

REED'S, INC.  
Form DEFC14A  
November 14, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant To Section 14(a) of the Securities Exchange Act of 1934**

Filed by the registrant  [X]

Filed by a party other than the registrant  [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[ ] Definitive additional materials

[ ] Soliciting material Pursuant to Rule 14a-11(c) or Rule 14a-12

**REED'S, INC.**

(Name of Registrant as Specified in Its Charter)

Payment of filing fee (check the appropriate box):

No fee required.

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## Message from the Founder, Chairman and Chief Executive Officer

To Our Stockholders:

You are cordially invited to attend the 2016 Annual Meeting of Stockholders of Reed's (the "Company"), which will be held at 1:00 P.M. Pacific Standard Time on November 29, 2016 at the corporate offices of Reed's Inc., 13000 S. Spring Street, Los Angeles, CA 90061. The formal Notice of Annual Meeting of Stockholders and Proxy Statement, which are contained in the following pages, outline the actions that will, or may, if properly presented, be taken by the stockholders at the meeting. Enclosed you should have received a **WHITE** proxy card or **WHITE** voting instruction form and postage-paid return envelope, which are being solicited on behalf of our board of directors (the "board").

I'm thrilled to announce our new team of board of Directors. Your independent board will be a tremendous resource for our company. This new board will include myself and 4 independent board members with significant and specific areas of expertise.

**John Bello** will be Reed's Chairman of the Board – our first independent Chairman - and our marketing and sales expert. Mr. Bello is the creator, founder and former CEO of Sobe Beverages, which sold to PepsiCo in 2001 for \$370 million.

**Lewis Jaffe** will be our new Board's governance expert. Mr. Jaffe is Entrepreneur-in-Residence at the Fred Kiesner Center for Entrepreneurship, Loyola Marymount University, Los Angeles. He has extensive public and private board governance experience and a Masters Professional Director Certification from the American College of Corporate Directors.

**Charles Cargile** will be our finance expert. Mr. Cargile has over 20 years experience in financial leadership in three different public companies, including 15 years as Chief Financial Officer. Mr. Cargile has his Professional Director Certification from the American College of Corporate Directors and has served on public company boards and audit committees.

**Stefan Freeman** will be our Operations and Supply Chain expert. Mr. Freeman resides in Los Angeles and has over 25 years experience in sales operations, manufacturing, and supply chain operations. Mr. Freeman has been Director of Sales Operations for Dr. Pepper Snapple Group, Supply Chain Manager and Plant Manager for Pepsi-Cola Bottling Group, Regional Vice President of Manufacturing for Coca-Cola Refreshments and Vice President of Fleet Operations for Coca-Cola Refreshments.

Reed's, continues to lead the Natural and Craft Soda renaissance nationally. Our core brands, Reed's Ginger Brews and Virgil's Sodas are back on track and growing again in the marketplace after 2015 supply chain issues. Reed's Ginger Brews grew 14% and Virgil's soda grew 13% during the third quarter of 2016. Our new Reed's Stronger Ginger Brew continues to grow with 3<sup>rd</sup> quarter of 2016 sales up 293% year over year and our Butterscotch Beer sales were also up 170% year over year.

We continue to add new retailers. Recent additions include 1300 Target stores, 1100 CVS stores and the entire Stater Bros. chain. We have added significant new distribution in the last year including the Southern California and San Diego marketplaces, Indiana, select New England markets and Nevada regions for direct store distribution ("DSD"). International Sales increased 250% year over year with new distributors in England and the Middle East.

Reed's Culture Club Kombucha line experienced significant out of stock instances in 2015 due to supply chain issues. In addition, this promising brand is also under heavy pressure from a large influx of new Kombucha brands. That being said, we are very enthusiastic about our upcoming opportunities for our Kombucha beverages. We are preparing to relaunch and aggressively market our Kombucha brand after a revamp of the product line with positive new innovations from our research and development team. We still make the best tasting Kombucha brand in the marketplace and with these new changes to our Kombucha products, we will become even more appealing to consumers.

We have been exhibiting at trade shows nationwide and have hosted booths at the Natural Products shows, the National Restaurant show, the National Convenient Store show and the National Specialty Food shows this year. In addition, we continue to participate with many of our large grocery partners' consumer marketing programs including in-store advertising and circulars, and participation in consumer events to drive awareness around our brands.

Capacity at our new plants is progressing as planned. Our fully automated Los Angeles facility is scheduled to come online by the end of the year and will be capable of producing three times more product than the old line with much more efficiency. The east coast back-up facilities have been handling our overflow very well since earlier this year. We now have redundant capacity which will ensure that we avoid the out of stock issues we experienced last year and will allow us to rationalize the usage in 2017.

In 2015, because our largest plant had a catastrophic equipment failure, we created significant out of stocks on our products. During this time, these out of stock issues caused us to lose approximately 20% of our shelf placements. We continue to reach out to our customers to assure them that our out of stock issues were caused by one time events and that we are now back in stock. Our fill rate on orders is now 97% and we have recovered approximately 25% of the shelf placements we had lost.

By bringing the west coast facility on line and returning to more steady-state production, we expect to increase our profit margins. Our goal is to exceed 30% gross margins by the end of the 2<sup>nd</sup> quarter 2017. This will be accomplished by negotiating better packaging contracts, improving production processes and enhancing plant efficiencies. The margin improvements should result in significant improvement in profitability. We generated cash in the 3<sup>rd</sup> quarter of 2016 and with the improvement in margins, we expect to continue to generate positive cash flow moving forward.

This year we have continued to focus on research and development with our primary focus being the development of the first natural soda fountain system, which we are designing for one of the largest fast casual restaurant chains in the country. In addition, we have developed new processes for making our Ginger Brews that will simplify the brewing process and improve profitability without sacrificing quality. We are revamping our Kombucha line to make it more appealing to customers while retaining the great flavor of these products. We expect the revised Kombucha line to launch in early 2017. Our research and development team has also developed a new line of products aimed at large national retailers that we will unveil shortly.

As the quarterly financials continue to improve, we anticipate lower interest rates on working capital lines of credit. In 2017, we anticipate refinancing our current working capital line of credit resulting in significantly lower interest expenses.

In 2017, we expect continued and accelerating sales growth leading to increased profitability and shareholder value. We eagerly await our launch of the first natural soda fountain to consumers. As the company continues its march to profitability, we expect to be able to ramp up the marketing around our products. We are excited about our new product innovations that will soon launch and the re-launch of our Kombucha. We are excited about our new board and management team that we have assembled around Reed's.

Chris Reed

Founder, Chief Executive Officer and Chairman, Reed's, Inc.

NYSE MKT: REED

## FORWARD LOOKING STATEMENTS

This statement contains forward-looking statements. These statements include projections, predictions, expectations or statements as to beliefs or future events or results or refer to other matters that are not historical facts.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by these statements. The forward-looking statements contained herein are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by the words “anticipate”, “estimate”, “plan”, “project”, “continuing”, “ongoing”, “to”, “aim”, “expect”, “believe”, “intend”, “may”, “will”, “should”, “could”, or the negative of those words and other comparable words. You should be aware that those statements reflect only the Company’s predictions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind not to place undue reliance on these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements contained in this statement are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

**REED'S, INC.**

13000 South Spring Street Los Angeles, California 90061

**NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS**

**To be held November 29, 2016**

Dear Stockholder:

You are cordially invited to attend our annual meeting of stockholders at 1:00 P.M. Pacific Standard Time at 13000 S. Spring Street, Los Angeles, CA 90061 on November 29, 2016. The business of the annual meeting will be to:

Elect Christopher Reed, John Bello, Stefan Freeman, Lewis Jaffe and Charles Cargile to serve as directors until the 2017 annual meeting, or until each director's successor is elected and qualified;

Ratify the selection of Weinberg & Company, P.A. as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017;

Consider and vote on whether to approve, on an advisory basis, the compensation paid to our Named Executive Officers (as that term is defined in the Proxy Statement for the 2016 Annual Meeting) for the fiscal year ended December 31, 2015;

Approve management proposal to re-price previously issued stock options;

To amend the advance notice provisions of our amended and restated bylaws;

Consider a shareholder proposal entitled "Independent Board Chairman", if properly presented by the relevant shareholder proponent;

Consider a shareholder proposal entitled "Shareholder Proxy Access", if properly presented by the relevant shareholder proponent; and

To transact such other business as may properly come before the 2016 Annual Meeting and any adjournments or postponements thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders. The board recommends: a vote “**FOR**” each of the five director nominees named in the accompanying Proxy Statement, a vote “**FOR**” Proposal Nos. 2, 3, 4 and 5 and a vote “**AGAINST**” Proposal Nos. 6 and 7 on the enclosed **WHITE** proxy card.

The board has fixed the close of business on October 24, 2016 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and at any continuation, postponement or adjournment thereof.

\* \* \* IMPORTANT NOTICE \* \* \*

Regarding Internet Availability of Proxy Materials

for the 2016 Annual Meeting of Stockholders to be held on November 29, 2016.

In accordance with rules issued by the Securities and Exchange Commission, you

may access our 2015 Annual Report and our Proxy Statement at

<https://www.sec.gov/Archives/edgar/data/1140215/000149315215005836/defr14a.htm>

The board recommends a vote “**FOR**” the election of each of the director nominees named in the accompanying Proxy Statement and on the enclosed **WHITE** proxy card, and strongly urges you NOT to sign or return any proxy card(s) or instruction form(s) that you may receive from the Committee or any of their affiliates.



**Please submit a WHITE proxy as soon as possible so that your shares can be represented and voted at the Annual Meeting in accordance with your instructions. For specific instructions on submitting a proxy to have your shares voted, please refer to the instructions on the WHITE proxy card or the information forwarded by your bank, broker or other nominee. Even if you have submitted a White proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a bank, broker or other nominee and you wish to vote in person at the Annual Meeting, you must obtain a legal proxy issued in your name from such bank, broker or other nominee.**

**If you have previously signed a proxy card sent to you by the Committee or any of their affiliates in respect of the Annual Meeting, you can revoke that proxy and submit a White proxy to vote for the board's nominees by signing, dating and returning the enclosed WHITE proxy card or by following the instructions provided in the WHITE proxy card to submit a proxy to vote your shares over the Internet or by telephone or by voting in person at the Annual Meeting. Signing, dating and returning any proxy card that the Committee or any of their affiliates may send to you, even with instructions to vote "withhold" with respect to the Committee Nominees, will cancel any proxy you may have previously submitted to have your shares voted for the board's nominees on a WHITE proxy card as only your latest proxy card or voting instruction form will be counted. If you are a beneficial holder of shares held in "street name," you should follow the voting instructions provided by your bank, broker or other nominee to ensure that your shares are represented and voted at the Annual Meeting, or to revoke prior voting instructions. The board urges you to sign, date and return only the enclosed WHITE proxy card.**

**Your vote is very important. Please submit your WHITE proxy card even if you plan to attend the Annual Meeting. To submit a White proxy card or to vote your shares over the Internet or by telephone, please follow the instructions on the enclosed WHITE proxy card.**

The accompanying Proxy Statement provides a detailed description of the business to be conducted at the Annual Meeting. We urge you to read the accompanying Proxy Statement, including the appendices and any documents incorporated by reference, carefully and in their entirety.

Your vote will be especially important at the meeting. As you may know, Joseph Grace, Edwin R. Lozano, James G. McRitchie, Gary W. Spiro, Mathew D. Tekulsky, Jeffrey T. Glidden and Jeffrey V. Hembrook (collectively referred to herein as the "Committee"), have notified the Company that they intend to nominate a slate of five director nominees for election in opposition to the director nominees recommended by our board of directors.

The board recommends a vote "**FOR**" the election of each of the director nominees named in the accompanying Proxy Statement and on the enclosed **WHITE** proxy card, and strongly urges you **NOT** to sign or return any proxy card(s) or instruction form(s) that you may receive from the Committee or any of their affiliates.

If you have any questions or require any additional information concerning this Proxy Statement, please contact Okapi Partners at the address set forth below.

1212 Avenue of the Americas, 24th Floor

New York, NY 10036

(212) 297-0720

Call Toll-Free at: (877) 274-8654

E-mail: [info@okapipartners.com](mailto:info@okapipartners.com)

By Order of the Board of Directors,  
Los Angeles, California Christopher J. Reed,  
November 14, 2016 Chief Executive Officer and Chairman

PROXY STATEMENT

**FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS OF  
REED'S, INC.**

**To Be Held on November 29, 2016**

The enclosed the enclosed **WHITE** proxy card is being delivered with this Proxy Statement on behalf of the board of directors (the "board") of Reed's, Inc., a Delaware corporation, for use at the 2016 Annual Meeting of Stockholders (the "Annual Meeting") of Reed's, Inc. and all postponements, continuations or adjournments thereof. These proxy materials and the enclosed Annual Report on Form 10K for the year ended December 31, 2015, as amended, ("Annual Report") are being mailed to our stockholders on or about November 14, 2016. In this Proxy Statement, we use the terms the "Company", "Reed's", "we", "our" and "us" to refer to Reed's, Inc.

**Is my vote important?** Your vote will be particularly important at the Annual Meeting. As you may know, the Company has received a notice from Joseph Grace, Edwin R. Lozano, James G. McRitchie, Gary W. Spiro, Mathew D. Tekulsky, Jeffrey T. Glidden and Jeffrey V. Hembrook (the "Committee") regarding their intent to nominate a competing slate of directors (the "Committee Nominees") at the Annual Meeting.

The board recommends a vote "**FOR**" the election of each of the director nominees named in this Proxy Statement on the enclosed **WHITE** proxy card, and strongly urges you **NOT** to sign or return any proxy card(s) or voting instruction form(s) that you may receive from the Committee or any of their affiliates.

To vote for all of the board's nominees, you must sign, date and return the enclosed **WHITE** proxy card or follow the instructions provided in the **WHITE** proxy card for submitting a proxy over the Internet or by telephone or vote in person at the Annual Meeting.

If you have previously signed any proxy card sent to you by the Committee or any of their affiliates in respect of the Annual Meeting, you can revoke it by signing, dating and returning the enclosed **WHITE** proxy card or by following the instructions provided in the **WHITE** proxy card for submitting a proxy to vote your shares over the Internet or by telephone or voting in person at the Annual Meeting. Signing, dating and returning any proxy card that the Committee or any of their affiliates may send to you, even with instructions to vote "withhold" with respect to the Committee Nominees, will cancel any proxy you may have previously submitted to have your shares voted for the board's

nominees as only your latest proxy card or voting instruction form will be counted. Beneficial holders who hold their shares in "street name" should follow the voting instructions provided by their bank, broker or other nominee to ensure that their shares are represented and voted at the Annual Meeting, or to revoke prior voting instructions.

**The board urges you to sign, date and return only the enclosed WHITE proxy card.**

**Where and when is the Annual Meeting?** Our Annual Meeting will be held on November 29, 2016 at 1:00 P.M. Pacific Standard Time at the corporate offices of Reed's Inc., 13000 S. Spring Street, Los Angeles, CA 90061.

**Why did I receive these materials?** You received this Proxy Statement because you held shares of our common stock on October 24, 2016, the record date fixed by our board, and you are entitled to vote at the Annual Meeting. This Proxy Statement and a copy of our Annual Report will be mailed on or about November 14, 2016. Although the Proxy Statement and Annual Report are being mailed together, the Annual Report is not incorporated into, and should not be deemed part of, this Proxy Statement.

**Who can attend the Annual Meeting?** Only stockholders as of the record date, their authorized representatives, and invited guests will be able to attend the Annual Meeting.

**Who is entitled to vote?** Only holders of record of our common stock at the close of business on October 24, 2016, the record date, are entitled to vote at the Annual Meeting. Each share is entitled to vote on each matter properly brought before the meeting. As of the record date, there were 13,973,726 shares of our common stock outstanding. Holders of Series A preferred stock do not have voting rights on any matters, including, without limitation, the election of directors.

**Who are the proxies?** The board of the Company has appointed Daniel Miles, our Chief Financial Officer and Mark Beaton, our Chief Operating Officer to serve as proxies at the Annual Meeting. When you fill out your **WHITE** proxy card and return it, or if you vote electronically, you will be giving the proxies your instruction on how to vote your shares at the Annual Meeting.

**Will there be a proxy contest at the Annual Meeting?** The Committee has provided notice to the Company that the Committee intends to nominate a competing slate of directors in opposition to the board's highly qualified director nominees. Our board does **NOT** endorse or recommend the election of the Committee Nominees as directors. You may receive proxy solicitation materials from the Committee or any of their affiliates, including an opposition proxy statement or proxy card. The board strongly urges you **NOT** to sign or return any proxy card(s) or voting instruction form(s) that you may receive from the Committee or any of their affiliates.



Please be advised that the Company is not responsible for the accuracy of any information provided by, or relating to, the Committee or any Committee Nominee contained in any proxy solicitation materials filed or disseminated by, or on behalf of, the Committee or any of their affiliates or any other statements that the Committee or any of their affiliates or representatives may otherwise make.

Our board is pleased to nominate for election as director the five persons — Christopher Reed, John Bello, Lewis Jaffe, Charles Cargile, and Stefan Freeman — named in this Proxy Statement and on the enclosed **WHITE** proxy card. We believe our five director nominees have the breadth of relevant and diverse experiences, integrity and commitment necessary to continue to grow the Company for the benefit of all of the Company's stockholders.

### **What do I do if I receive a proxy card or voting instruction form from the Committee?**

The board strongly urges you **NOT** to sign or return any proxy card(s) or voting instruction form(s) that you may receive from the Committee or any of their affiliates, even with instructions to vote "withhold" with respect to the Committee Nominees. Instructions to withhold votes with respect to the Committee Nominees on a proxy card provided by, or on behalf of, the Committee or their affiliates will cancel any proxy previously submitted by you to vote for the board's nominees on a **WHITE** proxy card or **WHITE** voting instruction form as only your latest proxy card or voting instruction form will be counted.

If you previously signed a proxy card or submitted a voting instruction form sent to you by, or on behalf of, the Committee or their affiliates, you can change or revoke that proxy and have your shares voted for the board's nominees by (i) signing, dating and returning only the enclosed **WHITE** proxy card in the enclosed postage-paid return envelope to submit your proxy by mail, (ii) following the instructions provided in the **WHITE** proxy card for submitting a proxy over the Internet or by telephone, or (iii) attending the Annual Meeting to vote in person. Only your latest dated proxy will be counted at the Annual Meeting.

If you need assistance changing or revoking your proxy, please call the Company's proxy solicitor, Okapi Partners, toll free at (877) 274-8654 (within the U.S.).

**How do I vote if I am a registered stockholder?** You may vote in person, electronically via the Internet, or by proxy. Proxies are solicited to give all stockholders who are entitled to vote on the matters that come before the meeting the opportunity to do so whether or not they attend the meeting in person. If you are a registered holder, you can vote your **WHITE** proxy card by mail, electronically via the Internet, or in person at the Annual Meeting. *If you choose to vote by mail, mark your **WHITE** proxy card enclosed with this Proxy Statement, date and sign it, and mail it in the postage-paid envelope. If you wish to vote in person, you can vote the **WHITE** proxy card in person at the Annual Meeting. Signing and returning a proxy will not prevent you from voting in person at the meeting.*

**How do I vote electronically?** If you are a registered stockholder, you may vote electronically via the Internet. Please review the voting instructions on the **WHITE** proxy card.

**How do I specify how I want my shares voted?** If you are a registered stockholder, you can specify how you want your shares voted on each proposal by marking the appropriate boxes on the **WHITE** proxy card. Please review the voting instructions on the **WHITE** proxy card and read the entire text of the proposals and the positions of the board of Directors in the Proxy Statement prior to marking your vote. *If your **WHITE** proxy card is signed and returned without specifying a vote, it will be voted according to the recommendation of the board of Directors on that proposal.*

**How do I vote if I am a beneficial stockholder?** If you are a beneficial stockholder, you have the right to direct your broker or nominee on how to vote your shares. You should complete a voting instruction card which your broker or nominee is obligated to provide to you. If you wish to vote in person at the meeting, you must first obtain from the record holder a **WHITE** proxy card issued in your name.

**What items will be voted upon at the Annual Meeting?** The following items will be voted upon at the Annual Meeting:

Elect Christopher Reed, John Bello, Stefan Freeman, Lewis Jaffe and Charles Cargile to serve as directors until the 2017 annual meeting, or until each director's successor is elected and qualified;

Ratify the selection of Weinberg & Company, P.A. as the Company's independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending December 31, 2017;

Consider and vote on whether to approve, on an advisory basis, the compensation paid to our Named Executive Officers (as that term is defined in the Proxy Statement for the 2016 Annual Meeting) for the fiscal year ended December 31, 2015;

Approve management proposal to re-price previously issued stock options;

Vote for the amendment of the advance notice provisions of our amended and restated bylaws;

Consider a shareholder proposal entitled "Independent Board Chairman", if properly presented by the relevant shareholder proponent; and

Consider a shareholder proposal entitled "Shareholder Proxy Access", if properly presented by the relevant shareholder proponent.

The board does not currently know of any other matters that may be brought before the meeting for a vote. However, if any other matters are properly presented for action, it is the intention of the persons named on the **WHITE** proxy card to vote on them according to their best judgment.

**What is the board of directors' voting recommendation?** For the reasons set forth in more detail later in the Proxy Statement, the board recommends you vote using the enclosed **WHITE** proxy card **FOR** the election of all nominees for director proposed by our board (Proposal No. 1). The board has ratified the selection of Weinberg & Company, P.A. as the Company's independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending December 31, 2017 (Proposal No. 2) which selection was made by the Company's Audit Committee. The board recommends a vote **FOR** the ratification of the auditors (Proposal No. 2). The board recommends a vote **FOR** Proposal No. 3, the say-on-pay proposal, to approve, on an advisory basis, the compensation paid to our Named Executive Officers for the fiscal year ended December 31, 2015. The board recommends a vote **FOR** Proposal No. 4 to approve management proposal to re-price previously issued stock options. The board recommends a vote **FOR** Proposal No. 5 to amend the advance notice provision of our amended and restated bylaws and recommends a vote **AGAINST** shareholder proposals entitled "Independent Board Chairman and "Shareholder Proxy Access" (Proposal Nos. 6 and 7).



Please note that the best way to support the board's nominees is to vote "**FOR**" the board's nominees by signing, dating and returning the enclosed **WHITE** proxy card or by submitting a proxy over the Internet or by telephone by following the instructions on the **WHITE** proxy card. The board strongly urges you **NOT** to sign or return any proxy card(s) or voting instruction form(s) that you may receive from the Committee or any of their affiliates. Signing and returning any proxy card that the Committee or any of their affiliates may send to you, even to vote "withhold" with respect to the Committee Nominees, will cancel any proxy you may have previously submitted to have your shares voted for the board's nominees on a **WHITE** proxy card, as only your latest dated proxy card will be counted. Therefore, the board urges you to sign, date and return only the enclosed **WHITE** proxy card.

**How can I provide my comments to the Company?** We urge you to let us know your comments or to bring a particular matter to our attention by writing directly to us at Reed's, Inc., 13000 South Spring Street, Los Angeles, California 90061, attention: Judy Holloway Reed, Secretary.

**How many votes are needed to have the proposals pass?** The affirmative vote of the majority of the votes cast at the Annual Meeting is required to elect the directors, ratify the selection of the auditors, approve management proposal to re-price previously issued stock options and approve shareholder proposals for independent board Chairman and shareholder proxy access. The say-on-pay vote is advisory, and, therefore, not binding on us, our board of directors or our Compensation Committee. Notwithstanding the advisory nature of this vote, the resolution will be deemed approved and passed on an advisory basis with the affirmative vote of a majority of the votes cast at the Annual Meeting. Our board of directors and our Compensation Committee value the opinions that our stockholders express in their votes and will consider the outcome of this vote when considering future executive compensation arrangements as they deem appropriate.

**How are the votes counted?** You will have one vote for each share of our common stock that you owned on the record date. If the **WHITE** proxy card is properly executed and returned prior to the Annual Meeting, the shares of common stock it represents will be voted as you instruct on the **WHITE** proxy card. If a **WHITE** proxy card is unmarked, or if you indicate no vote, the shares of common stock it represents will be voted **FOR** Proposal No. 1, the election of directors recommended by the board, **FOR** Proposal No. 2 the ratification of the auditors for this year, **FOR** Proposal No. 3 the say-on-pay proposal **FOR** Proposal No. 4, management proposal to re-price previously issued stock options, **FOR** Proposal No. 5, the amendment to the advance notice provision of our amended and restated bylaws, and **AGAINST** shareholder proposals entitled "Independent Board Chairman" and "Shareholder Proxy Access" Proposal Nos. 6 and 7.

**No Cumulative Voting.** Holders of common stock shall not be entitled to cumulate their votes for the election of directors or any other matters.

**Abstentions.** Abstentions will be treated as present and entitled to vote for purposes of determining the presence of a quorum. Abstentions will not constitute a vote **FOR** or **AGAINST** any matter, and thus will be disregarded in the calculation of shares voting or votes cast on any matter submitted to the stockholders for a vote.



**Broker Non-Votes.** Brokers that are members of certain securities exchanges and that hold shares of our common stock in street name on behalf of beneficial owners have authority to vote on certain items when they have not received instructions from beneficial owners. Under the applicable rules governing such brokers, Proposal No. 2 to ratify the appointment of Weinberg & Company, P.A. as our independent registered public accounting firm is considered a “discretionary” item. This means that brokers may vote using their discretion on this proposal on behalf of beneficial owners who have not furnished voting instructions. In contrast, all other proposals are “non-discretionary matters”, which means your bank, brokerage firm, broker-dealer or other similar organization may not vote your shares without voting instructions from you. Therefore, you must give your broker instructions in order for your vote to be counted. If your shares are held of record by a bank, broker or other nominee, we urge you to give instructions to your bank, broker, or other nominee as to how you wish your shares to be voted so you may participate in the stockholder voting on these important matters.

**Quorum.** A majority of the shares of common stock outstanding on the record date, represented in person or by proxy, will constitute a quorum at the Annual Meeting. As of October 24, 2016 we had 13,973,726 shares of common stock outstanding. The number of shares required to be represented in person or by proxy at the Annual Meeting to constitute a quorum is 6,986,864.

**How can I revoke my proxy?** You may revoke your proxy at any time before it is voted at the meeting by taking one of the following three actions:

1. Giving timely written notice of the revocation to our Secretary,
2. Executing and delivering a WHITE proxy card with a later date, or
3. Voting in person at the meeting.

**Who will solicit proxies on behalf of the board?** Proxies may be solicited on behalf of the board, without additional compensation, by the Company’s directors, director nominees and certain executive officers and other employees of the Company. Such persons are listed in Appendix A to this Proxy Statement. Additionally, the Company has retained Okapi Partners, a proxy solicitation firm, who may solicit proxies on the board’s behalf. The original solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile, electronic mail, Internet and personal solicitation by our directors, director nominees and certain of our executive officers and other employees (who will receive no additional compensation for such solicitation activities), or by Okapi Partners. You may also be solicited by advertisements in periodicals, press releases issued by us and postings on our corporate website or other websites. Unless expressly indicated otherwise, information contained on our corporate website is not part of this Proxy Statement. In addition, none of the information on the other websites listed in this Proxy Statement is part of this Proxy Statement. These website addresses are intended to be inactive textual references only.

**Who will pay for the costs involved in the solicitation of proxies?** The entire cost of soliciting proxies on behalf of the board, including the costs of preparing, assembling, printing and mailing this Proxy Statement, the **WHITE** proxy card and any additional soliciting materials furnished to stockholders by, or on behalf of, the Company, will be borne by the Company. Copies of the Company's solicitation material will be furnished to banks, brokerage houses, dealers, voting trustees, their respective nominees and other agents holding shares in their names, which are beneficially owned by others, so that they may forward such solicitation material, together with our 2015 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, to beneficial owners. In addition, if asked, the Company will reimburse these persons for their reasonable expenses in forwarding these materials to the beneficial owners. Due to the possibility of a proxy contest, we have engaged Okapi Partners to solicit proxies from stockholders in connection with the Annual Meeting. Okapi Partners expects that approximately 25 of its employees will assist in the solicitation of proxies. We will pay Okapi Partners a fee of up to \$90,000 plus costs and expenses. In addition, we have agreed to indemnify Okapi Partners and certain related persons against certain liabilities arising out of or in connection with their engagement.

The Company estimates that its additional out-of-pocket expenses beyond those normally associated with soliciting proxies for the Annual Meeting as a result of the potential proxy contest will be \$200,000 in the aggregate, of which approximately \$7,500 has been spent to date. Such additional solicitation costs are expected to include the fees incurred to retain Okapi Partners as the Company's proxy solicitor, as discussed above, fees of outside counsel, financial advisors and public relations advisors to advise the Company in connection with a possible contested solicitation of proxies, increased mailing costs, such as the costs of additional mailings of solicitation materials to stockholders, including printing costs, mailing costs and the reimbursement of reasonable expenses of banks, brokerage houses and other agents incurred in forwarding solicitation materials to beneficial owners, as described above, and the costs of retaining an independent inspector of election.

**Are there interests of certain persons in matters to be acted upon?** No director or executive officer of the Company who has served at any time since the beginning of the 2016 fiscal year, and no nominee for election as a director of the Company, or any of their respective associates, has any substantial interest, direct or indirect, in any matter to be acted upon at the Annual Meeting other than Proposal No. 1—Election of Directors. Other than Director Dan Muffoletto, who has indicated that he does not support certain of the board's nominees, no director has informed the Company in writing that he or she intends to oppose any action intended to be taken by the Company at the Annual Meeting.

**Do stockholders have any dissenters' right with regards to the matters proposed to be acted upon?** There are no rights of appraisal or other similar rights of dissenters under the laws of the State of Delaware with respect to any of the matters proposed to be acted upon herein.

**When will the voting results be announced?** The final voting results will be reported in a Current Report on Form 8-K, which will be filed with the Securities and Exchange Commission ("SEC") within four business days after the Annual Meeting. If our final voting results are not available within four business days after the Annual Meeting, we will file a Current Report on Form 8-K reporting the preliminary voting results and subsequently file the final voting results in an amendment to the Current Report on Form 8-K within four business days after the final voting results are known to us.



**Who can answer my questions?** Your vote at this year's Annual Meeting is especially important, no matter how many or how few shares you own. Please sign and date the enclosed **WHITE** proxy card or **WHITE** voting instruction form and return it in the enclosed postage-paid envelope promptly or vote by Internet or telephone. If you have any questions or require assistance in submitting a proxy for your shares, please call Okapi Partners, the firm assisting us in the solicitation of proxies:

**1212 Avenue of the Americas, 24th Floor**

**New York, NY 10036**

**(212) 297-0720**

**Call Toll-Free at: (877) 274-8654**

**E-mail: [info@okapipartners.com](mailto:info@okapipartners.com)**

How can I obtain additional copies of these materials or copies of other documents? Complete copies of this Proxy Statement and 2015 Annual Report, which includes our Annual Report on Form 10-K for the year ended December 31, 2015, are also available at:

<https://www.sec.gov/Archives/edgar/data/1140215/000149315216008215/form10-k.htm>

You may also contact Okapi Partners for additional copies. You are encouraged to access and review all of the important information contained in the proxy materials before voting.

#### **DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS**

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for us. Under this procedure, multiple stockholders who share the same last name and address will receive only one copy of the annual proxy materials, unless they notify us that they wish to continue receiving multiple copies. We have undertaken householding to reduce our printing costs and postage fees. If you wish to opt out of householding and receive multiple copies of the proxy materials at the same address you may do so at any time prior to thirty days before the mailing of proxy materials, which will typically be mailed in November of each year, by notifying us in writing at the address below. You may also request additional copies of the proxy materials by notifying us in writing at the address below or by contacting us at the phone number listed below, and we will undertake to deliver such additional copies promptly. If you share an address with another

stockholder and currently are receiving multiple copies of the proxy materials, you may request householding by notifying us at the above referenced address or telephone number. We will only deliver one Proxy Statement to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. We will promptly deliver a separate copy of this Proxy Statement to a stockholder at a shared address to which a single copy of the document was delivered upon oral or written request:

Reed's, Inc.

Attention: Judy Holloway Reed, Secretary 13000 South Spring Street

Los Angeles, California 90061 Tel: (310) 217-9400

Fax: (310) 217-9411

Stockholders may also address future requests for separate delivery of Proxy Statements and/or annual reports by contacting us at the address listed above. Stockholders sharing an address with another stockholder who has received multiple copies of the Company's proxy materials may contact us to request delivery of a single copy of these materials.

#### STOCKHOLDER ADVISORY VOTES

The current frequency of stockholder advisory vote on the compensation paid to our Named Executive Officers is every three years. The next stockholder advisory vote on the compensation paid to our Named Executive Officers and on how frequently we should seek approval from our stockholders, on an advisory basis, of the compensation paid to our Named Executive Officers will occur at the Company's 2019 annual meeting.

IMPORTANT

Your vote is important. No matter how many shares of Common Stock you own, please give the board your proxy FOR the election of the Nominees by taking three steps:

SIGNING the enclosed **WHITE** proxy card,

DATING the enclosed **WHITE** proxy card, and