levels of government may seek to impose additional restrictions or limits on advertising or other marketing activities promoting beverage alcohol products. Failure to comply with any of the current or future regulations and requirements relating to our industry and products could result in monetary penalties, suspension or even revocation of our licenses and permits. Costs of compliance with changes in regulations could be significant and could harm our business, as we could find it necessary to raise our prices to maintain profit margins, which could lower the demand for our products and reduce our sales and profit potential.

Also, the distribution of beverage alcohol products is subject to extensive taxation both in the U.S. and internationally (and, in the U.S., at both the federal and state government levels), and beverage alcohol products themselves are the subject of national import and excise duties in most countries around the world. An increase in taxation or in import or excise duties could also significantly harm our sales revenue and margins, both through the reduction of overall consumption and by encouraging consumers to switch to lower-taxed categories of beverage alcohol.

CBD/Hemp Extract Risk Factors

Our Wellness Ginger Beer with Hemp Extract initiative is in its early stages and may not materialize or develop as planned due to business and regulatory factors.

Our Wellness Ginger Beer with Hemp Extract test pilot is in its early stages, and may not materialize or develop as planned due to a myriad of business and regulatory factors. For example, many companies are entering the CBD space and competition for market share and acceptance of new products we will be significant. Many details concerning our planned launch remain under development and the pilot test may not be as successful as planned.

Negative press from having a hemp or cannabis-related line of business could have a material adverse effect on our business, financial condition, and results of operations.

There is a misconception that hemp and marijuana, which both belong to the cannabis family, are the same thing, but industrial hemp is roughly defined as a cannabis plant with not more than 0.3 percent THC content on a dry-weight basis. Any hemp oil or hemp derivative we use will comport with this definition of less than 0.3% THC. Despite this, we may still receive negative attention from the press, business clients, or partners, grounded in these broad misconceptions, and this in turn can materially adversely affect our business.

Possible yet unanticipated changes in federal law could cause our products which include cannabis/industrial hemp CBD extracts to be illegal, or could otherwise prohibit, limit or restrict our business and products, forcing us to abandon our business activities or reduce our financial prospects.

The move toward ending hemp prohibition and the reemergence of a hemp economy began with the 2014 Farm Bill, which provided states with opportunities to create pilot programs for hemp research. The Agricultural Improvement Act of 2018 (“2018 Bill”) was signed into law at the end of December 2018 and expands on the 2014 Farm Bill. The 2018 Bill removes “hemp” from the definition of “Marihuana” in the Controlled Substances Act, decriminalizes the plant

and its components, and as a result, transfers oversight of the cultivation and sale of the crop from the Drug Enforcement Administration to the Department of Agriculture. The net result of the 2018 Bill's passage is that farmers and entrepreneurs gain several significant benefits, in addition to ending the uncertainty of criminal exposure for growing, processing or selling hemp:

Federal licensing for farmers wishing to grow hemp in states that don't have a pilot program

Clarification that interstate commerce in hemp is permitted

Placing oversight of hemp with the USDA

Including hemp in the Federal Crop Insurance Act.

These provisions will go a long way toward helping the industry by clarifying existing gray areas of law, creating certainty around transport and interstate sale, and normalizing hemp as an industrial crop. However, there can be no assurance that Federal laws ending hemp prohibition will not be modified or repealed. In the event of either repeal of Federal regulations, or of amendments thereto which are adverse to our business and products, we may be required to cease operations or restrict or limit our products or the distribution thereof, which could be expected to have adverse consequences to our business, operations, revenues and profitability, in which event you may lose your entire investment.

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Sources of our key ingredient, CBD extracts from cannabis/industrial hemp plants depend upon legality of cultivation, processing, marketing and sales of products derived from those plants.

Our key ingredient is CBD extracts derived from cannabis/industrial hemp plants. CBD may be legally produced in states which have laws and regulations that qualify under 7 US Code §5940 for implementation of “agricultural pilot programs to study the growth, cultivation or marketing of industrial hemp”, apart from state laws legalizing and regulating medical and recreational cannabis or marijuana which remains illegal under federal law. In addition, Federal licensing for farmers wishing to grow hemp in states that don’t have a pilot program is now available as a result of the 2018 Bill. If we were to be unsuccessful in arranging new sources of supply of our raw ingredients, or if our raw ingredients were to become legally unavailable, our business and operations could be limited, restricted or entirely prohibited, which could be expected to have adverse consequences to our business, operations, revenues and profitability, in which event you may lose your entire investment.

We may have difficulty accessing the service of banks which may make it difficult for us to operate.

Many banks have not historically accepted deposits from and credit card processors will not clear transactions for businesses involved with the broadly defined cannabis industry, notwithstanding the legality of cannabis/industrial hemp derived products. While the 2018 Bill is expected to alleviate this hindrance, we may still have difficulty finding a bank and credit card processor willing to accept our business. The inability to open or maintain bank accounts or accept credit card payments from customers could be expected to cause us difficulty processing transactions in the ordinary course of business, including paying suppliers, employees and landlords, which could have a significant negative effect on our operations and your investment in our common stock.

Risk Factors Related to this Offering and Our Common Stock

You will incur immediate and substantial dilution as a result of this offering.

After giving effect to the sale by us of _____ shares offered in this offering at the public offering price of \$ _____ per share, and after deducting the underwriting discount and estimated offering expenses payable by us, investors in this offering will suffer immediate and substantial dilution of \$ _____ per share in the net tangible book value of the common stock you purchase in this offering. See “Dilution” for a more detailed discussion of the dilution you will incur if you purchase shares of our common stock in this offering.

Management will have broad discretion as to the use of the proceeds from this offering, and may not use the proceeds effectively.

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that may not improve our results of operations or enhance the value of our common stock. Our failure to apply these funds effectively could have a material adverse effect on our business and cause the price of our common stock to decline.

We have the ability to issue additional shares of our common stock and shares of preferred stock without asking for stockholder approval, which could cause your investment to be diluted.

Our Articles of Incorporation authorizes the Board of Directors to issue up to 70,000,000 shares of common stock and up to 500,000 shares of preferred stock. The power of the Board of Directors to issue shares of common stock, preferred stock or warrants or options to purchase shares of common stock or preferred stock is generally not subject to stockholder approval. Accordingly, any additional issuance of our common stock, or preferred stock that may be convertible into common stock, may have the effect of diluting your investment, and the new securities may have rights, preferences and privileges senior to those of our common stock.

Substantial sales of our stock may impact the market price of our common stock.

Future sales of substantial amounts of our common stock, including shares that we may issue upon exercise of options and warrants, could adversely affect the market price of our common stock. Further, if we raise additional funds through the issuance of common stock or securities convertible into or exercisable for common stock, the percentage ownership of our stockholders will be reduced and the price of our common stock may fall.

Our common stock is thinly traded, and investors may be unable to sell some or all of their shares at the price they would like, or at all, and sales of large blocks of shares may depress the price of our common stock.

Our common stock has historically been sporadically or “thinly-traded,” meaning that the number of persons interested in purchasing shares of our common stock at prevailing prices at any given time may be relatively small or nonexistent. As a consequence, there may be periods of several days or more when trading activity in shares of our common stock is minimal or non-existent, as compared to a seasoned issuer that has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. This could lead to wide fluctuations in our share price. Investors may be unable to sell their common stock at or above their purchase price, which may result in substantial losses. Also, as a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of shares of our common stock in either direction. The price of shares of our common stock could, for example, decline precipitously in the event a large number of shares of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer that could better absorb those sales without adverse impact on its share price.

Resales of our common stock in the public market during this offering by our stockholders may cause the market price of our common stock to fall.

This issuance of shares of common stock in this offering could result in resales of our common stock by our current stockholders concerned about the potential dilution of their holdings. In turn, these resales could have the effect of depressing the market price for our common stock.

We do not intend to pay any cash dividends on our shares of common stock in the near future, so our shareholders will not be able to receive a return on their shares unless they sell their shares.

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless we pay dividends, our shareholders will not be able to receive a return on their shares unless they sell such shares.

We may be liable for damages related to registration rights that have not been satisfied.

In connection with the sale of our beverage manufacturing equipment and private label beverage business in December 2018, we granted registration rights to a group of our current shareholders, including Chairman John Bello and certain institutional investors, with respect to an aggregate of 350,000 shares of our common stock. Pursuant to the terms of the registration rights letter agreements with such shareholders, we agreed to use our commercially reasonable best efforts to register those 350,000 shares for resale with the SEC. We have not yet satisfied our obligations under the registration rights letter and we could be liable for damages to these holders for failing to satisfy our obligations under the registration rights letter agreements.

UNDERWRITING

We have entered into an underwriting agreement with Roth Capital Partners, LLC with respect to the shares of common stock subject to this offering. Subject to certain conditions, we have agreed to sell to the underwriter, and the underwriter has agreed to purchase, the number of shares of common stock provided below opposite its name.

Underwriter	Number of Shares
Roth Capital Partners, LLC	

Total

The underwriter is offering the shares of common stock subject to its acceptance of the shares of common stock from us and subject to prior sale. The underwriting agreement provides that the obligations of the underwriter to pay for and accept delivery of the shares of common stock offered by this prospectus supplement and the accompanying prospectus are subject to the approval of certain legal matters by its counsel and to certain other conditions. The underwriter is obligated to take and pay for all of the shares of common stock if any such shares are taken. However, the underwriter is not required to take or pay for the shares of common stock covered by the underwriter's over-allotment option described below.

Over-Allotment Option

We have granted the underwriter an option, exercisable for 45 days from the date of this prospectus supplement, to purchase up to an aggregate of _____ additional shares of common stock to cover over-allotments, if any, at the public offering price set forth on the cover page of this prospectus supplement, less the underwriting discount. The underwriter may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus supplement and the accompanying prospectus. If the underwriter exercises this option, the underwriter will be obligated, subject to certain conditions, to purchase the additional shares for which the option has been exercised.

Discount, Commissions and Expenses

The underwriter has advised us that they propose to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of \$ _____ per share. The underwriter may allow, and certain dealers may re-allow, a

discount from the concession not in excess of \$ _____ per share to certain brokers and dealers. After this offering, the public offering price, concession and reallowance to dealers may be changed by the underwriter. No such change will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement. The shares of common stock are offered by the underwriter as stated herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The underwriter has informed us that they do not intend to confirm sales to any accounts over which they exercise discretionary authority.

The following table shows the underwriting discount payable to the underwriter by us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriter's over-allotment option to purchase additional shares.

	Per share ¹	Total Without Exercise of Over- Allotment Option	Total With Exercise of Over- Allotment Option
Public offering price	\$	\$	\$
Underwriting discount	\$	\$	\$

¹ The underwriting discount is reduced to \$ _____ per share in connection with proceeds received from any executive members of management, members of our board of directors, Raptor/ Harbor Reeds SPV LLC and certain other investors.

We have also agreed to reimburse the underwriter for certain out-of-pocket expenses, including the fees and disbursements of its counsel, up to an aggregate of \$75,000. We estimate that the total expenses payable by us in connection with this offering, other than the underwriting discount referred to above, will be approximately \$.

Indemnification

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or the Securities Act, and liabilities arising from breaches of representations and warranties contained in the underwriting agreement, or to contribute to payments that the underwriter may be required to make in respect of those liabilities.

Lock-up Agreements

We and our officers and directors and have agreed, subject to limited exceptions, for a period of 90 days after the date of the underwriting agreement, not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of, directly or indirectly any shares of common stock or any securities convertible into or exchangeable for our common stock either owned as of the date of the underwriting agreement or thereafter acquired without the prior written consent of the underwriter. The underwriter may, in its sole discretion and at any time or from time to time before the termination of the lock-up period, without notice, release all or any portion of the securities subject to lock-up agreements.

Price Stabilization, Short Positions and Penalty Bids

In connection with the offering the underwriter may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.