

REFLECT SCIENTIFIC INC  
Form 10-K  
April 01, 2013

**U. S. Securities and Exchange Commission**

Washington, D. C. 20549

**FORM 10-K**

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the fiscal year ended December 31, 2012

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

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

*Commission File No. - 000-31377*

**REFLECT SCIENTIFIC, INC.**

(Name of Registrant in its Charter)

Utah  
(State or Other Jurisdiction of  
incorporation or organization)

87-0642556  
(I.R.S. Employer Identification No.)

1266 South 1380 West

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Orem, Utah 84058

(Address of Principal Executive Offices)

Issuer's Telephone Number: (801) 226-4100

Securities registered under Section 12(b) of the Act: None

Name of Each Exchange on Which Registered: None

Securities registered under Section 12(g) of the Act:

\$0.01 par value common stock

Title of Class

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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. (1) Yes  No  (2) Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not

be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ]  
No

State Issuer's revenues for its most recent fiscal year: December 31, 2012 - \$1,329,054.

**Aggregate Market Value of Non-Voting Common Stock Held by Non-Affiliates**

There are approximately 24,629,384 shares of common voting stock of the Registrant held by non-affiliates, and based upon the average bid and asked prices of our common stock on June 29, 2012 of \$0.08, as reported by the OTC Bulletin Board of the National Association of Securities Dealers, Inc., the aggregate market value of our common stock held by non-affiliates was approximately \$1,970,351.

**Applicable Only to Registrants Involved in Bankruptcy Proceedings During the Past Five Years**

None; not applicable.

### **Outstanding Shares**

As of March 29, 2013, the Registrant had 47,213,634 shares of common stock outstanding.

### **Documents Incorporated by Reference**

A description of Documents Incorporated by Reference is contained in Part IV, Item 15, of this Annual Report.

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## Forward-Looking Statements

When used in this Annual Report on Form 10-K, the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements specifically include, but are not limited to, our expectations regarding strategic business initiatives, our intentions to defend our intellectual property rights, continue our research and development, seek regulatory approvals and plans regarding sales and marketing.

We caution readers not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report, are based on certain assumptions and expectations which may or may not be valid or actually occur and which involve various risks and uncertainties, including but not limited to competitive products and pricing, difficulties in product development, commercialization and technology, changes in the regulation of life science products, or other necessary approvals to sell future products and other risk described elsewhere herein. If and when sales of our new product lines commence, sales may not reach the levels anticipated. As a result, our actual results for future periods could differ materially from those anticipated or projected. All forward-looking statements reflect our present expectation of future events and are subject to a number of important factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

Unless otherwise required by applicable law, we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

## PART I

### **Item 1. Description of Business**

#### **Business Development**

##### **History**

Reflect Scientific, Inc., a Utah corporation (the "Company," "we," "our," "us" and words of similar import), was organized under the laws of the State of Utah on November 3, 1999, under the name "Cole, Inc." On December 31, 2003, we acquired Reflect Scientific, Inc., a California corporation. We changed our name to "Reflect Scientific, Inc." and

succeeded to the business operations of our wholly-owned subsidiary, that involved the manufacture and distribution of unique laboratory consumables and disposables such as filtration and purification products, customized sample handling vials, electronic wiring assemblies, high temperature silicone, graphite and vespel/graphite sealing components for use by original equipment manufacturers ( OEM ) in the chemical analysis industries, primarily in the field of gas/liquid chromatography. See our 8-K Current Report dated December 31, 2003, which was filed with the Securities and Exchange Commission on January 15, 2004, and is incorporated herein by reference. See Part IV, Item 15.

On November 29, 2005, we announced the execution of a Letter of Intent to acquire Cryomastor Corporation, a California corporation ( Cryomastor [sometimes called Cryometrix, its amended name]).

Effective as of April 4, 2006, we entered into a Purchase Agreement (the JMST Agreement ) with JM SciTech, LLC, a limited liability company organized under the laws of the State of Colorado, and doing business as JMST Systems ( JMST ); David Carver, an individual ( Carver ); and Julie Martin, an individual ( Martin ) (JMST, Carver and Martin are sometimes hereinafter referred to collectively as Sellers ). Pursuant to the JMST Agreement, we purchased and JMST sold all right, title and interest in and to the JMST Technology (the JMST Technology ), as described in the JMST Agreement; and Carver conveyed and assigned any rights he had in and to certain patents (the Carver Patents ) and related intellectual assets as described in the JMST Agreement (collectively, including the Carver Patents, referred to herein as the Carver Technology ). JMST had created a line of chemical detection instruments that are used in the pharmaceutical, biotechnology and homeland security markets. The patented technology allows researchers to accurately analyze chemical formulations for their composition and identity. See our 8-K Current Report dated April 4, 2006, which was filed with the Securities and Exchange Commission on April 7, and is incorporated herein by reference. See Part IV, Item 15.

On June 27, 2006, we completed the acquisition of Cryomastor pursuant to an Agreement and Plan of Merger (the Cryomastor Merger Agreement ), which became our wholly-owned subsidiary; changed its name to Cryometrix, Inc. ; and succeeded to its business operations, which involved the manufacture and sale of ultra low temperature freezer systems powered by liquid nitrogen for use in bio-repositories associated with the biotech and pharmaceutical industries, as well as government facilities, universities and many other diverse applications that require a large number of reliable and energy efficient freezers. See our 8-K Current Report dated June 27,

2006, which was filed with the Securities and Exchange Commission on June 30, 2006, and is incorporated herein by reference. See Part IV, Item 15.

On November 15, 2006, we entered into an Agreement and Plan of Merger (the Image Labs Merger Agreement ) between Image Acquisition Corp., a Georgia corporation and our wholly-owned subsidiary ( Merger Subsidiary ); Smithgall & Associates, Inc., dba Image Labs International, a Georgia corporation ( Image Labs ); and Brian Smithgall ( Smithgall ), the sole shareholder of Image Labs (the Image Labs Shareholder ). Established in 1993 and located in Bozeman, Montana, Image Labs is a manufacturer and developer of factory automation equipment. The primary product lines focus in the areas of automated inspection, measurement and material handling. See our 8-K Current Report dated November 15, 2006, which was filed with the Securities and Exchange Commission on November 21, 2006, and is incorporated herein by reference. See Part IV, Item 15. In February 2010, management made the decision to divest this business.

On November 17, 2006, we entered into an Agreement and Plan of Merger (the The All Temp Merger Agreement ) between our wholly-owned subsidiary, Cryometrix, Inc. ( Merger Subsidiary ); All Temp Engineering Inc., a California corporation ( All Temp ); J F Dain & E L Dain CO T Tee Dain Family Revocable Trust U/A Dated 12/17/2001 (the Dain Trust ) and Nicholas J. Henneman ( Henneman ), the sole All Temp Shareholders (collectively, the All Temp Shareholders ); and John F. Dain, individually ( Dain ). All Temp was located in San Jose, California and had been providing engineered solutions and services to the cryogenics industry for over 24 years. All Temp served numerous companies in business sectors such as biotech, pharmaceutical, medical devices, research, universities, semiconductor, aerospace, military, and industrial food processing. See our 8-K Current Report dated November 17, 2006, which was filed with the Securities and Exchange Commission on November 22, 2006, and is incorporated herein by reference. See Part IV, Item 15.

On June 29, 2007, we completed the sale of \$2,500,000 of debentures. See our 8-K Current Report dated July 2, 2008, and is incorporated herein by reference. See Part IV, Item 15.

On October 31, 2009, the Company completed the contract obligations of All Temp and moved its Cryometrix subsidiary to Montana. The consolidation of the manufacturing operations was made to bring greater efficiencies while at the same time provide cost savings.

On March 2, 2010, the Company sold the assets and certain liabilities of Image Labs and Miralogix to an employee. The time line from the point at which the Company made the decision to sell to the accepting of the offer and closing of the transaction was less than two weeks. The sale was structured such that the Company received no cash from the transaction, while the acquirer took possession of all the assets and assumed all of the liabilities of Image Labs and Miralogix except for those related to accrued payroll and related personnel expenses. Management's decision to divest this subsidiary was based on its strategic plan to refocus its product lines and sales efforts to its proprietary green technologies. A history of operating losses at Image Labs and Miralogix, the potential necessity of additional capital expenditures, and the soft market for its products due to economic conditions, were additional considerations in making that determination. The Company recorded a loss of \$947,941 all of which is reported in the year ended December 31, 2010. In conjunction with the disposal of this business entity, \$99,100 in cash was transferred to the

new owners. With the sale of operations in Montana, the Cryometrix subsidiary was moved to and consolidated with the Reflect Scientific operations in Utah.

In June 2012, 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 was contingent upon the Company making a cash payment to them in the amount of \$75,000 in full satisfaction of the indebtedness. In exchange for the \$75,000 payment, the debenture holder would cancel the debentures, penalty, interest and warrants. The Company made the agreed upon payment on July 10, 2012. Under the terms of the agreement all indebtedness was extinguished, which included the principal amount of \$1,750,000, default penalties of \$525,000 and accrued interest of \$1,204,875. The related warrants were also extinguished by the settlement agreement. The Company recognized a gain on extinguishment of debt of \$3,428,875 on the settlement agreement. All remaining unexercised warrants expired on June 29, 2012.

## **Business**

### **Overview**

Reflect Scientific is engaged in the manufacture and distribution of innovative products targeted at the life science market. Our customers include hospitals and diagnostic laboratories, pharmaceutical and biotech companies, universities, government and private sector research facilities, and chemical and industrial companies.

Our goal is to provide our customers with the best solution for their needs. This philosophy extends into our business strategies and acquisition plans. Through a series of strategic acquisitions, we acquired technology that has enabled us to expand our line of products

that take advantage of market needs. Our growing product portfolio includes ultra low temperature freezers and chemical detectors, in addition to supplying OEM products to the life science industry.

Our Visacon brand chemical detectors provide our OEM customers a cost effective detection product that allows them to extend their markets. Detectors use patented optical detection technologies that can be tailored for pharmaceutical, biotechnology or other life science applications. We are currently preparing to launch our next generation detector which we believe will open new market opportunities for us.

Our Cryometrix brand ultra low temperature freezers innovative design enables our customers to save substantially on energy costs related to cryogenic storage. Ultra low temperature freezers are used world-wide for the storage of vaccines, DNA, RNA, proteins and many other biological and chemical samples. There is a growing need for energy efficient, reliable ultra low temperature storage units. Our Cryometrix freezers are targeted to expand into this growing market. The application of this technology for use in refrigerated trailers (commonly called reefers ) used to transport goods which need to be maintained in a cold environment significantly broadens the market for this technology. The utilization of this technology in reefers eliminates the current method of cooling, which utilize engines run on hydrocarbon fuels. The Cryometrix technology is pollutant free and is more cost effective and efficient than the technologies currently being used. We have completed road and delivery tests using a reefer outfitted with our technology with very promising results. We are currently having a prototype built based on our latest design technology.

## **Products**

Reflect Scientific designs, develops and sells scientific equipment for the Life Science and Manufacturing industries. Since our wholly owned subsidiary Reflect Scientific s organization in 1991, our focus is and has been on providing value added products, analytic testing supplies and equipment, and stand alone products for the life science and industrial market place. Reflect Scientific s products range from non-mechanical Cryometrix freezers, state of the art detectors, and products and parts for the life science industry to tools and analytical services for industrial manufacturing.

All of Reflect Scientific s products and services are developed with one key factor in mind: Providing a superior cost/benefit to the customer than do other competitive products in the same market space. With years of experience in the life science and industrial manufacturing markets, Reflect Scientific has been able to develop not only unique patentable products, but products that we believe offer immediate advantages and cost savings over any other competing and existing products in the market.

We have developed a business model with a focus on intellectual expertise in the design and development of products and solutions for life science and industrial manufacturing industries. We outsource the majority of our manufacturing, allowing us to maintain the flexibility to develop products across multiple lines and industries. Our strength is in developing and providing products which we believe offer immediate and verifiable cost saving

solutions.

We have found a number of companies that can manufacture products to our specification, allowing us to focus on our core competencies of development and design, and maintain a flexible corporate structure capable of taking advantage of new opportunities without the large capital investment required to acquire tooling and manufacturing equipment. Our focus on the intellectual expertise, as opposed to manufacturing of products, allows us to develop products along multiple industry lines and to tailor our products to specific needs in a variety of industrial settings. Our products are sold in the biotechnology, pharmaceutical and medical industries, as well as the manufacturing industries, such as automotive.

### Cryometrix Freezers

Our Cryometrix ultra low temperature freezers are, we believe, a technological breakthrough that provides energy savings and other critically important benefits to cryo-storage customers in the Life Science related industries. Ultra low temperature freezers are used in multiple industries for the storage of everything from blood to cancer vaccines. These types of freezers are used by hospitals and biotechnology research facilities.

The only ultra low temperature freezers currently available are produced by a limited number of companies and rely on a mechanical process for cooling. Because of inadequacies in the mechanical process, we believe there is wastage of inventory each year because of the problems of proper cooling inherent in the mechanical freezers.

Our freezers are a complete divergence from the technology currently used in ultra low temperature freezers. Through the advantages of our technology, we believe our freezers solve the current inadequacies and provide immediate cost savings for our clients. Current cryogenic storage equipment falls short of customer expectations in a variety of key performance criteria.

§

High energy usage a growing problem with rising energy costs

§

Inflexible temperature range existing units cannot be easily modified for colder requirements (colder temperatures are an industry trend)

§

Sample inventory is at risk in the event of a power failure

§

Poor temperature uniformity samples in different areas of the freezer can experience wide variations in temperatures which is undesirable from a regulatory standpoint.

Our Cryometrix ultra low temperature freezer uses a patented design and technology which is powered by liquid nitrogen. Through the use of a liquid nitrogen powered freezer system we are able to address the market need for:

§

Low energy requirements

§

Flexible temperature control wide range of usable temperatures

§

Power failures have little effect - uses passive liquid nitrogen technology rather than electrically powered compressors.

§

Uniform temperatures throughout freezer more usable storage volume

§

Much larger storage volume per area of floor space occupied reduced facilities cost

§

Reliable and essentially maintenance free, further lowering cost of ownership

§

Environmental issues related to pollution using the current refrigerated trailer ( reefer ) technology



We believe existing mechanical freezers are outdated and our freezers to be the desired technology to which the industry will move, providing us the opportunity to gain a significant market share in this large market.

The adaptation of the freezer technology to reefers for transporting perishable items opens a significant new market. Trailers can easily be retrofit with the Cryogenix unit, which operates pollutant free, more efficiently, and at a cost savings compared to the diesel powered units currently used. The reefer market is a \$1 billion market. The non-polluting Cryogenix unit provides significant benefits over any other unit currently marketed.

### Detectors

Our chemical detector products serve the analytical instrumentation sector of the Life Sciences market. These optically based chemical detection instruments provide a cost-effective, high-performance alternative for original equipment manufacturers (OEM). One major use for these detectors is the analysis of whole blood for metabolic diseases.

Companies that manufacture beneficial chemicals or biotechnology products are often required to develop a methodology to detect their presence in the environment or in living tissue. Recent market trends have been toward the creation of a dedicated system that is specific for a particular chemical. As the market expands for dedicated instrumentation, certain critical issues arise.

§

Lack of high quality, high performance OEM instrumentation - large instrument manufacturers sell the service/instrument combination only under their own brand name

§

High price points - instrument company structure does not allow value pricing

Our products provide the building blocks to create such a system. Patented technology provides an array of benefits to the OEM customer:

§

High performance instrumentation - meets or exceeds industry standards for chemical detection

§

Technological breakthroughs provide cost-effective detection instrument solutions

§

Versatile configurations allow tailoring to specific customer need without the necessity for expensive custom engineering

§

Certified by various regulatory agencies for sale worldwide

With the expanding focus on the need for detectors we designed a base system that can be tooled for multiple uses, offering flexibility to our customers. We intend to further penetrate the dedicated OEM instrument market through new product development and continued cost reductions in manufacturing to meet price points.

Reflect Scientific is also poised to provide consumables to the same group of customers that purchase detectors. This one stop shopping is very attractive to customers and is unique in the OEM supply industry, further making Reflect Scientific the choice for OEMs.

### Competition

The environment for our products and services is intensely competitive. Although the complexity of the products we produce limits the number of companies we compete with, the companies with competing technology are generally larger and often subsidiaries or divisions of very large multinational companies. Our competitor's size and association with large multinational companies gives them advantages over us in the ability to access potential customers. Many potential customers already purchase products either directly from our competitors or from another subsidiary of these large multinational companies, creating natural inroads to sales that we do not possess.

Given our relative size versus our competitors, we are often required to seek niche markets for our products or focus on selling components to be used in our competitors larger detection units. We believe, however, that our technology and experience in the ultra low freezers and detectors allows us to be competitive in those markets. As our products are new to the marketplace, the products long term commercial acceptance is still unknown. Most of our products compete against multiple competitors, with our refrigeration products competing primarily against Thermo Fisher Scientific and Sanyo Corporation.

### Growth Plan

While we will continue to evaluate acquisitions of businesses and technologies to enhance our revenues in the Life Science and green technology markets, our primary focus is on growing our own product lines through increasing market share and the addition of new products to our current offerings.

We seek to expand the applications for our products and equipment into additional markets as we develop brand recognition. We hope to be able to obtain market leverage from our existing products and name recognition as we use our existing offerings and product strengths to position us as a key supplier of automation equipment, inspection equipment and cryogenic storage solutions. This strategic plan will also enable us to further diversify our customer base.

### Manufacturing, Supplies, and Quality Control

Many of our products are manufactured by third party manufactures. By outsourcing our manufacturing we are able to reduce the overall cost of our products. We self manufacture lower volume products that are less labor and parts intensive in our facility in Orem, Utah.

### Regulation and Environmental Compliance

Presently, none of our products are in highly regulated industries.

#### Sources and Availability of Raw Materials and Names of Principal Suppliers

Sources and availability of key materials and intermediates continue to remain stable. Where supply is considered a critical success factor for our business, we have certified primary vendors in place and have identified secondary vendors.

#### Dependence on One or a Few Major Customers

We are not dependent on any large customer.

#### Need for any Governmental Approval of Principal Products or Services

No products presently being manufactured or sold by us are subject to prior governmental approvals.

#### Effect of Existing or Probable Governmental Regulations on the Business

We are subject to the Sarbanes-Oxley Act of 2002. This Act creates a strong and independent accounting oversight board to oversee the conduct of auditors of public companies and strengthens auditor independence. It also requires steps to enhance the direct responsibility of senior members of management for financial reporting and for the quality of financial disclosures made by public companies; establishes clear statutory rules to limit, and to expose to public view, possible conflicts of interest affecting securities analysts; creates guidelines for audit committee members appointment, compensation and oversight of the work of public companies' auditors; prohibits certain insider trading during pension fund blackout periods; and establishes a federal crime of securities fraud, among other provisions.



Section 14(a) of the Exchange Act requires all companies with securities registered pursuant to Section 12(g) of the Exchange Act to comply with the rules and regulations of the Securities and Exchange Commission regarding proxy solicitations, as outlined in Regulation 14A. Matters submitted to stockholders of our Company at a special or annual meeting thereof or pursuant to a written consent will require our Company to provide our stockholders with the information outlined in Schedules 14A or 14C of Regulation 14; preliminary copies of this information must be submitted to the Securities and Exchange Commission at least 10 days prior to the date that definitive copies of this information are forwarded to our stockholders.

We are also required to file annual reports on Form 10-K and quarterly reports on Form 10-Q with the Securities Exchange Commission on a regular basis, and will be required to timely disclose certain material events (e.g., changes in corporate control; acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; changes in executive officers and directors; and bankruptcy) in a Current Report on Form 8-K.

**Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts, including Duration**

All patents and trademarks relating to acquired technologies have been assigned to us. Where appropriate, we seek patent protection for inventions and developments made by our personnel and incorporated into our products or otherwise falling within our fields of interest.

We protect some of our technology as trade secrets and, where appropriate, we use trademarks or register trademarks used in connection with our products.

Patents have been issued covering the following products:

JMST chemical detectors 4 patents issued

Cryomastor ultra low temperature freezers 2 patents issued

**PATENT INFORMATION**

<u>Patent number</u>	<u>Title</u>	<u>Issue</u>	<u>Filing</u>	<u>Expiration</u>
7,621,148	Ultra-low temperature bio-sample storage system	Nov. 24, 2009	Aug. 7, 2007	Nov. 24, 2027
6,804,976		Oct 19, 2004	Dec 12, 2003	Dec 12, 2023

6,530,286	High reliability multi-tube thermal exchange structure Method and apparatus for measuring fluid flow	Mar 11, 2003	May 9, 2000	May 9, 2020
5,969,812	Spectrophotometer apparatus with dual concentric beams and fiber optic beam splitter	Oct 19, 1999	Oct 18, 1995	Oct, 18, 2015
5,699,156	Spectrophotometer apparatus with dual light sources and optical paths, fiber optic pick-up and sample cell therefore	Dec 16, 1997	Nov 23, 1994	Dec 16, 2014
5,694,215	Optical array and processing electronics and method therefore for use in spectroscopy	Dec 2, 1997	Mar 4, 1996	Mar 4, 2016

Royalty agreements were executed with JMST and Cryometrix as a condition of the companies' acquisitions. Under the terms of the royalty agreements:

JMST David Carver will receive a royalty payment on gross revenues related to revenues derived from the Carver Patents or Carver Technology. Such payments are due on revenue in excess of \$500,000 derived from products under the Carver Patents or Carver Technology. The royalty payment is 2.5% on the revenue in excess of \$500,000 and is payable quarterly. Payments are to be made in the common stock of Reflect Scientific, not to exceed 500,000 shares in total. New products developed from the Carver Technology are subject to a royalty of 3% of gross revenues in excess of \$100,000, with an additional 2% if gross

revenues exceed \$600,000. Royalties will also be paid in our common stock annually. Common stock will be valued at \$3.00 per share for these purposes. Royalty payments are only due for years where there are valid Carver Patents.

### **Research and Development Costs During the Last Two Fiscal Years**

During the year ended December 31, 2012, we expended \$35,945 for research and development. During the year ended December 31, 2011, we expended \$33,170 for research and development. The majority of the research and development on our products is performed by independent contractors who have been enhancing technologies, primarily on the reefer unit and the detectors. We expect research and development cost to increase in the future with the development work required to commercialize our Cryometrix freezers.

### **Employees**

As of March 29, 2013, subsequent to the balance sheet date, we had 7 employees on a full-time basis and 3 part time employees. None of our employees are represented under a collective bargaining agreement. We believe our relations with our employees to be good.

### **Reports to Security Holders**

You may read and copy any materials that we file with the Securities and Exchange Commission at the Securities and Exchange Commissions Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also find all of the reports that we have filed electronically with the Securities and Exchange Commission at their Internet site

[www.sec.gov](http://www.sec.gov).

### **Item 1A. Risk Factors**

Not applicable for Registrant

### **Item 2. Description of Property**



Reflect Scientific conducts all of its business operations from one facility, located in Orem, UT. This is a combination warehouse, manufacturing and office facility with 6,000 square feet of space; we lease this facility at \$3,200 per month through October 2012 and \$3,100 per month for November 2012 to the end of the lease term on November 30, 2014.

**Item 3. Legal Proceedings**

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

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

**Item 4. Mine Safety Disclosure**

Not applicable.

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**PART II****Item 5. Market for Common Equity and Related Stockholder Matters and Registrant Purchases of Equity Securities.****Market Information**

Since July 6, 2005, our common stock has been listed under the symbol RSCF on the OTCBB. Prior to July 6, 2005, our stock traded under the symbol COLH since its initial listing on May 24, 2001. The following table represents the high and low per share bid information for our common stock for each quarterly period in fiscal 2012, 2011 and 2010. Such high and low bid information reflects inter-dealer quotes, without retail mark-up, mark-down or commissions and may not represent actual transactions.

	<u>2012</u>		<u>2011</u>		<u>2010</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
Quarter ended December 31	\$ 0.09\$	0.07\$	0.15\$	0.07\$	0.09\$	0.05
Quarter ended September 30	\$ 0.10 \$	0.06\$	0.19\$	0.10\$	0.09\$	0.03
Quarter ended June 30	\$ 0.08	\$ 0.07\$	0.14\$	0.06\$	0.13\$	0.04
Quarter ended March 31	\$ 0.09	\$ 0.06\$	0.07\$	0.05\$	0.20\$	0.11

As of March 28, 2013, there were 47,213,634 shares of our common stock outstanding. On March 28, 2013, the high and low bid price for our common stock was \$0.07 and \$0.07, respectively.

 **Holders**

The number of record holders of our common stock as of March 29, 2013, was approximately 141; this number does not include an indeterminate number of stockholders whose shares may be held by brokers in street name.

**Dividends**

We have not declared any cash dividends with respect to our common stock, and do not intend to declare dividends in the foreseeable future. Our future dividend policy cannot be ascertained with any certainty. There are no material restrictions limiting, or that are likely to limit, our ability to pay dividends on our securities.

**Securities Authorized for Issuance under Equity Compensation Plans**

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	-	12,000,000
Equity compensation plans not approved by security holders	-	-	None
Total	-	-	12,000,000

**Recent Sales of Unregistered Securities**

We issued all of these securities to persons who were accredited investors or sophisticated investors as those terms are defined in Regulation D of the Securities and Exchange Commission; and each such investor had prior access to all material information about us. We believe that the offer and sale of these securities were exempt from the registration requirements of the Securities Act, pursuant to

Sections 4(2) and 4(6) thereof, and Rule 506 of Regulation D of the Securities and Exchange Commission. Sales to accredited investors are preempted from state regulation.

During the year ended December 31, 2012 we issued 2,421,744 shares of common stock. Of this amount, 1,400,000 shares were issued to consultants, 937,500 shares were issued in a private placement, and 84,244 shares were issued for professional services.

During the year ended December 31, 2011 we issued a net of 10,960,000 shares of common stock. Of this amount, 3,100,000 shares were issued to a consultant for services, 7,800,000 shares were issued to an employee, 360,000 shares were issued for services from an investor relations firm, and 300,000 shares of stock issued in the acquisition of Image Labs were returned and cancelled, resulting in the net new issuance of 10,960,000 shares in 2011.

### **Use of Proceeds of Registered Securities**

There were no proceeds received during the calendar year ended December 31, 2012, from the sale of registered securities.

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

There were no purchases of our equity securities by us or any of our affiliates during the year ended December 31, 2012.

### **Item 6. Select Financial Data**

We are not required to provide information under this item.

### **Item 7. Management's Discussion and Analysis or Plan of Operation**

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."

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition. The discussion should be read in conjunction with the financial statements and notes included in this report as Part II, Item 8.

### Critical Accounting Policies and Estimates

Reflect Scientific's accounting policies are more fully described in Note 2 of the consolidated financial statements. As discussed in Note 2, 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 about the future events that affect the amounts reported in the consolidated financial statements and the 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. Reflect Scientific believes that the following addresses Reflect Scientific's most critical accounting policies. There have been no significant changes during the year ended December 31, 2012.

We recognize revenue when the following criteria have been met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the price is fixed or determinable and (4) collectability is reasonably assured.

Product revenues are recognized when persuasive evidence of an arrangement exists, risk of loss and title has transferred to our customers, the fee is fixed or determinable and collection is probable. Rights of return for manufactured product are dependent upon the agreement.

Our allowance for doubtful accounts is maintained to provide for losses arising from customers' inability to make required payments. If there is deterioration of our customers' credit worthiness and/or there is an increase in the length of time that the receivables are past due greater than the historical assumptions used, additional allowances may be required.



We account for income taxes in accordance with Statement of Financial Accounting Standards Board Accounting Codification (ASC) 740, Income Taxes . Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets will be reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized.

### Overview

The year ended December 31, 2012 has been a difficult year for the Company, with revenue declining by 33%. Historically, significant portions of our revenue came from the manufacture and sale of capital equipment, such as freezers and detectors, purchased by our customers. The past few years, economic uncertainty has caused many of these customers to defer, significantly reduce, or eliminate altogether their capital budget spending. The reduced level of capital spending had a significant impact on our sales for 2012. While we were able to raise enough capital to retire a significant part of our debentures that were in default, capital markets have remained tight, with the result that we were unable to secure sufficient funding with which to retire all of our debentures which matured June 30, 2009, and we remain in default on \$650,000 of that indebtedness. Due to the declining revenue of the past two years and the default status on our debentures, our accountants have expressed substantial doubt about our ability to continue as a going concern.

The Company focused its resources during 2012 to the finalization of development work on a new line of detectors and the continuation of work on the cooling unit for refrigerated trucks. Our new detector is near ready for beta testing to begin and we have received the pressure tanks for our prototype refrigerated truck unit. Commercialization of both of these products will provide the opportunity for the Company to expand its share of the detector market and make entry into the refrigerated truck market.

The Company has been proactive in making those business decisions which it believes will enable it to carry out its business plan. Significant cost reduction measures have been implemented, unprofitable subsidiaries divested, facilities consolidated and personnel reductions made. We reached a settlement agreement with the majority holder of our debentures whereby, upon the payment of a portion of the principal, the remaining principal and penalty amount were forgiven and the warrants were extinguished. We cannot assure that financing will be made available. If we are unable to secure financing, our ability to proceed with and implement our intended business plan will be negatively impacted.

### Financial Position

The table below presents a summary of our consolidated balance sheets at December 31, 2012 and 2011:

### **SUMMARY OF BALANCE SHEET INFORMATION**



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	Year ended	Year ended	Increase
	Dec. 31, 2012	Dec 31, 2011	(Decrease)
Cash and cash equivalents	\$ 260,575	\$ 346,697	\$ (86,122)
Total current assets	871,668	886,079	(14,411)
Total assets	1,322,634	4,124,521	(2,801,887)
Total current liabilities	1,286,503	4,482,204	(3,195,701)
Accumulated deficit	(18,414,730)	(18,615,647)	200,917
Total stockholders' equity (deficit)	\$ 36,131	\$ (357,683)	\$ 393,814

We had \$260,575 in cash as of December 31, 2012, a decrease of \$86,122 from December 31, 2011. We had a working capital deficit of \$414,835 at December 31, 2012, compared to working capital deficit of \$3,596,125 at December 31, 2011.

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Contractual Obligations

The Company leases office/warehouse space in Utah. In addition, it has a lease on a vehicle. The following summarizes future minimum lease payments under the operating leases at December 31, 2012:



Year Ending	Minimum
	<u>December 31,</u>
	<u>Lease Payments</u>
2013	\$ 42,030
2014	<u>34,100</u>
	<u>\$ 76,130</u>

Results of OperationsDecember 31, 2012 and 2011

The following table summarizes revenue, cost of goods sold, and operating expenses for the years ended December 31, 2012 and 2011:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Increase (Decrease)
Revenue	\$1,329,054	\$1,987,340	\$(658,286)
Cost of Goods Sold	617,780	989,449	(371,669)
Gross Profit	711,274	997,891	(286,617)
Salaries and wages	398,285	584,476	(186,191)
Rent expense	38,032	54,217	(16,185)
Research and development expense	35,945	33,170	2,775
General and administrative expense	651,367	924,957	(273,590)
Impairment on intangible assets	2,173,550	100,233	2,073,317
Impairment on goodwill	326,254	-	326,254
Loss on asset disposal	-	7,760	(7,760)
Total operating expenses	3,623,433	1,704,813	1,918,620
Loss from operations	(2,912,159)	(706,922)	(2,205,237)
Net income (loss)	\$200,917	\$(1,186,975)	\$1,387,892

Our core business of specialty lab supplies and detector supplies decreased 33% to \$1,329,054 in 2012 from the \$1,987,340 in 2011. During the fourth quarter of 2012 we finished our product catalog and began distributing that to targeted distributors in 2013. It is anticipated that new distributors will be attracted to our products and that 2013 will see a reversal of the revenue declines experienced in 2012 and 2011.

Our cost of goods sold decreased in the period ending December 31, 2012, as compared to December 31, 2011, due primarily to the reduced levels of sales. The percentage on gross margins increased to 54% in 2012, a 4% increase over the 50% margin realized in 2011. Despite an increasingly competitive sales environment, we have been able to increase gross margin through reduction of our expenses and through working with vendors to obtain more favorable costing. Our gross margin percent is also influenced by the sales mix, with the detectors and detector supplies carrying higher gross margins than the more generic lab supplies.

Salaries and wages decreased \$186,191 in 2012 as compared to 2011. Salary and wage reductions were implemented early in 2012 for all employees as management reacted quickly to the reduction in sales volumes.

General and administrative expenses decreased to \$651,367 during the year ended December 31, 2012, from \$924,957 during the year ended December 31, 2011. This decrease is primarily attributable to a \$177,392 decrease in consulting fees incurred during 2012. Expense levels going forward are expected to remain near the levels experienced in 2012.

At the end of 2012 we performed an evaluation of our intangible assets and goodwill for impairment. During 2012 we made a decision to abandon pursuit of the computer room cooling business and focus our efforts on the freezers technology for the pharmaceutical and laboratory business and the cooling system for refrigerated truck trailers. The purchase price paid at the time Cryometrix was acquired exceeded the value of the assets, resulting in the recording of goodwill. With the change in market focus, we determined it likely that the value assigned to the trade secrets and customer lists to be utilized in the computer room cooling market were impaired and that the extent of the impairment could be of such significance that goodwill would also be impaired. We conducted applicable valuations regarding our intangible assets and goodwill in accordance with accounting requirements utilizing acceptable valuation methodologies, including

discounted cash flows, market approach analyses, and other relevant valuation methodologies, as necessary. We therefore have recorded a non-cash impairment charge of \$2,173,550 on intangible assets and \$326,254 on goodwill for the year ended December 31, 2012. A non-cash impairment charge of \$100,233 was recorded at December 31, 2011 as a result of the impairment analysis conducted.

Due to the impairment charges of \$2,499,804 our operating loss increased to \$2,912,159 in 2012 from \$706,922 for the year ended December 31, 2011. Due to the \$3,428,875 gain on the extinguishment of debt from the retirement of debentures, we generated a net income of \$200,917 in 2012 compared to a net loss of \$1,186,975 in 2011.

### Seasonality and Cyclical

We do not believe our business is cyclical.

### Liquidity and Capital Resources

Our cash resources at December 31, 2012, were \$260,575, with accounts receivable of \$139,932 and inventory of \$365,394. As a result of the decreases in cash, accounts receivable, inventories, debentures and interest payable on the debentures, we reduced our negative working capital to \$414,835 at December 31, 2012. This compares to negative working capital of \$3,596,125 at December 31, 2011. We remain in default on the remaining debentures and will require additional financing to enable the retirement of that debt.

In 2012, net cash required to fund operating activities was \$91,114 as compared to net cash provided from operations of \$130,279 in 2011. We are hopeful that in 2013, with the benefit of continued cost reductions, we will be able to reduce the amount of cash required to fund our operations.

We will continue to focus our efforts on our core business activities while pursuing capital resources and evaluating potential future acquisitions which fit within and enhance our core business.

### **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 December 31, 2012 are \$71,300 for this facility. In addition, we have one automobile lease with future minimum lease payments of \$3,930.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable to Registrant.

**Item 8. Financial Statements**

The financial statements of the Company are set forth immediately following the signature page to this Form 10-K.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

We had no disagreements on accounting and financial disclosures with our accounting firm during the reporting periods covered by this Annual Report.

**Item 9A. Controls and Procedures**

As of the end of the period covered by this Annual Report, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief/Principal Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ( Exchange Act ). Based on this evaluation, our Chief Executive Officer and Chief /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 President and Chief/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 Chief/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.

### **Management's Annual Report on Internal Control over Financial Reporting.**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in Internal Control - Integrated Framework. Based on this evaluation, our management concluded that, as of December 31, 2012, our internal control over financial reporting was effective.

### **Inherent Limitations Over Internal Controls**

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

### **Changes in internal control over financial reporting**

We have made no change in our internal control over financial reporting during the last fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Attestation Report of the Registered Public Accounting Firm**



This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this annual report on Form 10-K.

**Item 9B. Other Information**

None; not applicable.

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**PART III****Item 10. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act****Identification of Directors and Executive Officers**

The following table sets forth the names of all of our current directors and executive officers. These persons will serve until the next annual meeting of the stockholders or until their successors are elected or appointed and qualified, or their prior resignation or termination.

<b>Name</b>	<b>Positions Held</b>	<b>Date of Election or Designation</b>	<b>Date of Termination or Resignation</b>
Kim Boyce	President & Director	12/03	*
Tom Tait	Vice President, Secretary and Director	01/05	*
William G. Moon	Director	4/11	*
Keith L. Merrell	Chief Financial Officer & Treasurer	10/09	*

\* These persons presently serve in the capacities indicated.

**Business Experience****Kim Boyce - CEO, Director**

Mr. Boyce, 58, is the founder of Reflect Scientific and serves as President, Chief Executive Officer and Chairman of our Board of Directors. Mr. Boyce has over thirty years of experience in manufacturing, sales, distribution and management of scientific products related to companies in the chemical analysis, semiconductor fabrication and optics industries. His responsibilities have included serving as a Western Regional Sales Manager, OEM Special Accounts Manager, Plant Operations Manager and various other senior management positions within these industries.

**Thomas Tait - Vice President, Secretary, Director**

Mr. Tait, 56, serves as Vice President. Mr. Tait brings experience with accelerated product development, lean process management tools, strategic market analysis, and acquisition integration. Mr. Tait joined us from Danaher Company where he was a Business Manager over a \$120 million in sales product line. Prior assignments have included General Manager of HyperQuan Inc., Product Manager J&W Scientific and Project Manager Varian Inc. He also co-founded ChiraTech Inc, a high technology Company that was sold to Thermo Electron Corporation. Mr. Tait holds an MBA in Technology Management from the University of Phoenix and a BS in Chemistry from Clarkson University. He also holds patents in Optics and MEMS technologies.

**William G. Moon, Director**

Mr. Moon, 63, has over 30 years experience in startup and engineering related companies. His leadership experience includes assisting in the formation of what became the world's largest disk drive company, Quantum Corporation, with over 10,000 employees. He was Principal Engineer and Vice President of Engineering for over twenty years, during which time he co-designed numerous standard-setting disk drives. During that time, he was a co-founder of a wholly owned Quantum subsidiary, Plus Development, and was key in the invention of the Hardcard, the first hard drive on a plug-in card. He helped create a partnership with Panasonic for the world's first totally automated disk drive assembly plant in Japan, producing over 100 million disk drives. Prior to that, Mr. Moon designed memory products at Hewlett Packard Labs in their Disk Memory Division. Over the past five years Mr. Moon has served as technical advisor to several companies and has sat on several boards.

**Keith Merrell - Chief Financial Officer / Treasurer**

Mr. Merrell, 67, serves as our Chief Financial Officer, Treasurer and General Manager. Mr. Merrell draws on over 30 years of accounting experience to manage all of our accounting functions and to interface with our independent public accountants. He spent two years in the field of public accounting, and served as Chief Financial Officer or Controller of five companies prior to joining us. His business career also includes extensive experience in management, sales and marketing, consulting, and merger and acquisition work. He also serves as Chief Financial Officer of GeNOsys, Inc., which is also a public company. He graduated from Arizona State University with a B.S. degree in Accounting.

We believe that, based on education and experience, all of our directors are qualified to serve.

### **Significant Employees**

There are no employees who are not executive officers who are expected to make a significant contribution to our Company's business.

### **Family Relationships**

There are no family relationships between our officers and directors.

### **Involvement in Certain Legal Proceedings**

During the past five years, no director, person nominated to become a director, executive officer, promoter or control person of our Company:

(1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time;

(2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) was found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Exchange Act requires that our executive officers and directors and persons who beneficially own more than 10% of our common stock, file initial reports of stock ownership and reports of changes in stock ownership with the Securities and Exchange Commission. Officers, directors, and greater than 10% owners are required by applicable regulations to furnish our Company with copies of all Section 16(a) forms that they file. Based solely on a review of the copies of such forms furnished to us or written representations from certain persons, we believe that during our calendar year ended December 31, 2012, all filing requirements applicable to our officers, directors and 10% stockholders were met by such persons.

### **Code of Ethics**

We have adopted a Code of Ethics that applies to all of our directors and executive officers serving in any capacity for our Company, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, which Code of Ethics was attached to our Form 10-K annual Report for the year ended December 31, 2003. See Part IV, Item 15.

### **Nominating Committee**

We have not established a Nominating and Corporate Governance Committee because we believe that the three members currently comprising our Board of Directors are able to effectively manage the issues normally considered by a Nominating and Corporate Governance Committee.

**Audit Committee**

Due to the size and status of our Company we have no Audit Committee, and are not required to have an audit committee. We do not believe the lack of an Audit Committee will have any adverse effect on our financial statements, based upon our current operations. We will assess whether an audit committee may be necessary in the future.

**Item 11. Executive Compensation**

The following table sets forth the aggregate compensation paid by us for services rendered during the periods indicated:

SUMMARY COMPENSATION TABLE

Name and Year Principal Position	Salary (\$)	<b>Bonus</b> (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Com- pensation(\$)	Nonqualified Deferred Compensation (\$)	All Other Compensation(\$) (i)	Total Earnings (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(j)
Kim Boyce CEO & Director	12/31/12	\$101,921	0	0	0	0	0	\$101,921
	12/31/11	\$109,038	0	195,098	0	0	0	\$304,136
	12/31/10	\$105,000	0	0	0	0	0	\$105,000
Tom Tait VP & Director	12/31/12	\$60,379	0	0	0	0	0	\$60,379
	12/31/11	\$72,287	0	0	0	0	0	\$72,287
	12/31/10	\$70,000	0	0	\$16,600	0	0	\$86,600
Keith Merrell, CFO	12/31/12	\$35,333	0	0	0	0	0	\$35,333
	12/31/11	\$40,000	0	0	0	0	0	\$40,000

12/31/10	\$40,000	0	\$3,500	0	0	0	0	\$43,500
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### Outstanding Equity Awards

At December 31, 2012, there are no outstanding equity awards.

### Compensation of Directors

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
None	None	None	None	None	None	None	None

### Item 12. Security Ownership of Certain Beneficial Owners and Management

#### Security Ownership of Certain Beneficial Owners

The following table sets forth, as of March 29, 2013, the names, addresses and number of shares of common stock beneficially owned by all persons known to the management of Reflect Scientific to be beneficial owners of more than 5% of the outstanding shares of common stock, and the names and number of shares beneficially owned by all directors of Reflect Scientific and all executive officers and directors of Reflect Scientific as a group (except as indicated, each beneficial owner listed exercises sole voting power and sole dispositive power over the shares beneficially owned).

For purposes of this table, information as to the beneficial ownership of shares of common stock is determined in accordance with the rules of the Securities and Exchange Commission and includes general voting power and/or investment power with respect to securities.





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Except as otherwise indicated, all shares of our common stock are beneficially owned, and sole investment and voting power is held, by the person named. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock, which such person has the right to acquire within 60 days after the date hereof. The inclusion herein of such shares listed beneficially owned does not constitute an admission of beneficial ownership.

All percentages are calculated based upon a total number of 47,213,634 shares of common stock outstanding as of March 29, 2013, plus, in the case of the individual or entity for which the calculation is made, that number of options or warrants owned by such individual or entity that are currently exercisable or exercisable within 60 days.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Owner</u>	<u>Percentage of Outstanding Common stock</u>
<u>Principal Shareholders</u>			
Common Stock	Kim Boyce 1270 South 1380 West Orem, Utah 84058	24,068,250	50.98%
<u>Officers and Directors</u>			
Common Stock	Kim Boyce	24,068,250	50.98%
Common Stock	Tom Tait	361,000	0.76%
Common Stock	Keith Merrell (1)	75,000	0.16%
Common Stock	William Moon.	<u>250,000</u>	<u>0.53%</u>
	All directors and executive officers of the Company as a group (Five individuals)	22,584,250 =====	52.43% =====

(1) Includes 25,000 shares beneficially owned through an IRA.

**Changes in Control**

There are no current or planned transactions that would or are expected to result in a change of control of our Company.

**Securities Authorized for Issuance under Equity Compensation Plans**

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	-	12,000,000
Equity compensation plans not approved by security holders	-	-	None
Total	-	-	12,000,000
	=====		=====

**Item 13. Certain Relationships and Related Transactions****Transactions with Related Persons**

In November and December 2012, the son of the Company president had advanced \$40,000 in funding in the form of interest bearing notes to the Company. The notes bear interest at the rate of 7.75% per annum with the interest paid monthly. The notes are demand notes, with the principal and any unpaid interest payable upon seven days written notice from the note holder.

**Parents of the Issuer**

None; however Kim Boyce, our President and a director, may be deemed to be our Parent by virtue of his substantial shareholdings in our Company.

**Transactions with Promoters and Control Persons**

There were no material transactions, or series of similar transactions, during our Company's last five fiscal years, or any currently proposed transactions, or series of similar transactions, to which we or any of our subsidiaries was or is to be a party, in which the amount involved exceeded \$120,000 and in which any promoter or founder of ours or any member of the immediate family of any of the foregoing persons, had an interest.

**Item 14. Principal Accounting Fees and Services**

The Following is a summary of the fees billed to us by our principal accountants during the fiscal years ended December 31, 2012 and 2011:

<b>Fee Category</b>	<b>2012</b>	<b>2011</b>
Audit Fees	\$ 37,200	\$ 43,354
Audit-related Fees	\$ 0	\$ 0
Tax Fees	\$ 0	\$ 0
All Other Fees	\$ 0	\$ 0
<b>Total Fees</b>	<b>\$ 37,200</b>	<b>\$ 43,354</b>

Audit Fees - Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and review of the financial statements included in our Forms 10-Q or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

Audit-related Fees - Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit fees.

Tax Fees - Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All Other Fees - Consists of fees for products and services provided by our principal accountants, other than the services reported under Audit fees, Audit-related fees, and Tax fees above.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

We do not have an Audit Committee; therefore, there is no Audit Committee policy in this regard. However, we do require approval in advance of the performance of professional services to be provided to us by our principal accountant. Additionally, all services rendered by our principal accountant are performed pursuant to a written engagement letter between us and the principal accountant.

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**Item 15. Exhibits****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, 2008*
4.2	Form of Purchasers Warrant	8-K Current Report dated June 29, 2008*
4.3	Registration Rights Agreement	8-K Current Report dated June 29, 2008*
4.4	Form of Placement Agreement	8-K Current Report dated June 29, 2008*
10.1	Securities Purchase Agreement	8-K Current Report dated June 29, 2008*
10.2	Placement Agent Agreement	8-K Current Report dated June 29, 2008*
10.3	JMST Purchase Agreement	8-k Current Report dated April 4, 2006*
10.4	Cryomastor Merger Agreement	8-K Current Report dated April 19, 2006*
10.5	Image Labs Merger Agreement	8-K Current Report dated November 15, 2006*
10.6	All Temp Merger Agreement	8-K Current Report dated November 17, 2006*
14	Code of Ethics	December 31, 2003 10-K Annual Report*
21	Subsidiaries of the Company	December 31, 2006 10-K Annual Report*
31.1	302 Certification of Kim Boyce	This Filing
31.2	302 Certification of Keith Merrell	This Filing
32	906 Certifications	This Filing

\* Previously filed with the Securities and Exchange Commission in the form indicated and incorporated by reference

**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 June 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

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- \* Image Labs Merger Agreement Closing 8-KA Current Report dated November 15, 2006
- \* Debenture Placement 8-K Current Reported dated

\* Previously filed and incorporated by reference.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act, the Company caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**REFLECT SCIENTIFIC, INC.**

*Date: 04/01/2013*

*By: /s/Kim Boyce  
Kim Boyce, Chief Executive Officer and  
Director*

*Date: 04/01/2013*

*By: /s/Keith Merrell  
Keith Merrell, Chief Financial Officer  
(Principal Accounting Officer)*

In accordance with the Securities Exchange Act, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

**REFLECT SCIENTIFIC, INC.**

*Date: 04/01/2013*

*By: /s/Kim Boyce  
Kim Boyce, CEO and Director*

*Date: 04/01/2013*

*By: /s/Tom Tait  
Tom Tait, Vice President and Director*

*Date: 04/01/2013*

*By: /s/William Moon  
William Moon, Director*





**REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2012**



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of  
Reflect Scientific, Inc. and Subsidiaries  
Orem, Utah

We have audited the accompanying consolidated balance sheets of Reflect Scientific, Inc. and Subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, shareholders' equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Reflect Scientific, Inc. and Subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles

generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has experienced recurring losses from operations and negative working capital. The Company is in default on its debentures. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ Mantyla McReynolds, LLC*

Mantyla McReynolds, LLC

Salt Lake City, Utah

April 1, 2013



**REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES**

Consolidated Balance Sheets

ASSETS

	December 31, 2012	December 31, 2011
<b>CURRENT ASSETS</b>		
Cash	\$ 260,575	\$ 346,697
Accounts receivable, net	139,932	143,278
Inventory, net	365,394	393,004
Prepaid assets	105,767	3,100
Total Current Assets	871,668	886,079
<b>FIXED ASSETS, NET</b>	9,645	19,242
<b>OTHER ASSETS</b>		
Intangible assets, net	112,326	2,563,951
Goodwill	325,895	652,149
Deposits	3,100	3,100
Total Other Assets	441,321	3,219,200
<b>TOTAL ASSETS</b>	<b>\$ 1,322,634</b>	<b>\$ 4,124,521</b>

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

## REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES

## Consolidated Balance Sheet (Continued)

LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)

	December 31, 2012	December 31, 2011
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 90,984	\$ 89,641
Short-term lines of credit	74,713	109,721
Convertible debenture	650,000	2,925,000
Interest payable	419,625	1,316,250
Customer deposits	0	4,829
Accrued expenses	11,081	12,363
Loan from related party	40,000	24,000
Income taxes payable	100	400
Total Current Liabilities	1,286,503	4,482,204
 Total Liabilities	 1,286,503	 4,482,204
 <b>SHAREHOLDERS EQUITY (DEFICIT)</b>		
Preferred stock, \$0.01 per value, authorized 5,000,000 shares; no shares issued and outstanding	-	-
Common stock, \$0.01 par value, authorized 100,000,000 shares; 47,213,634 and 44,791,890 shares issued and outstanding respectively	472,136	447,919
Additional paid in capital	17,978,725	17,810,045
Accumulated deficit	(18,414,730)	(18,615,647)
Total Shareholders Equity (Deficit)	36,131	(357,683)
 TOTAL LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)	 \$ 1,322,634	 \$ 4,124,521

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

**REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES**

## Consolidated Statements of Operations

		For the Years Ended	
		December 31, 2012	2011
REVENUES	\$	1,329,054	\$ 1,987,340
COST OF GOODS SOLD		617,780	989,449
GROSS PROFIT		711,274	997,891
OPERATING EXPENSES			
Salaries and wages		398,285	584,476
Rent expense		38,032	54,217
Research and development expense		35,945	33,170
General and administrative expense		651,367	924,957
Impairment on intangible assets		2,173,550	100,233
Impairment on goodwill		326,254	-
Loss on disposal of assets		-	7,760
Total Operating Expenses		3,623,433	1,704,813
OPERATING LOSS		(2,912,159)	(706,922)
OTHER INCOME (EXPENSE)			
Other income		-	1
Interest expense		(315,799)	(534,460)
Gain on extinguishment of debt		3,428,875	54,406
Total Other Expenses		3,113,076	(480,053)
NET INCOME (LOSS) BEFORE INCOME TAX EXPENSE		200,917	(1,186,975)
Income tax expense		-	-
NET INCOME (LOSS)	\$	200,917	\$ (1,186,975)
NET INCOME (LOSS) PER SHARE BASIC AND DILUTED	\$	0.00	\$ (0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING BASIC AND DILUTED		45,409,379	41,866,027

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

**REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES**

## Consolidated Statements of Shareholders Equity (Deficit)

	<u>Preferred Stock</u>		<u>Common Stock</u>			Total	
	Shares	Amount	Shares	Amount	Additional Paid-In Capital		Accumulated Deficit
Balance, December 31, 2010	-	\$ -	33,831,890	\$ 338,319	\$17,537,413	\$(17,428,672)	\$447,060
Common stock returned pursuant to agreement	-	-	(300,000)	(3,000)	3,000	-	-
Common stock issued for consulting services	-	-	3,460,000	34,600	152,534	-	187,134
Common stock issued to employee	-	-	7,800,000	78,000	117,098	-	195,098
Net loss for the year ended December 31, 2011	-	-	-	-	-	(1,186,975)	(1,186,975)
Balance, December 31, 2011	-	-	44,791,890	447,919	17,810,045	(18,615,647)	(357,683)
Common stock issued through PPM	-	-	937,500	9,375	65,625	-	75,000
Common stock issued for consulting services	-	-	1,484,244	14,842	103,055	-	117,897
Net income for the year ended December 31, 2012	-	-	-	-	-	200,917	200,917
Balance, December 31, 2012	-	\$ -	47,213,634	\$ 472,136	\$17,978,725	\$(18,414,730)	\$36,131

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





**REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES**

## Consolidated Statements of Cash Flows

	For the Years Ended	
	2012	December 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 200,917	\$ (1,186,975)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	9,597	33,260
Amortization	278,076	297,792
Stock based compensation	-	195,098
Common stock issued for services/interest	117,897	187,134
Loss on disposal of assets	-	7,760
Impairment of long-lived assets	2,173,550	100,233
Impairment of goodwill	326,254	-
Gain on extinguishment of debt	(3,428,875)	(54,406)
Changes in operating assets and liabilities:		
(Increase) / decrease in accounts receivable	3,346	99,891
(Increase) / decrease in inventory	27,610	(16,253)
(Increase) / decrease in prepaid asset	(102,667)	4,679
Increase / (decrease) in accounts payable and accrued expenses	(5,069)	(64,434)
Increase / (decrease) in interest payable	308,250	526,500
Net Cash from Operating Activities	(91,114)	130,279
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds (payments) from sale of fixed assets	-	-
Net Cash from Investing Activities	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital leases	-	(9,715)
Payments made against lines of credit	(35,008)	(16,003)
Issuance of common stock for cash	75,000	-
Principal payments on debenture debt	(75,000)	-
Proceeds from Related Party Note	40,000	-
Net Cash from Financing Activities	4,992	(25,718)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(86,122)</b>	<b>104,561</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>346,697</b>	<b>242,136</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 260,575</b>	<b>\$ 346,697</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		

Cash Paid For:

Interest	\$	5,549	\$	7,960
Income taxes	\$	-	\$	400

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

**REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

NOTE 1 -

**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.

Reflect Scientific

Reflect Scientific designs, develops and sells scientific equipment for the Life Science and Manufacturing industries. Our business activities include the manufacture and distribution of unique laboratory consumables and disposables such as filtration and purification products, customized sample handling vials, electronic wiring assemblies, high temperature silicone, graphite and vespel/graphite sealing components for use by original equipment manufacturers ( OEM ) in the chemical analysis industries, primarily in the field of gas/liquid chromatography.

The Company s chemical detector products serve the analytical instrumentation sector of the Life Sciences market. These optically based chemical detection instruments provide a cost-effective, high-performance alternative for original equipment manufacturers (OEM). One major use for these detectors is the analysis of whole blood for metabolic diseases.

Cryometrix

The Company s Cryometrix ultra low temperature freezers have technologies that provide energy savings and other critically important benefits to cryo-storage customers in the Life Science related industries. Ultra low temperature freezers are used in multiple industries for the storage of everything from blood to cancer vaccines. These types of freezers are used by companies such as hospitals and biotechnology research facilities. The adaptation of the freezer technology to refrigeration systems used on trailers ( reefers ) for transporting perishable items opens a significant new market. Trailers can easily be retrofit with the Cryogenix unit, which provides pollutant free and more efficient operations at a cost savings compared to the diesel powered units currently used. The non-polluting Cryogenix unit provides significant benefits over any other unit currently marketed.

Julie Martin Scientific Technology ( JMST )

The Company manufactures and sells a line of chemical detectors which have broad application in research facilities and laboratories. The detectors have a price advantage over competitive products, making them affordable for use in laboratories at educational institutions. The sale of chemical detectors also generates follow on sales of consumable supplies.

NOTE 2 -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Method

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

b. Revenue Recognition

Revenue is only recognized on product sales once the product has been shipped to the customers, persuasive evidence of an agreement exists, the price is fixed or determinable, and collectability is reasonably assured.

c. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities



and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

The Company considers all deposit accounts and investment accounts with an original maturity of 90 days or less to be cash equivalents.

e. Accounts Receivable

The Company writes off trade receivables when deemed uncollectible. The Company estimates allowance for doubtful accounts based on the aged receivable balances and historical losses. The Company charges off uncollectible accounts when management determines there is no possibility of collecting the related receivable. The Company considers accounts receivable to be past due or delinquent based on contractual terms, which is generally net 30 days.

The Company charged \$0 to bad debt expense for the years ended December 31, 2012 and 2011. An analysis of the allowance for doubtful accounts balance at December 31, 2012 determined that no change was required from the \$18,714 reserve at December 31, 2011.

f. Fixed Assets

Fixed assets are stated at cost. Expenditure for minor repairs, maintenance, and replacement parts which do not increase the useful lives of the assets are charged to expense as incurred. All major additions and improvements are capitalized. Depreciation is computed using the straight-line method. The lives over which the fixed assets are depreciated range from 5 to 7 years, except for computer equipment, which is depreciated over a 3 year life.

g. Inventory

Inventories are stated at the lower of cost or market value based upon the average cost inventory method. The Company's inventory consists of parts for scientific vial kits, refrigerant gases, components for the imaging and inspection systems which it builds, and other scientific items.

h. Advertising Expense

The Company follows the policy of charging the costs of advertising to expense as incurred. The Company recognized \$22,336 and \$21,895 of advertising expense during the years ended December 31, 2012, and 2011, respectively.

i. Newly Issued Accounting Pronouncements

**Simplified Testing of Impairment** In July 2012 the FASB issued a new accounting standard that simplifies the impairment test for indefinite-lived intangible assets, other than goodwill. The new guidance gives the option to first assess qualitative factors to determine if it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative valuation test. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after September 15, 2012. The Company early adopted this accounting standard in the fourth quarter of 2012, and adoption did not have a material impact.

The Company has reviewed all other recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on its consolidated results of operation, financial position or cash flows. Based on that review, the Company believes that none of these pronouncements will have a significant effect on its current or future earnings or operations.

j. Earnings per Share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding during the period of the consolidated financial statements as follows:



## For the Years Ended

		December 31,	
		2012	2011
Net income (loss) (numerator)	\$	200,917 \$	(1,186,975)
Shares (denominator)		45,409,379	41,866,027
Net income (loss) per share amount	\$	0.00 \$	(0.03)

As of December 31, 2012 the Company had no shares of outstanding common stock equivalents. At December 31, 2011 the Company had 4,151,895 shares of outstanding common stock equivalents, but they were not included in the calculation of the net loss per common share, as the conversion price exceeded the average market price for the year. This would cause them to be anti-dilutive.

## k. Shipping and Handling Fees and Costs

The Company records all shipping and handling cost in cost of goods sold.

## l. Income Taxes

Deferred taxes are provided on an asset and liability approach whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company's policy is to recognize potential interest and penalties accrued related to unrecognized tax benefits within income tax expense. For the years ended December 31, 2012 and 2011, it did not recognize any interest or penalties in its Statement of Operations, nor did it have any interest or penalties accrued in its Balance Sheet at December 31, 2012 and 2011 relating to unrecognized benefits.

## m. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, which include Cryometrix (previously Cryomastor). All subsidiaries are wholly owned. All material intercompany accounts and transactions are eliminated in consolidation.

n. Research and development expense

The Company accounts for research and development costs in accordance with the Financial Accounting Standards Board's Accounting Standard Codification Topic 730 "Research and Development". Under ASC 730, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. The Company had \$35,945 and \$33,170 in research and product development for the years ended December 31, 2012 and 2011, respectively.

o. Stock Based Compensation

The Company applies the provisions of FASB ASC Topic 718 "Stock Based Compensation" which requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in their financial statements.

p. Intangible Assets

Intangible assets include trademarks, trade secrets, patents, customer lists and goodwill acquired through acquisition of subsidiaries. The patents have been registered with the United States Patent and Trademarks Office. The costs of obtaining

patents are capitalized as incurred. Intangibles, except for goodwill, are amortized over their estimated useful lives. The Company regularly evaluates whether events or circumstances have occurred that indicate possible impairment and relies on a number of factors, including operating results, business plans, economic projections, and anticipated future cash flows. The Company uses an estimate of the future undiscounted net cash flows of the related asset or asset group over the remaining life in measuring whether the assets are recoverable. Measurement of the amount of impairment, if any, is based upon the difference between the asset's carrying value and estimated fair value. Fair value is determined through various valuation techniques, including cost-based, market and income approaches as considered necessary. See Note 13 for information regarding the impairment of definite-lived intangibles and long-lived assets during the years ended December 31, 2012 and 2011.

q. Goodwill

Goodwill represents the excess of purchase price of an acquisition over the fair value of net assets acquired. Goodwill is not amortized but instead is tested for impairment, at a reporting unit level, annually and when events and circumstances warrant an evaluation. The Company evaluates goodwill on an annual basis, as of the end of the fourth quarter, and whenever events and changes in circumstances indicate that there may be a potential impairment. In making this assessment, management relies on a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, business trends and market conditions. See Note 13 for information regarding the impairment of goodwill for the years ended December 31, 2012 and 2011.

r. Reclassifications

Certain immaterial reclassifications have been made to the cash flow statement for the year ended December 31, 2011, to conform to the 2012 presentation.

NOTE 3 GOING CONCERN

The Company is currently in default on the remainder of its issued and outstanding debentures. While the Company worked diligently to secure funding to enable it to retire the majority of the debenture obligations, there can be no assurance that funding will be available to retire the remainder of the outstanding debentures and, if funds are available, that the terms will be favorable to the Company. The Company also continues to accumulate significant operating losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management has taken a number of actions to reduce expenses. Management is seeking additional funding through the capital markets to facilitate the settlement of the remaining debentures, as well as to provide operating capital for its operations. However, there is no assurance that additional funding will be available on acceptable terms, if at all.

## NOTE 4 -

## FIXED ASSETS

Fixed assets and related depreciation for the period are as follows:

	December 31,		December 31,
	2012		2011
Machinery and equipment	\$ 162,460	\$	162,460
Furniture and fixtures	2,697		2,697
Computer and office equipment	2,390		2,390
Leasehold improvements	10,164		10,164
Accumulated depreciation	(168,066)		(158,469)
 Total Fixed Assets	 \$ 9,645	 \$	 19,242

Depreciation expense for the years ended December 31, 2012, and 2011, was \$9,595 and \$33,260, respectively.

## NOTE 5 -

## INVENTORIES

Inventory consisted of the following at December 31, 2012 and 2011:

		December 31, 2012	December 31, 2011
Raw materials	\$	118,661	\$ 118,661
Finished goods		246,733	274,343
Total Inventory	\$	365,394	\$ 393,004

## NOTE 6-

## COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations

The Company leases its office and warehouse space under a non-cancelable lease agreement accounted for as operating leases. The Company also leases an automobile under similar non-cancelable lease agreement, which is also accounted for as an operating lease.

**Building Lease - Orem, Utah:** The Company leases a manufacturing and office facility with 6,000 square feet of space. We lease this facility at \$3,200 per month through August 31, 2012, at which time the lease changed to \$3,100 per month to the expiration of the lease on November 30, 2014.

Rent expense was \$38,032 and \$54,217 for the years ended December 31, 2012, and 2011, respectively.

**Automobile Lease** The Company currently leases one vehicle with a monthly lease payment of \$655 per month. The automobile lease expires on September 30, 2013. A second vehicle leased for \$291 per month had a lease expiration date of September 3, 2011, at which time the vehicle was returned.

Automobile lease expense was \$7,860 and \$7,860 for the years ended December 31, 2012, and 2011, respectively.

Minimum rental payments under the non-cancelable operating leases are as follows:

Years ending		Amount
December 31,		
2013	\$	42,030
2014		34,100
Thereafter		-
	\$	76,130

NOTE 7 -

#### PREFERRED STOCK

In November 2004 the Company amended its Articles of Incorporation so as to authorize 5,000,000 shares of preferred stock. Of this total, 750,000 shares have been designated as Series A Convertible Preferred Stock . As of December 31, 2012 and 2011, no shares of the preferred stock are issued and outstanding.

#### Dividends

The holders of the Series A Preferred Stock are entitled to dividends at the rate of 8 percent per year of the liquidation preference of \$1.00 per share, payable annually, if and when declared by the board of directors. Dividends are not cumulative and the board of directors is under no obligation to declare dividends.

Convertibility

Upon the approval of the Board of Directors, Series A Preferred Stock may be convertible into the Company's common stock by dividing \$1.00 plus any unpaid dividends by 50% of the five day average closing bid price of the common shares.

NOTE 8 -

COMMON STOCK TRANSACTIONS

During the years ended December 31, 2012 and 2011, the following stock transactions occurred:

.

In September 2012, 937,500 shares of restricted common stock were sold in a private placement at \$0.08 per share. The proceeds of \$75,000 were used to make payment on the settlement agreement to retire the majority of the debentures, penalty, interest and warrants.

.

In September 2012, 84,244 shares of restricted common stock were issued to business consultants for services provided.

.

In November 2012, 1,400,000 shares of restricted common stock were issued in payment for consulting and investor relations services to be received from December 1, 2012 through November 30, 2013. The unearned value of the stock was included in prepaid assets at December 31, 2012, and will be amortized over the remaining life of the agreement.

.

In February 2011, 300,000 shares of stock which had been originally issued in acquisition transactions were returned to the Company. Upon receipt, the total 300,000 shares were cancelled.

In April 2011, the Board of Directors granted to the president 7,800,000 shares of the Company's restricted common stock. In exchange, the president agreed to the cancellation of the 4,800,000 stock options which he held. The stock grant was given in recognition of services which he has provided over a number of years and as compensation in lieu of salary and/or bonuses which have not been provided him due to the financial condition of the Company. As this transaction was entered into between the Company and an insider, it was deemed expedient to obtain an outside valuation for the transaction. An independent firm engaged to determine the valuation of the transaction arrived at a fair value of \$0.0462 per share for a total of \$360,143. The current valuation of the options surrendered was determined to be \$165,045, resulting in a net, non-cash stock-based compensation charge of \$195,098.

In April 2011, the Company issued 3,100,000 shares of restricted common stock, valued at \$0.0462 per share, for consulting services.

In May 2011, the Company issued 280,000 shares of restricted common stock, valued at \$0.12 per share, to an investor relations firm for services provided, and issued an additional 80,000 shares in August, valued at \$0.13 per share.

NOTE 9 -

#### CONCENTRATIONS OF RISK

##### Cash in Excess of Federally Insured Amount

The Company, during the years ended December 31, 2012 and 2011, did not maintain a cash balance at a single financial institution in excess of the federally insured maximum of \$250,000.

##### Sales and Accounts Receivable

The Company has three major customers who represent a significant portion of revenue. These three customers represented 65% of total sales revenue for the year ended December 31, 2012. At December 31, 2012, accounts receivable balances from these three customers represent 72% of the total receivables. The Company has strong relationships with each of these customers and does not believe this concentration poses a significant risk due to those



long-term relationships and uniqueness of the products they purchase from the Company.

NOTE 10 -

LINE OF CREDIT

The Company has a credit line with a commercial bank of \$100,000 secured by its inventory and accounts receivable bearing a variable interest rate, which was 5.50% as of the balance sheet date, and automatically renews so long as the Company is in compliance with the loan covenants. As of December 31, 2012, there was a balance due on the line in the amount of \$71,688.

The Company has an additional credit line with a different commercial bank of \$50,000 secured by its inventory and accounts receivable bearing a fixed interest rate, which was 7.75% as of the balance sheet date, and automatically renews so long as the Company is in compliance with the loan covenants. As of December 31, 2012, there was a balance due on the line in the amount of \$3,025.

NOTE 11 CONVERTIBLE DEBENTURES AND WARRANTS

On June 29, 2007, the Company entered into an agreement to sell \$2,500,000 in 12% senior convertible debentures with a maturity date of June 29, 2009. The debentures are convertible at \$0.65 per share. The agreement provided for the issuance of 1,923,077 A warrants and 1,923,077 B warrants. The warrants are exercisable at a price of \$0.80 per share for the A warrants and \$1.00 per share for the B warrants. As payment for services provided to bring this transaction to completion, the Company also issued 192,308 Series A warrants and 192,308 Series B. All outstanding unexercised warrants expired June 29, 2012.

At December 31, 2012, the remaining outstanding indebtedness for the debentures and penalty resulting from forfeiture was \$650,000. Assuming all debentures were converted, 1,000,000 shares of restricted common stock would be issued. The debentures now bear an 18% interest rate.

In June 2012, 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 was contingent upon the Company making a cash payment to them in the amount of \$75,000 in full satisfaction of the indebtedness. In exchange for the \$75,000 payment, the debenture holder would cancel the debentures, penalty, interest and warrants. The Company made the agreed upon payment on July 10, 2012. Under the terms of the agreement all indebtedness was extinguished, which included the principal amount of \$1,750,000, default penalties of \$525,000 and accrued interest of \$1,204,875. The related warrants were also extinguished by the settlement agreement. The Company recognized a gain on extinguishment of debt of \$3,428,875 on the settlement agreement. All remaining unexercised warrants expired on June 29, 2012.

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A summary of the status of the Company's outstanding stock warrants as of December 31, 2012 and 2011 and changes during the period then ended is presented below:

			Weighted Average Exercise Price
	Warrants		
Outstanding, January 1, 2011	4,151,895	\$	.90
Granted	-		-
Expired/Cancelled	-		-
Exercised	-		-
Outstanding, December 31, 2011	4,151,895		.90
Expired/Cancelled	4,151,895		-
Exercised	-		-
Outstanding, December 31, 2012	-	\$	.90
Exercisable	-	\$	.90

NOTE 12 COMMON STOCK OPTIONS

On December 31, 2007, the Company's board of directors approved an equity plan. The equity plan known as the 2007 Equity Incentive Plan (the Plan) reserves up to 6,000,000 shares of the Company's authorized common stock for issuance to officers, directors, employees and consultants under the terms of the Plan. On December 31, 2009, the Company's board of directors amended the Plan to authorize 12,000,000 shares. The Plan permits the board of directors to issue stock options and restricted stock.

The Company granted options to purchase 5,000,000 shares of common stock to key directors on December 31, 2007. On June 13, 2008, the Company granted options to purchase 66,660 shares of common stock to employees. On December 31, 2009, the Company granted options to purchase 5,176,660 shares of common stock to certain officers, directors and employees. In July 2010 the Company cancelled 5,066,660 options which had been issued prior to December 2009. In April 2011 the Company cancelled the 5,176,000 options which were issued on December 31, 2009. At December 31, 2012, there are no stock options outstanding.

As of December 31, 2012, there was no unrecognized compensation cost related to stock options granted and subsequently cancelled under the Plan.

NOTE 13 INTANGIBLE ASSETS AND GOODWILL

INTANGIBLE ASSETS

Definite lived intangible assets are stated at cost and amortized using the straight-line method. The lives over which the intangible assets are amortized range from 2 to 7 years. The weighted average remaining life over which the intangible assets will be amortized is 4.00 years.

During the year ended December 31, 2012, the Company recorded a charge for the impairment of goodwill and definite-lived intangibles, consisting of a goodwill charge of \$326,254 and a definite-lived intangibles impairment charge of \$2,173,550. Specifically, the definite-lived intangibles have been assessed for impairment due to indicators such as discontinuance of current or potential product-lines, reduced or eliminated projected cash flows, and other indicators. Measurement of the amount of impairment was based upon the difference between the asset's carrying value and estimated fair value. Fair value was determined through various valuation techniques, which involved judgments related to future cash flows and the application of the appropriate valuation model. During the years ended December 31, 2012 and 2011, the Company recorded impairment charges to reduce the carrying value of certain definite lived intangible assets by \$2,173,550 and \$100,233, respectively.

In regard to goodwill, during the fourth quarter of each year, and when events and circumstances warrant an evaluation, the Company performs an annual impairment assessment of goodwill, which requires the use of a fair-value based analysis. The Company compared the implied fair value of the reporting unit's goodwill, determined in the same manner as the amount of goodwill recognized in a business combination, with the carrying amount of such goodwill. Based on this analysis, the carrying amount of the reporting unit's goodwill exceeded the implied fair value of goodwill, and an impairment loss of \$326,254 was recognized during the year ended December 31, 2012. No goodwill impairment was recognized during the year ended December 31, 2011.

Intangible assets and related amortization and impairment for the period are as follows:

December 31, 2012

	Cost	Accumulated Amortization	Impairment Charge	Net Book Value
Trade Secrets	\$ 200,807	\$ 129,247	\$ 71,560	\$ -
Patents	3,339,567	1,325,222	1,936,522	77,823
Customer lists	580,000	380,029	165,468	34,503
Totals	\$ 4,120,374	\$ 1,834,498	<u>\$ 2,173,550</u>	\$ 112,326

December 31, 2011

	Cost	Accumulated Amortization	Impairment Charge	Net Book Value
Trade Secrets	\$ 200,807	\$ 111,722	\$ -	\$ 89,085
Patents	3,339,567	1,122,299	-	2,217,268
Customer lists	892,372	534,541	100,233	257,598
Totals	\$ 4,432,746	<u>\$ 1,768,562</u>	\$ 100,233	\$ 2,563,951

Amortization expense for the years ended December 31, 2012, and 2011, was \$278,076 and \$297,792, respectively.

The following is a listing of the estimated amortization expense for the next five years:

Amortization of:	2013	2014	2015	2016	2017
Patents	\$ 25,532	\$ 25,532	\$17,118	\$ 3,626	\$1,760
Customer lists	10,351	10,351	10,351	3,450	-
Total amortization	\$ 35,883	\$ 35,883	\$27,469	\$7,076	\$ 1,760

## GOODWILL

The changes in the carrying amount of goodwill for the year ended December 31, 2012 are as follows:

Goodwill:	December 31, 2011	Impairment Charge	December 31, 2012
JMST - Detectors	\$ 60,000	-	\$ 60,000
Cryometrix	592,149	\$ 326,254	265,895
Total	\$ 652,149	\$ 326,254	\$ 325,895

## NOTE 14 ROYALTIES

A royalty agreement was executed with JMST as a condition of the Company's acquisitions. Terms of the royalty agreement are as follows:

JMST David Carver will receive a royalty payment on gross revenues related to revenues derived from the Carver Patents or Carver Technology. Such payments are due on revenue in excess of \$500,000 derived from products under the Carver Patents or Carver Technology. The royalty payment is 2.5% on the revenue in excess of \$500,000 and is payable quarterly. Payments are to be made in Reflect Scientific's common stock not to exceed 500,000 shares in total. New products developed from the Carver Technology are subject to a royalty of 3% of gross revenues in excess of \$100,000, with an additional 2% if gross revenues exceed \$600,000. Royalties will also be paid in our common stock annually. Common stock will be valued at \$3.00 per share for these purposes. Royalty payments are only due for years where there are valid Carver Patents.

As sales did not reach or exceed the triggering threshold, no royalty payments were made under the royalty agreement during 2012 and 2011.

## NOTE 15 INCOME TAXES

The provision (benefit) for income taxes for the year ended December 31, 2012 and 2011 consist of the following:

	2012	2011
Federal:		
Current	\$ -	\$ -
Deferred	-	-
State:		
Current	-	-
Deferred	-	-
	\$ -	\$ -

Net deferred tax assets consist of the following components as of December 31, 2012 and 2011:

	2012	2011
Deferred tax assets (liabilities):		
NOL Carryover	\$ 2,123,200	\$ 2,966,200
Stock Based Compensation	-	-
Depreciation and Amortization	1,080,300	169,200
R&D Tax Credits	39,100	39,100
Debenture Interest Payable	159,500	500,200
Other Reserves	14,400	14,300
Valuation Allowance	(3,416,500)	(3,689,000)
Net deferred tax asset (liability)	\$ -	\$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income from continuing operations for the year ended December 31, 2012 and 2011 due to the following.

	2012	2011
Book income	\$ 68,312	\$ (403,572)
Effects of:		
Nondeductible Expenses	80,804	2,441
Stock for Services	115,416	29,832
State Tax Effect, net of Federal Benefit	8,037	(47,479)
Other, net	(69)	12,538
Change in Valuation Allowance	(272,500)	406,240
	\$ -	\$ -



At December 31, 2012, the Company had net operating loss carryforwards of approximately \$5,587,000 that may be offset against future income from the year 2013 through 2031. No tax benefit has been reported in the December 31, 2012 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years. In addition the Company had research and development tax credit carryforwards of \$39,100 which do not expire. During 2012 the Company evaluated its deferred tax assets and concluded that none of the asset is currently realizable and that a full valuation allowance should be recorded. The valuation allowance decreased by \$272,500 and leaves the Company with a net deferred tax asset of \$0 as of December 31, 2012.

Included in the balance at December 31, 2012 are no tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The tax years 2009 through 2012 remain open to examination for federal income tax purposes and by the other major taxing jurisdictions to which we are subject.

NOTE 16 RELATED PARTY TRANSACTIONS

Notes Payable

At December 31, 2012, the son of the Company president had advanced \$40,000 in funding in the form of interest bearing notes to the Company. The notes bear interest at the rate of 7.75% per annum with the interest paid monthly. The notes are demand notes, with the principal and any unpaid interest payable upon seven days written notice from the note holder.

During the year ended December 31, 2012, a shareholder forgave \$24,000 previously loaned to the Company.

NOTE 17 SUBSEQUENT EVENTS

A review of all activities subsequent to December 31, 2012 did not disclose any transaction which would require reporting.