REFLECT SCIENTIFIC INC
Form 10-Q
May 12, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2011

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)

1270 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 [X] 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 x

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

Yes [ ] No [X]

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). The Registrant is not yet part of the Interactive Data reporting system.

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.

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 May 12, 2011

44,431,890 shares of $0.01 par value common stock on May 12, 2011

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Reflect Scientific, Inc.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

March 31, 2011

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 FINANCIAL STATEMENTS

March 31, 2011

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Balance Sheets

ASSETS

March 31,

2011

December 31,

2010

(Unaudited)

(Audited)

CURRENT ASSETS

Cash	$ 265,493	$ 242,136
Accounts receivable, net	261,615	243,169
Inventories	375,399	376,751
Prepaid assets	7,779	

7,779

Total Current Assets

910,286

869,835

FIXED ASSETS, NET

51,892

60,259

OTHER ASSETS		
Intangible assets, net	2,887,529	2,961,976
Goodwill	652,149	652,149
Deposits	3,100	

3,100

Total Other Assets

3,542,778

3,617,225

TOTAL ASSETS

$

4,504,956

$

4,547,319

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

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Balance Sheets (Continued)

LIABILITIES AND SHAREHOLDERS EQUITY

	March 31, 2011	December 31, 2010
	(Unaudited)	(Audited)
CURRENT LIABILITIES		

Accounts payable	$ 237,019	$ 204,124
Short-term lines of credit	121,777	125,725
Convertible debenture	2,925,000	2,925,000
Capital leases short-term portion	7,138	

9,715

Interest payable

921,375

789,750

Accrued expenses

13,419

21,545

Loan from related party

24,000

24,000

Income taxes payable

400

400

Total Current Liabilities	
4,250,128	
4,100,259	
SHAREHOLDERS EQUITY	

Preferred stock, $0.01 par value, authorized

5,000,000 shares; No shares issued and outstanding

-

-

Common stock, $0.01 par value, authorized

50,000,000 shares; 33,531,890 and 33,831,890

issued and outstanding, respectively

335,319

338,319

Additional paid in capital
17,540,413
17,537,413
Accumulated deficit
(17,620,904)
(17,428,672)
Total Shareholders Equity
254,828
447,060

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		$
		4,504,956
	$	4,547,319

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

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended March 31, 2011	2010
REVENUES	$ 587,582	$ 568,184
COST OF GOODS SOLD		

295,780

297,580

GROSS PROFIT

291,802

270,604

OPERATING EXPENSES

Salaries and wages

92,483

124,017

Rent expense

13,575

13,127

Research and development expense

-

5,327

General and administrative expense

244,299

159,665

Total Operating Expenses

350,357

302,136

OPERATING LOSS

(58,555)

(31,532)

OTHER INCOME (EXPENSE)

Interest income

-

		5
Interest expense other	(2,052)	(2,198)
Interest on debentures	(131,625)	(131,625)
Total Other Expenses	(133,677)	(133,818)

NET LOSS BEFORE TAXES	(192,232)	(165,350)
Income tax benefit (expense)	-	-
NET LOSS FROM CONTINUING OPERATIONS		

(192,232)

(165,350)

LOSS FROM DISCONTINUED OPERATIONS

Loss from operations of Image Labs/Miralogix, net of tax

-

(199,909)

Loss on disposal of Image Labs/Miralogix, net of tax

-

(947,941)

NET LOSS FROM DISCONTINUED OPERATIONS

-

(1,147,850)

NET LOSS

$

(192,232)

$

(1,313,200)

BASIC AND DILUTED INCOME(LOSS) PER SHARE

$

		(0.01)
	$	
		(0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
		33,688,557
		35,221,650

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

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the

Three Months Ended

March 31,

	2011	2010
Net loss	$ (192,232)	$ (1,313,200)
Loss on Disposal of Discontinued Operations		

-

947,941

Loss from Discontinued Operations

-

199,909

Loss from Continuing Operations

(192,232)

(165,350)

Adjustments to reconcile net loss to net cash

from operating activities:

Depreciation	8,367	28,856
Amortization	74,447	100,900
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(18,446)	(24,711)
(Increase)/decrease in inventory		

1,352

6,317

(Increase)/decrease in prepaid asset

-

27,222

Increase/(decrease) in accounts payable

and accrued expenses

156,394

170,084

Net Cash from Continuing Operations

29,882

143,318

Net Cash from Discontinued Operations

-

(126,432)

Net Cash from Operating Activities

29,882

16,886

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale of discontinued operations

-

(99,100)

Proceeds (payments) from sale of fixed assets	-	3,300
Net Cash from Continuing Investing Activities	-	(95,800)
Net Cash from Discontinued Investing Activities	-	(3,995)
Net Cash from Investing Activities	-	(99,795)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on capital leases	(2,577)	(2,264)
Change in lines of credit	(3,948)	(3,801)
Proceeds from Related Party Loan	-	6,000

Net Cash from Continuing Financing Activities	(6,525)	(65)
Net Cash from Discontinued Financing Activities	-	-
Net Cash from Financing Activities	(6,525)	(65)
NET INCREASE (DECREASE) IN CASH		

23,357

(82,974)

CASH AT BEGINNING OF PERIOD

242,136

165,633

CASH AT END OF PERIOD

$

265,493

$

82,659

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

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash Paid For:

Interest

$

-

$

-

Income taxes

$

-

$

-

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

REFLECT SCIENTIFIC, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2011

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, 2010 financial statements. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

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 including reductions in personnel, consolidation of facilities, and the downsizing of the unprofitable service and maintenance operations conducted by All Temp Engineering. Management has reached settlement agreements on the majority of the debentures that are in default, which settlement is contingent upon their ability to make a cash payment of $300,000. The Company will also issue 1,200,000 shares of restricted common stock. Management is seeking additional funding through the capital markets to facilitate this settlement, as well as to provide operating capital for its operations. Management has also made the decision to discontinue certain operations (See Note 5 Business Disposition).

NOTE 4 DEFAULT ON CONVERTIBLE DEBENTURES

On June 29, 2009 the Company s convertible debenture came due. The Company was unable to repay the amount due of $2,300,000 at that time and the note went into default status. Under the terms of the debenture, a penalty of 30% of the outstanding principle was accrued upon default. On the date of default the Company recognized this additional amount due of $690,000. Also under the terms of the debenture, upon default, the Company was required to accrue and pay interest at the default rate of 18%.

In September 2009, Chestnut Ridge Partners, who held $87,000 in debentures, agreed to convert the amount due, including accrued interest, to the Company s restricted common stock, as provided in the Debenture Agreement.

In August 2010, management reached agreement with all but one of the debenture holders on a plan to settle the debentures held by them that are in default. The settlement agreement is contingent upon the Company making a cash payment to them in the amount of $300,000 and the issuance of 1,200,000 shares of restricted common stock. Those debenture holders will accept the cash payment and stock issuance as full satisfaction of the debentures and warrants purchased on June 29, 2007. The Company is diligently working to raise the funding with which to fulfill the cash payment obligation under this agreement. The holder of the remaining debentures is involved in bankruptcy proceedings in England and the resolution of those debentures and accrued interest is undetermined.

NOTE 5 BUSINESS DISPOSITION

In accordance with ASC 205-20, the Company has classified all results from operations of ImageLabs and MiraLogix into discontinued operations line items within the Company s statements of operations and statements of cash flow.

The Company recorded a loss on disposal of $947,941 all of which was reported in the three-month period ended March 31, 2010.

Net loss from discontinued operations for the quarters ended March 31, 2011 and 2010 consisted of the following:

	March 31, 2011	March 31, 2010
Revenue	$ -	$ 169,366
Cost of Goods Sold		

-

(105,772)

Operating Expenses

-

(262,201)

Net Loss from Discontinued

Operations

$

-

$	
	(199,909)

NOTE 6 EQUITY TRANSACTIONS

In February 2011, 300,000 shares of the common stock issued for professional services related to the acquisition of Cryometric/All Temp and Image Labs/Myralogix were returned. The Company instructed

the transfer agent to cancel the returned shares of stock.

During the three month periods ended March 31, 2011 and 2010, the Company did not sell any shares of its common stock.

NOTE 7 RELATED PARTY TRANSACTIONS

As of March 31, 2011, a shareholder of the Company had advanced $24,000 in funding in the form of a non-interest bearing loan to the Company. It is the intent of the Company to repay this loan upon the closing of a major capital raise.

NOTE 8 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 9 RECENT ACCOUNTING PRONOUNCEMENTS

There have been no recent accounting pronouncements or changes in accounting pronouncements that impacted the period ended March 31, 2011, or which are expected to impact future periods, which were not already disclosed in prior periods.

NOTE 10 SUBSEQUENT EVENTS

On April 4, 2011, the Board of Directors of the Company voted to issue 3,100,000 shares of restricted common stock to Smith Corporate Services, Inc. for services rendered and for the payment of certain Company expenses over the past two years. These services were valued at $60,977. The Company has recorded a liability for these services.

The Board of Directors also voted to issue 7,800,000 shares of restricted common stock, valued at $153,426, to Mr. Kim Boyce as a bonus to encourage Mr. Boyce to remain with the Company.

The Board of Directors also accepted the resignation of Dr. Craig Morrison and appointed Mr. William Moon to replace him as a member of the Board of Directors.

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

Special Note Regarding Forward-Looking Statements

This periodic report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the Plan of Operations provided below, including information regarding the Company s financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities, and the plans and objectives of management. The statements made as part of the Plan of Operations that are not historical facts are hereby identified as "forward-looking statements."

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 month period ended March 31, 2011, 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, 2010.

Plan of Operation and Business Growth

Over the next twelve months our focus will be on the commercialization of products acquired and developed over the last several years. Included in this focus will be the continued development and commercialization of our ultra low temperature refrigerator line, with the refrigerated trailer, known as a   reefer   being given highest priority. Additionally, we will continue to develop and expand our focus on solutions and services to retrofit server and computer rooms to help reduce the cost of cooling such rooms, as well as provide a more reliable and efficient method to cool such rooms.   We will also continue to focus on the expansion of our detector line and contract manufacturing operations.

Management s focus over the last several years was on the acquisition and development of our product lines. While management now believes the desired core product lines are in place and will focus its efforts over the next twelve months on the commercialization of those product lines, marketing the products and expanding its customer base, it will consider potential acquisitions.

Our revenues during the reporting period have increased during 2011 compared to 2010 revenues. The laboratory market is a stable market that is not subject to seasonality and the revenue growth results from the strong relationship we have developed with our major clients. Our technology products require large capital outlays from our customers and the downturn in the economy has caused hesitancy on the part of our potential customers to commit funds to capital investments. We do not expect this trend to continue. Our products are new to the marketplace and we expect the demand to grow as our products become more familiar. We believe the product lines are becoming commercially accepted and that sales will increase.

We do not anticipate we will emphasize acquisitions as we have in the past and instead will focus on managing and commercializing our current product lines. Significant progress has been made since the beginning of the year on our refrigeration unit for trailers. The prototype unit has been installed in a trailer to enable the gathering of data regarding its cooling efficiency. Our development work is focused on this technology. While we anticipate the future business growth over the next twelve months will come from our current product lines, we are diligently working to complete the commercialization of the products utilizing our liquid nitrogen cooling technology.

Results of Operations

Three Months Ended March 31, 2011 and 2010

	For the three months ended March 31,		
	2011	2010	Change
Revenues	$ 587,582	$ 568,184	$ 19,398
Cost of goods sold			

295,780

297,580

(1,800)

Gross profit

291,802

270,604

21,198

Operating expenses

350,357

302,136

48,221

Other income (expense)

(133,677)

(133,818)

(141)

Net loss from continuing operations

(192,232)

(165,350)

(26,882)

Loss from discontinued operations

-

(1,147,850)

1,147,850

Net loss

$

(192,232)

$

(1,313,200)

$

1,120,968

Revenues increased during the quarter ended March 31, 2011, to $587,582 from $568,184 for the quarter ended March 31, 2010, an increase of $19,398. All of the revenues were generated from our specialized laboratory supplies and detector sales, as we are continuing to refine and commercialize the freezer technologies. We anticipate revenues for the remaining reporting periods of 2011 will approximate those reported for this three month period.

While sales increased during the reporting period, cost of goods decreased in the quarter ending March 31, 2011, as compared to March 31, 2010 to $295,780 from $297,580, a decrease of $1,800. Gross profit percentage increased to 50% for the three months ended March 31, 2011, compared to 48% for the three months ended March 31, 2010. We continue to actively work to obtain more favorable pricing from our vendors in order to increase the margins realized on our product sales.

Operating expenses for the three months ended March 31, 2011 were $350,357, an increase of $48,221 from the $302,136 in operating expenses recorded for the three month period ended March 31, 2010. The increase results from the $60,977 non-cash charge taken for the issuance of restricted shares of stock to SCS for services rendered. Operating expenses for the remaining reporting periods in 2011 are expected to be lower than the level shown for the period of this report.

The loss from continuing operations for the three month period ended March 31, 2011 was $192,232, a $26,882 increase from the $165,350 loss for the three month period ended March 31, 2010. Management continues to look for opportunities to improve gross margins and reduce ongoing operating expenses.

The loss from discontinued operations for the 2010 period was $1,147,850. The continuing losses incurred by the Image Labs and Miralogix subsidiary were a major consideration in our decision to divest those product lines and focus our efforts on our green technology products.

The net loss for the three months ended March 31, 2011 was $192,232, or $0.01 per share. This compares to a loss of $1,313,200, or $0.04 per share, for the three months ended March 31, 2010.

Seasonality and Cyclicality

We do not believe our business is cyclical.

Liquidity and Capital Resources

Our cash resources at March 31, 2011, were $265,493, with accounts receivable of $261,615 and inventory of $375,399. To date we have relied on revenues and sales of equity and debt securities for our cash resources. Our working capital deficit on March 31, 2011, was $3,339,842, due primarily to the $2,925,000 in outstanding debentures and $921,375 in accrued interest on those debentures. Working capital on December 31, 2010 was a deficit of $3,230,424. Management is working to obtain financing to enable it to retire the 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 three month period ended March 31, 2011, our net cash from operating activities was $29,882 which was an increase of $12,996 from the $16,886 of the three month period ended March 31, 2010.

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 March 31, 2011 are $196,786 for that facility. In addition, we have automobile leases with future minimum lease payments of $21,106.

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.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Not required

Item 4. Controls and Procedures

(a)

Management s Report on Internal Control Over Financial Reporting.

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. In addition, we reviewed our internal controls over financial reporting, and there have been no changes in our internal controls or in other factors in the last fiscal quarter that have materially affected our internal controls over financial reporting.

(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 May 2010 the defendant responded with the filing of a countersuit.

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 three months ended March 31, 2011. Unregistered restricted stock was issued subsequent to the end of the period in payment of services rendered by a consultant and to an officer of the Company. See Note 10 to the financial statements.

Use of Proceeds of Registered Securities

None; not applicable.

Purchases of Equity Securities by Us and Affiliated Purchasers

During the three months ended March 31, 2011, we have not purchased any equity securities nor have any officers or directors of the Company.

ITEM 3. Defaults Upon Senior Securities

As of March 31, 2011 the Company is in default on its Senior Secured Convertible Debenture. The Company was unable to repay the debenture as demanded by the debenture holders. The total amount under default was $2,300,000 plus a default principle of 30% or $690,000. The total amount currently in default is $2,925,000 after $65,000 of the debentures and penalty were converted in September 2009. Under the terms of the debenture the interest rate increases from 12% to 18% upon default. The company is not current on its interest payments.

In August 2010, management reached agreement with all but one of the debenture holders on a plan to settle the debentures held by them that are in default. The settlement agreement is contingent upon the Company making a cash payment to them in the amount of $300,000 and the issuance of 1,200,000 shares of restricted common stock in full satisfaction of the indebtedness. The Company is currently working on securing the funding to enable it to fulfill the payment obligation under this agreement.

ITEM 4. (Removed and Reserved)

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*

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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

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:

May 12, 2011

By: /s/ Kim Boyce

Kim Boyce, CEO, President and Director

Date:

May12, 2011

By: /s/ Tom Tait

Tom Tait, Vice President and Director

Date:

May 12, 2011

By: /s/ Keith Merrell

Keith Merrell, CFO, Principal Financial

Officer