REFLECT SCIENTIFIC INC
Form 10KSB/A
June 27, 2006

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-KSB/A-1

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

For the calendar year ended December 31, 2005

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

For the transition period from _________________ to __________________

Commission File No. 001-08397

REFLECT SCIENTIFIC, INC.
(Name of Small Business Issuer in its Charter)

| | |
|---|---|
| UTAH | 87-0642556 |
| (State or Other Jurisdiction of incorporation or organization) | (I.R.S. Employer I.D. No.) |

970 Terra Bella Avenue
Mountain View, California, 94043
(Address of Principal Executive Offices)

Issuer's Telephone Number: (650) 960-0300

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

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

Common Stock, $0.01 par value

Check whether the Issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. [ ]

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

(1) Yes X No ___ (2) Yes X No ___

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

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

State the Issuer's revenues for its most recent calendar year (December 31, 2005): $2,241,069.

The aggregate market value of the common equity of our Company (comprised only of our common stock) held by non-affiliates, based upon the average bid and asked prices of our common stock on February 22, 2006 ($1.50 per share), as reported by the OTC Bulletin Board of the National Association of Securities Dealers, Inc., was approximately $9,797,628, based upon a non-affiliate ownership of 6,531,752 shares.

Our Company has not been involved in any bankruptcy proceedings.

The number of shares of our Company's common equity outstanding as of December 31, 2005, was 25,530,002 shares of common stock; and 10,000 shares of 2004 Series A Convertible Preferred Stock.

A description of our "Documents Incorporated by Reference" is contained in the Exhibit Index, Part III, Item 13, of this Annual Report.

Transitional Small Business Disclosure Format: Yes X No ___



PART I

Item 1. Description of Business.

## Business Development.

### General.

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.," for the primary purpose of offering formatting and EDGAR filing services for companies and individuals that desired to submit electronic filings to the Securities and Exchange Commission. These business operations were minimal, and were not deemed to be material.

### Material Developments During Calender 2005.

On January 17, 2005, we accepted the resignation of Pamela Boyce, our Secretary/Treasurer, for personal reasons. We elected Tom Tait and Craig D. Morrison, M.D. to serve on our Board of Directors; Tom Tait to serve as our Vice President; and Kevin Cooksy to serve as our Secretary/Treasurer, all until the next annual meetings of our shareholders and Board of Directors. See our 8-K Current Report dated January 17, 2005, filed with the Securities and Exchange Commission on January 18, 2005, and which is incorporated herein by reference. See Part III, Item 13.

During the year ended December 31, 2005, we offered and sold 700,000 shares of our Series A Convertible Preferred Stock in a private placement to "accredited investors" only. During that year, 690,000 shares of this class of our preferred stock were converted into 1,150,002 shares of our common stock at a price of $0.60 per share. As of December 31, 2005, 10,000 shares of this class of preferred stock were issued and outstanding.

On November 29, 2005, we announced the execution of a Letter of Intent to acquire Cryomastor Corporation, a California corporation ("Cryo"). If and when the acquisition of Cryo and its newly developed ultra low temperature freezer ("ULT") is completed, it will provide us with tremendous growth potential. Under the Letter of Intent, we loaned Cryo the sum of $200,000 on or about January 25, 2006. We anticipate closing this acquisition during the second quarter of fiscal 2006, depending upon the availability of required funding. See our 8-K Current Report dated January 25, 2006, filed with the Securities and Exchange Commission on January 30, 2006, and which is incorporated herein by reference. See Part III, Item 13.

## Material Developments Prior to Calendar 2005.

For a discussion of the material developments of our Company prior to December 31, 2005, see our 10-KSB Annual Report for the year ended December 31, 2004. See Part III, Item 13.



## Business.

Our Company, through Reflect Scientific, Inc., a California corporation and our wholly-owned subsidiary ("Reflect California"), is engaged in 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. Kim Boyce, our President and a director, founded our Company in Mountain View, California, in 1993, to provide these products to customer specification and in specialized packaging direct to high volume OEM clients.

Chromatography, which is a laboratory technique for separating a mixture of compounds into its individual components and is the most prevalent chemical analysis technique in the world. Many of the products from our Company are related directly to this analytical technique. Our Company holds an excellent niche share of an immense global market and has maintained a positive growth profile since inception.

We have a product line of over 1,000 items that includes gas ultra purification filters, molecular sieves and various scientific items necessary to most chemistry laboratories in the world. Several corporations in the global market place are the primary buyers of our filters, which are manufactured internally and delivered to our OEM customer base. It is this customer-focused system, incorporating tailor-made products to the customer's specification, that has developed a solid customer base.

Our existing manufacturing location in Orem, Utah, produces the glass vial caps, silicone liners, laser filtration products, gas chromatography filtration products, high pressure liquid chromatography products, various ferrules and high temperature septa products.

Our Company's OEM Strategy is to manufacture products as defined by the buyers and to nameplate these products with the name of the buyers as if we were an in-house R & D company manufacturing specifically for a parent; this has proved to be immediately successful in creating a niche market for us. By producing precisely what OEM's require in such critical areas as gas purifiers, we are not under pressure to create our own catalogue or to compete against any other producer of similar "consumables" directly since our work is within the scientific confines of the buyers' companies and often carries the nameplate of the buyers.

Chromatography, Generally.

Chromatography is a widely used method to separate, detect and quantify organic chemicals. The procedure relies upon capillary action as the separating mechanism. There are several types of chromatography, including liquid and gaseous applications. We are active in all of the sub-markets of chromatography.

3

Gas Chromatography.

Gas Chromatography is a method for separating the components of a solution and measuring their relative quantities. It is a useful technique for chemicals that do not decompose at high temperatures and when a very small quantity of a sample ("micrograms") is available.

In gas chromatography, a sample is rapidly heated and vaporized at the injection port of the instrument. The sample is transported through the column by a mobile phase consisting of an inert gas. Sample components are separated based on their boiling points and relative affinity for the stationary phase, which is most often viscous liquid within the column. The higher a components affinity for the stationary phase, the slower it traverses the length of the separation column. The components are detected and represented as peaks on a chromatogram. Gas chromatographs are routinely found in all petrochemical, pharmaceutical and environmental laboratories, to name just a few (generally all wet chemistry laboratories will have a chromatograph instrument).

Sources and Availability of Raw Materials.

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 vendors in place.

Dependence One or More Customers.

Three of our customers represent approximately 85% of our revenues. Our relationships with these customers are strong and have been stable for many years.

Competitive Conditions.

In recent years, including our calendar year ended December 31, 2005, there has been no erosion in our business due to changes in competition. We believe that we continue to enjoy a strong niche market that remains somewhat insulated from main stream competition.

Patents and Trademarks.

We do not have any patents or trademarks, and to the best of our knowledge, none of our products infringe on any other patents or trademarks. We are not making or selling any products under any third party licensing agreements.

Growth Plan.

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Outlined below are the key elements of our current plans to (i) expand our existing business and to (ii) create and position a transformed business in the biotech and other high growth industries.

Expand into Biotech Analytical/Instrumentation and Medical Diagnostics Equipment.
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We have an established position as a supplier of analytical equipment to scientific communities across a broad range of industries, which already includes the biotech sector.

4

Biotech companies rely heavily on their ability to collect and rapidly analyze high volumes of samples and to develop key tests for genes and proteins. In many cases, equipment that is presently available from suppliers is inadequate. This has created a need for custom manufacturing of analytical and diagnostic tools to support efforts in the Genome, Proteome and Genetic Engineering fields. These fields are becoming well established and many pharmaceutical companies are securing positions with key biotech companies as the outlook for protein based "personalized" drug therapies grows closer. Several potential acquisitions of small companies (engaged in the fabrication of related analytical equipment) have been identified that would allow us to build a stronger presence in the biotech markets.

Biotech Technology Acquisitions/Licensing.
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Once established in this field as a service provider, we can develop alliances and identify additional areas of opportunity. Several consultants have been contacted and identified as individuals who could provide us with excellent insight. This, coupled with our own presence, should provide a firm basis upon which a technology portfolio can be built. There has been a wealth of intellectual property developed in the biotech area by universities, government institutions and others, all of which are available for licensing. Individual pieces of technology, while not enabling on their own, can in aggregate create a technology platform that will provide the proper foundation to transform us into a leading edge company with high market value added. The plan is preferred against trying to acquire an existing biotech company, which (even if available) would come at extremely high multiples. Our goal is to create intrinsic value. Hiring expertise to build this core competency, although a critical issue, is not anticipated to be difficult. Universities are graduating numerous students trained in "molecular biology" and experienced individuals are usually keen to "participate" in a new business opportunity.

Cold Storage of Compounds.
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We have signed a Letter of Intent to acquire Cryo. See the heading "Material Developments During Calender 2005," above, under the caption "Business Development," of this Item. Cryo has developed a unique ultra low temperature freezer that addresses a growing critical need as a repository for users in biotech, U.S. disease control centers, hospitals and military bio-research. The Cryo ULT provides superior temperature control, reliability and energy savings, and this technology is expected to play an important role in areas such as vaccine storage, stem cell research and other emerging growth areas.

Research and Development.
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In 2004, we expended $12,318 for research and development. From January 1, 2005, to December 31, 2005, we expended $804 for research and development.

Employees.

We employ seven full-time employees and two part-time employees.

5

Effect of Existing or Probable Governmental Regulations on Business.

Small Business Issuer.

The integrated disclosure system for small business issuers adopted by the Securities and Exchange Commission in Release No. 34-30968 and effective as of August 13, 1992, substantially modified the information and financial requirements of a "Small Business Issuer," defined to be an issuer that has revenues of less than $25 million; is a U.S. or Canadian issuer; is not an investment company; and if a majority-owned subsidiary, the parent is also a small business issuer; provided, however, an entity is not a small business issuer if it has a public float (the aggregate market value of the issuer's outstanding securities held by non-affiliates) of $25,000,000 or more. We are deemed to be a "small business issuer."

The Securities and Exchange Commission, state securities commissions and the North American Securities Administrators Association, Inc. ("NASAA") have expressed an interest in adopting policies that will streamline the registration process and make it easier for small business issuers to have access to the public capital markets.

Sarbanes-Oxley Act.

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Sarbanes-Oxley Act imposes a wide variety of new regulatory requirements on publicly-held companies and their insiders. Many of these requirements will affect our Company. For example:

* Our chief executive officer and chief financial officer must now certify the accuracy of all of the periodic reports that contain financial statements;

* Our periodic reports must disclose the conclusions about the effectiveness of the disclosure controls and procedures; and

* We may not make any loan to any director or executive officer, and we may not materially modify any existing loans.

The Sarbanes-Oxley Act has required us to review the current procedures and policies to determine whether they comply with the Sarbanes-Oxley Act and the new regulations promulgated thereunder. Our Company will continue to monitor compliance with all future regulations that are adopted under the Sarbanes-Oxley Act and will take whatever actions are necessary to ensure that we are in compliance.

Penny Stock.

Our Company's common stock is "penny stock" as defined in Rule 3a51-1 of the Securities and Exchange Commission. Penny stocks are stocks:

* with a price of less than five dollars per share;

* that are not traded on a "recognized" national exchange;

* whose prices are not quoted on the NASDAQ automated quotation system; or

* in issuers with net tangible assets less than $2,000,000, if the issuer has been in continuous operation for at least three years, or $5,000,000, if in continuous operation for less than three years, or with average revenues of less than $6,000,000 for the last three years.

6

Section 15(g) of the Exchange Act and Rule 15g-2 of the Securities and Exchange Commission require broker/dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before making any transaction in a penny stock for the investor's account. You are urged to obtain and read this disclosure carefully before purchasing any of the shares.

Rule 15g-9 of the Securities and Exchange Commission requires broker/dealers in penny stocks to approve the account of any investor for transactions in these stocks before selling any penny stock to that investor. This procedure requires the broker/dealer to:

* get information about the investor's financial situation, investment experience and investment goals;

* reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor can evaluate the risks of penny stock transactions;

* provide the investor with a written statement setting forth the basis on which the broker/dealer made his or her determination; and

* receive a signed and dated copy of the statement from the investor, confirming that it accurately reflects the investor' financial situation, investment experience and investment goals.

Compliance with these requirements may make it harder for our stockholders to resell their shares.

Reporting Obligations.
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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 us 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-KSB and quarterly reports on Form 10-QSB 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; and bankruptcy) in a Current Report on Form 8-K.



Governmental Approvals.

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

Item 2. Description of Property.

Facilities.

Orem, Utah - This facility is a manufacturing and office facility with 6,000 square feet of space; our Company leases this facility at $3,563 per month, with the lease term expiring on November 30, 2008.

Mountain View, California - This facility is office space only with 1,870 square feet of space; our Company leases this facility at $1,738 per month, with the lease term expiring on July 31, 2006.

Item 3. Legal Proceedings.

There are no material legal proceedings pending against or involving our Company; and none of our directors, executive officers or 10% stockholders is party to any action adverse to us.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of our Company's security holders during the fourth quarter of the calendar year covered by this Annual Report.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Purchases of Equity Securities.

The common stock of our Company is quoted on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. (the "NASD")under the symbol "RSCF."

Market Prices and Bid Information for Common Stock.

The following table sets forth, for the periods indicated, the high and low bid information for our common stock on the OTC Bulletin Board for the two years ended December 31, 2005:

| Calender Year | Quarterly Period | High | Low |
|---|---|---|---|
| 2004: | First Quarter | $0.18 | $0.15 |
| | Second Quarter | 0.20 | 0.18 |
| | Third Quarter | 0.20 | 0.20 |
| | Fourth Quarter | 0.25 | 0.20 |

| | | | |
|---|---|---|---|
| 2005: | First Quarter | $0.30 | $0.25 |
| | Second Quarter | 0.30 | 0.30 |
| | Third Quarter | 1.82 | 0.30 |
| | Fourth Quarter | 1.97 | 1.21 |

The high and low bid information respecting the quotations of our common stock on the OTC Bulletin Board was provided by the National Quotations Bureau, LLC, and reflects inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.



Holders.

The number of record holders of our common stock as of February 22, 2006, was approximately 98; 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.

The holders of our Series A Convertible Preferred Stock are entitled to dividends at the rate of 8% per year of the liquidation preference of $1.00 per share, payable, annually, if and when declared by our board of directors. Dividends are not cumulative and our board of directors is under no obligation to declare dividends. There are only 10,000 outstanding shares of this class of our preferred stock.

Recent Sales of Restricted Securities; Use of Proceeds of Registered Securities.

*Common Stock.

Except for shares of our common stock that were issued in conversion of Series A Convertible Preferred Stock as outlined below and 380,000 shares that were issued for services that are also described below, the only common stock that comprised "restricted securities" issued by us during the past three years were issued pursuant to the "Reflect California Agreement" whereby we acquired Reflect California on December 31, 2004. See our 8-K Current Report dated December 31, 2004, filed with the Securities and Exchange Commission on January 15, 2004, and which is incorporated herein by reference. The following indicates the number of shares of Reflect California common stock exchanged for shares of common stock of our Company.

| Name and Address | Number of Shares Owned of Reflect California | Number of Shares of Our Common Stock Received in Exchange |
|---|---|---|
| Kim Boyce<br>970 Terra Bella Avenue<br>Mountain View, CA 94043 | 8,171 | 18,723,250 |
| Michael Dancy<br>Suite 205 | 43.6 | 100,000 |

| | | |
|---|---|---|
| 455 East 500 South Street<br>Salt Lake City, Utah 84111 | | |
| Diversified Instruments, LLC<br>528 14th Avenue<br>Salt Lake City, Utah 84103 | 733.8 | 1,681,500 |



| | | |
|---|---|---|
| David Nelson<br>Suite 200<br>455 East 500 South Street<br>Salt Lake City, Utah 84111 | 43.6 | 100,000 |
| SCS, Inc.<br>Suite 200<br>455 East 500 South Street<br>Salt Lake City, Utah 84111 | 1,008 | 2,310,199 |
| Totals: | 10,000 | 22,914,949 |

*Common Stock Issued For Services.

Effective May 6, 2005, we issued 380,000 shares of our common stock to eleven persons, which included three of our directors and executive officers, for services rendered and valued at approximately $0.03 per share.

*2004 Convertible Preferred Stock.

During the year ended December 31, 2005, we sold 700,000 shares of our 2004 Series A Convertible Preferred Stock at an offering price of $1.00 per share to 26 persons who were "accredited investors" as that term in defined in Regulation D of the Securities and Exchange Commission. During the calendar year ended December 31, 2005, 690,000 shares of this class of our preferred stock were converted by the holders thereof into 1,150,002 shares of our common stock.

* 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.

Use of Proceeds of Registered Securities.

There were no proceeds received during the calendar year ended December 31, 2005, from the sale of registered securities.

Securities Authorized for Issuance under Equity Compensation Plans.

We have no equity compensation plans.

Purchases of Equity Securities by Us and Affiliated Purchasers.

There were no purchases of our equity securities by us or any affiliated purchasers during the calendar year ended December 31, 2005.



Item 6. Management's Discussion and Analysis or Plan of Operation

Plan of Operations.

For the next 12 months, we see:

(1) A continued expansion of our core business through the development and commercialization of new products, that have already been identified, to meet existing market opportunities. This will be supported by an ongoing effort to create strategic marketing alliances that are targeted towards increasing net present value by optimizing cost and speed to market. Several new products are currently pending commercialization.

(2) The continuation of a complementary growth initiative, through strategic acquisitions, to improve our position with respect to tools, technologies and intellectual property as well as providing a near term increase in earnings.

(3) As part of an ongoing management process, our fund raising efforts and support for the above initiatives will be continuously reviewed and prioritized to ensure that returns are commensurate with levels of investment.

Also see the heading "Growth Plan" of the caption "Business" of Part I, Item 1, above.

Results of Operations.

Our revenues increased during the year ended December 31, 2005, to $2,241,069, from $2,103,339 for the year ended December 31, 2004, primarily as a result of a general improvement in sales across most product lines, due to the addition of several new product lines.

Our cost of goods increased in the period ending December 31, 2005, as compared to December 31, 2004, to $1,323,883 from $1,281,529. The difference was partly as a result of a increased sales and raw material price increases. The percentage on gross margins for the two years was essentially unchanged.

General and administrative expenses increased to $380,845 during the year ended December 31, 2005, from $220,931 during the year ended December 31, 2004. This was due to a increase in outside services, accounting and legal fees.

Liquidity and Capital Resources.

Our cash resources at December 31, 2005, were $492,102, with accounts receivable of $317,274. We have relied on revenues and sales of preferred stock for cash resources. At December 31, 2005, we raised $700,000 from the sale of 700,000 shares of our 2004 Series A Convertible Preferred Stock. These funds should be adequate for the next 12 months for continuing operations and our plans for expansion; however, additional funds will be required to complete certain planned acquisitions, including the acquisition of Cryo that is discussed in Part I, Item 1, above.



Forward-Looking Statements.

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

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

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

Item 7. Financial Statements.



REFLECT SCIENTIFIC, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

C O N T E N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of
Reflect Scientific, Inc. and Subsidiary
Mountain View, California

We have audited the accompanying consolidated balance sheet of Reflect Scientific, Inc. and Subsidiary as of December 31, 2005, and the related consolidated statements of operations, stockholder's equity and cash flows for the years ended December 31, 2005 and 2004. 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 audits.

We conducted our audits 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. 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 audits provide 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 Subsidiary as of December 31, 2005, and the results of their operations and their cash flows for the years ended December 31, 2005 and 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/HJ Associates & Consultants, LLP

HJ Associates & Consultants, LLP
Salt Lake City, Utah
February 10, 2006



REFLECT SCIENTIFIC, INC. AND SUBSIDIARY
Consolidated Balance Sheet

ASSETS

| | December 31, 2005 |
|---|---|
| CURRENT ASSETS | |
| Cash | $ 492,102 |
| Accounts receivable (Note 2) | 317,274 |
| Inventory (Note 4) | 305,684 |
| Prepaid assets | 4,363 |
| Total Current Assets | 1,119,423 |

| | |
|---|---|
| FIXED ASSETS, NET (Note 3) | 20,950 |
| OTHER ASSETS | |
| Deposits | 5,350 |
| TOTAL ASSETS | $ 1,145,723 |

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



REFLECT SCIENTIFIC, INC. AND SUBSIDIARY
Consolidated Balance Sheet (Continued)

LIABILITIES AND SHAREHOLDER'S EQUITY

| | December 31, 2005 |
|---|---|
| CURRENT LIABILITIES | |
| Accounts payable | $ 176,644 |
| Accrued expenses | 2,343 |
| Income taxes payable | 23,077 |
| Total Current Liabilities | 202,064 |
| NON-CURRENT LIABILITIES | |
| Deferred income taxes | 32,823 |
| Total Liabilities | 234,887 |
| COMMITMENTS AND CONTINGENCIES (Note 6) | |
| SHAREHOLDER'S EQUITY | |
| Preferred stock, $0.01 par value, authorized 5,000,000 shares; 10,000 shares issued and outstanding | 100 |
| Common stock, $0.01 par value, authorized 50,000,000 shares; 25,530,002 shares issued and outstanding | 255,300 |
| Additional paid in capital | 1,210,337 |
| Retained earnings | (554,901) |
| Total Shareholder's Equity | 910,836 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | $1,145,723 |

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



REFLECT SCIENTIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Operations

| | For the Years Ended December 31, 2005 | 2004 |
|---|---|---|
| REVENUES | $2,241,069 | $2,103,339 |
| COST OF GOODS SOLD | 1,323,883 | 1,281,529 |
| GROSS PROFIT | 917,186 | 821,810 |
| OPERATING EXPENSES | | |
| Salaries and wages | 362,935 | 368,498 |
| Payroll taxes | 29,495 | 31,277 |
| Rent expense | 79,587 | 76,613 |
| General and administrative | 380,845 | 220,931 |
| Total Operating Expenses | 852,862 | 697,319 |
| OPERATING INCOME | 64,324 | 124,491 |
| OTHER EXPENSES | | |
| Interest expense | (9,261) | (12,159) |
| Total Other Income (Expenses) | (9,261) | (12,159) |
| INCOME BEFORE INCOME TAX EXPENSE | 55,063 | 112,332 |
| Income tax expense | 16,900 | 69,705 |
| NET INCOME | $ 38,163 | $ 42,627 |
| Preferred distribution dividends | (700,000) | - |
| NET INCOME APPLICABLE TO COMMON SHAREHOLDERS | $ (661,837) | $ 42,627 |
| BASIC AND FULLY DILUTED EARNINGS PER SHARE | $ (0.03) | $ 0.00 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 24,441,014 | 24,000,000 |

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



REFLECT SCIENTIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Shareholder's Equity

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Retained Earnings |
|---|---|---|---|---|---|---|
| Balance, December 31, 2003 | - | $ - | 24,000,000 | 240,000 | $(210,841) | 64,309 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Contributed capital | - | - | - | - | 27,522 | - |
| Net income for the year ended December 31, 2004 | - | - | - | - | - | 42,627 |
| | -------- | ----- | ---------- | ------- | -------- | -------- |
| Balance, December 31, 2004 | - | - | 24,000,000 | 240,000 | (183,319) | 106,936 |
| Preferred stock issued for cash | 436,000 | 4,360 | - | - | 431,640 | - |
| Preferred stock issued for cash | 264,000 | 2,640 | - | - | 261,360 | - |
| Common stock issued for services | - | - | 380,000 | 3,800 | 5,256 | - |
| Conversion of preferred stock into common stock | (690,000) | (6,900) | 1,150,002 | 11,500 | (4,600) | - |
| Beneficial conversion of convertible preferred stock | - | - | - | - | 700,000 | - |
| Amortization of beneficial conversion feature of convertible preferred stock | - | - | - | - | - | (700,000) |
| Net income for the year ended December 31, 2005 | - | - | - | - | - | 38,163 |
| | -------- | ----- | ---------- | ------- | --------- | -------- |
| Balance, December 31, 2005 | 10,000 | $ 100 | 25,530,002 | $255,300 | $1,210,337 | $(554,901) |
| | ======== | ======= | ========== | ======= | ========= | ======== |

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

F-7

REFLECT SCIENTIFIC, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows

| | For the Years Ended December 31, 2005 | 2004 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 38,163 | $ 42,627 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 3,299 | 2,883 |
| Amortization of capitalized loan costs | 5,600 | 525 |

| | | |
|---|---|---|
| Common stock issued for services | 9,056 | - |
| Changes in operating assets and liabilities: | | |
| Increase in accounts receivable | (36,101) | (48,709) |
| (Increase) decrease in prepaid expenses | (3,563) | - |
| Increase in net inventory | (45,672) | (49,565) |
| Increase in accounts payable and accrued liabilities | 9,617 | 10,716 |
| Net Cash Used in Operating Activities | (19,601) | (41,523) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | - | (5,209) |
| Net Cash Used by Investing Activities | - | (5,209) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Change in long term line of credit | (269,036) | 25 |
| Capital contribution | - | 27,522 |
| Proceeds from preferred stock issuance | 700,000 | - |
| Net Cash Provided by Financing Activities | 430,964 | 27,547 |
| NET INCREASE (DECREASE) IN CASH | 411,363 | (19,185) |
| CASH AT BEGINNING OF YEAR | 80,739 | 99,924 |
| CASH AT END OF YEAR | $ 492,102 | $ 80,739 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Cash Paid For: | | |
| Interest | $ 9,261 | $ 12,159 |
| Income taxes | $ 31,687 | $ - |

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



REFLECT SCIENTIFIC, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

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, Inc. a California Corporation, was incorporated on June 14, 1993, under the laws of California to engage in the manufacture of test kits for use in scientific studies.

On December 30, 2003, pursuant to an agreement and plan of reorganization, the Company completed a reverse merger with the shareholders of Reflect Scientific, Inc. in which it acquired 100% of Reflect Scientific, Inc., a California Company in exchange for 22,914,949 common shares of the Company. The terms of the acquisition are detailed in an 8-K filing dated December 31, 2003. Under the terms of the agreement, the President of Reflect Scientific, Inc. became the President of the Company and was elected to the Board of Directors, the acquisition was accounted for as a recapitalization of Reflect Scientific, Inc. because the members of Reflect Scientific, Inc. controlled the Company after the acquisition. Reflect Scientific, Inc. was treated as the acquiring entity for accounting purposes and Cole, Inc. was the surviving entity for legal purposes. There was no adjustment to the carrying values of the assets or liabilities of Reflect Scientific, Inc. and no goodwill was recorded. The operations for the year ended December 31, 2005 and 2004 are those of Reflect Scientific, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a December 31 year-end.

b. Revenue Recognition

The Company recognizes revenues as required by Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements". Revenue is only recognized on product sales once the product has been shipped to the customers (FOB Origin), and all other obligations have been met.

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.





NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Accounts Receivable

The Company writes off trade receivables when deemed uncollectable. The Company expensed $0 and $0 to bad debt expense for the years ended December 31, 2005 and 2004, respectively. The allowance for doubtful accounts balance at December 31, 2005 was $11,038.

e. Inventory

Inventories are stated at the lower of cost or market value based upon the First-In First-Out (FIFO) inventory method. The Company's inventory primarily consists of parts for scientific vial kits.

f. Capitalized Loan Costs

Capitalized loan costs are related to the origination and maintenance of a note payable that was paid in full as of December 31, 2005. These capitalized costs were being amortized on a straight line basis over the term of the related debt. As of December 31, 2005 all capitalized loan costs had been expensed. Amortization expense related to these costs was $5,600 and $525 in 2005, and 2004, respectively.

g. Advertising Expense

The Company follows the policy of charging the costs of advertising to expense as incurred. The Company recognized $1,034 and $4,338 of advertising expense during the years ended December 31, 2005, and 2004, respectively.

h. Newly Issued Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (Revised 2004) (SFAS 123 )) "Share-based payment". SFAS 123 ) will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be re-measured each reporting period. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. FASB 123 ) replaces FASB 123, Accounting for Stock-Based Compensation and supersedes APB option No. 25, Accounting for Stock Issued to Employees. This guidance is effective as of the first interim or annual reporting period after December 15, 2005 for Small Business filers.





NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Newly Issued Accounting Pronouncements (Continued)

In November 2004, the FASB issued SFAS No. 151 (SFAS 151), "Inventory Costs". SFAS 151 amends ARB No. 43, Chapter 4. This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS 151 is the result of a broader effort by the FASB and the IASB to improve financial reporting by eliminating certain narrow differences between their existing accounting standards. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS 151 did not have a material impact on the results of operations of the Company.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions," which is effective for years beginning after June 15, 2005. The adoption of this new accounting standard had no material effect on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153 (SFAS 153) "Exchange of

Non-monetary assets". This statement was a result of a joint effort by the FASB and the IASB to improve financial reporting by eliminating certain narrow differences between their existing accounting standards. One such difference was the exception from fair value measurement in APB Opinion No. 29, Accounting for Non-Monetary Transactions, for non-monetary exchanges of similar productive assets. SFAS 153 replaces this exception with a general exception from fair value measurement for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for non-monetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS 153 did not have a material effect on the Company's financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," which replaces APB Opinion No. 20 "Accounting Changes," and FASB Statement No. 3 "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. We do not believe that adoption of SFAS 154 will have a material impact on our financial statements.





NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Newly Issued Accounting Pronouncements (Continued)

The implementation of the provisions of these pronouncements are not expected to have a significant effect on the Company's consolidated financial statement presentation.

I. Basic Earnings Per Share

The computation of earnings per share of common stock are 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, 2005 | 2004 |
|---|---|---|
| Net Income (Numerator) | $(661,837) | $ 42,627 |
| Shares (denominator) | 24,441,014 | 24,000,000 |
| Per share amount | $ (0.03) | $ 0.00 |

As of December 31, 2005 the Company had 10,000 shares of outstanding common stock equivalents, as such the diluted earnings per share and basic earnings per share are the same.

j. Shipping and Handling Fees and Costs

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

k. Income Taxes

Deferred taxes are provided on a liability method 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 bases. 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.





NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Income Taxes (Continued)

The provision (benefit) for income taxes for the year ended December 31, 2005 and 2004 consist of the following:

| | 2005 | 2004 |
|---|---|---|
| Federal: | | |
| Current | $ 21,046 | $ 20,765 |
| Deferred | (4,542) | 27,043 |
| State: | | |
| Current | 2,031 | 9,940 |
| Deferred | (1,635) | 11,957 |
| | $ 16,900 | $ 69,705 |

Net deferred tax assets consist of the following components as of December 31, 2005 and 2004:

| | 2005 | 2004 |
|---|---|---|
| Deferred tax assets: | | |
| NOL Carryover | $ - | $ - |
| Deferred tax liabilities | | |
| Depreciation | (32,823) | (39,000) |
| Valuation allowance | - | - |
| Net deferred tax liability | $(32,823) | $ (39,000) |

======== =========

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates of 34% to pretax income from continuing operations for the year ended December 31, 2005 and 2004 due to the following:

| | 2005 | 2004 |
|---|---|---|
| Book Tax Expense | $ 18,612 | $ 20,427 |
| Meals & Entertainment | 2,423 | 3,783 |
| Research & Development | - | 961 |
| Stock for Services | 3,060 | - |
| Depreciation | 509 | (4,700) |
| Income Tax Expense | (1,527) | 23,380 |
| State Taxes | - | (3,876) |
| Research Credit | - | (19,210) |
| | $ 23,077 | $ 20,765 |





NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Income Taxes (Continued)

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.

Prior to the reverse acquisition of Reflect by Cole, Inc. the Company was a subchapter S corporation. All income and expenses were passed through to the Company's shareholder, therefore no tax liabilities existed at December 31, 2003.

l. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, which is wholly owned. All material intercompany accounts and transactions are eliminated in consolidation.

NOTE 3 - 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. Fixed assets and related depreciation for the period are as follows:

December 31,

2005

| | |
|---|---|
| Machinery and equipment | $ 5,685 |
| Furniture and fixtures | 25,214 |
| Computer and office equipment | 59,180 |
| Leasehold improvements | 23,671 |
| Accumulated depreciation | (92,800) |
| Total Fixed Assets | $ 20,950 |

Depreciation expense for the years ended December 31, 2005, and 2004, was $3,299 and $2,883, respectively.

F-14

REFLECT SCIENTIFIC, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

NOTE 4 - INVENTORIES

Inventory consisted of the following at December 31, 2005:

| | |
|---|---|
| Finished goods | 305,684 |
| Total Inventory | $ 305,684 |

NOTE 5- COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations

The Company leases its office and warehouse space under non-cancelable lease agreements accounted for as operating leases. The Company also leases several automobiles under similar non-cancelable lease agreements, which are also accounted for as operating leases.

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

| Years ending December 31, | Amount |
|---|---|
| 2006 | $ 59,384 |
| 2007 | 44,292 |
| 2008 | 38,278 |
| 2009 | - |
| 2010 | - |
| Total | $ 141,954 |

Rent expense was $79,587 and $76,613 for the years ended December 31, 2005, and 2004, respectively.

Automobile lease expense was $10,673 and $15,170 for the years ended December 31, 2005, and 2004, respectively.

NOTE 6 - PREFERRED STOCK

In November 2004 the Company amended its Articles of Incorporation so as to authorize 5,000,000 shares of preferred stock. 750,000 of these shares have been designated as "Series A Convertible Preferred Stock". During the year ended December 31, 2005 theses shares were offered in a private placement. As of December 31, 2005 10,000 shares of the preferred stock are issued and outstanding.





NOTE 6 - PREFERRED STOCK (continued)

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 are 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.

During the year the Company sold 700,000 shares of Series A Convertible Preferred Stock in exchange for proceeds of $700,000. As a result of the beneficial conversion feature inherent in the conversion rights and preferences of Series A Preferred Stock, the Company has recognized a deemed dividend of $700,000. This deemed dividend was calculated based on the conversion price above at the time of conversion.

These preferred securities are convertible at the date of issuance, and the discount, which was deemed to be a dividend, was fully amortized through retained earnings at the date of issuance pursuant to the provisions of EITF 98-5. In November, 2005, 690,000 shares of Preferred Stock were converted into 1,150,002 shares of Common Stock at $0.01 per share.

NOTE 7 - CONCENTRATIONS OF RISK

Cash in Excess of Federally Insured Amount

The Company currently maintains a cash balance at a single financial institution in excess of the federally insured maximum of $100,000.

Revenues and Accounts Receivable

The Company has three significant customers that account for $1,914,824 and $1,854,100 or 85% and 88%, of sales for the years ended December 31, 2005, and 2004, respectively. These same three customers also account for $272,202 and $230,247, or 86% and 78%, of the total accounts receivable balance at December 31, 2005, and 2004, respectively.

REFLECT SCIENTIFIC, INC. AND SUBSIDIARY
Notes to the Consolidated Financial Statements
December 31, 2005 and 2004

NOTE 8 - SUBSEQUENT EVENTS

Subsequent to year end the Company loaned $200,000 to Cryomaster Corporation pursuant to a Letter of Intent to acquire the corporation. Upon the closing of the Plan of Merger, the principal amount of the loan will be included in and accounted for as part of the merger. In the event that the Plan of Merger is not closed, the loan will be repaid to the Company on or before December 31, 2006 with accrued interest on the outstanding principal balance at an annualized rate of five percent.

NOTE 9 STOCK ISSUED TO EMPLOYEES

As permitted by FASB Statement No. 123, "Accounting for Stock-based Compensation" (SFAS No. 123) and amended by SFAS No. 148, the Company elected to measure and record compensation cost relative to stock issued to employees in accordance with APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations and make pro forma disclosures of net income and earnings per share as if the fair value method of valuing stock options had been applied. Under APB Opinion 25, compensation cost is recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.
Under APB 25, paragraph 10 "Measuring Compensation for Services" companies are required to measure award plans to employees by the quoted market price. At the time of the award the Company's stock had not traded for six months before the grant and two months following the grant. Therefore, the Company considered the value of the services rendered to more readily measure the value of the shares received. The value of the services was determined by multiplying the pay rate of the employees by the hours worked for the shares of the Company's common stock. The value of the services also approximated the net book value of the Company at the time of the issuance. The Company recognized the cost of the services at the date of grant. The Company did not present any pro-forma disclosure since the fair value of the stock awards had already been recognized in net income.

F-17

Item 8. Change in and Disagreements with Accountants on Accounting and Financial Disclosure.

During the past two fiscal years, there have been no changes in our independent auditors that have not been previously reported in our Annual Report on Form 10-KSB for the calendar year ended December 30, 2004. See Part III, Item 13 of this Annual Report.

Item 8(a). Controls and Procedures.

As of the end of the period covered by this Annual Report, we carried out an evaluation, under the supervision and with the participation of our President and Treasurer, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our President and Secretary concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic Securities and Exchange Commission reports. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, we reviewed our internal controls over financial reporting, and there have been no changes in our internal controls or in other factors in the last fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 8(b). Other Information.

Subsequent to year end, we loaned $200,000 to Cryomaster Corporation pursuant to a Letter of Intent to acquire the Cryo. Upon the closing of the anticipated Plan of Merger and subject to raising required funding, the principal amount of the loan will be included in and accounted for as part of the merger. In the event that the Plan of Merger is not closed, the loan will be repaid to us on or before December 31, 2006, with accrued interest on the outstanding principal balance at an annualized rate of five percent from the date that the parties determine that the merger will not go forward. See Part I, Item 1, above.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Directors and Executive Officers of the Company.

The following table sets forth certain information concerning the directors and executive officers of our Company.

| Officer/ Director Name | Age | Position | Since |
|---|---|---|---|
| Kim Boyce<br>970 Terra Bella<br>Mountain View,<br>California 94043 | 51 | President and Director | 12/31/03 |
| Tom Tait<br>970 Terra Bella<br>Mountain View,<br>California 94043 | 50 | Vice President and Director | 1/17/05 |
| Kevin Cooksy<br>970 Terra Bella<br>Mountain View,<br>California 94043 | 43 | Secretary/Treasurer | 1/17/05 |
| Craig D. Morrison<br>970 Terra Bella<br>Mountain View,<br>California 94043 | 62 | Director | 1/17/05 |

13

Business Experience.

Kim Boyce. Mr. Boyce is the founder of Reflect California and serves as President, Chief Executive Officer and Chairman of the Board of Directors of our Company. Mr. Boyce has 31 years of experience in manufacturing; sales, distribution and management of scientific products related 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 California's renowned Silicon Valley. In addition to his noteworthy experience in high growth companies, Mr. Boyce brings unparalleled leadership skills and profound understanding of startup entity management. Mr. Boyce attended West Valley College in Santa Clara, California and DeAnza College in San Jose, California.

Tom Tait. Mr. Tait received his B. S. degree in Chemistry from Clarkson University in 1977 and his MBA degree in Technology Management from the University of Phoenix in 2002. From 1998 to 2002, Mr. Tait was the General Manager HyperQuan, Inc., in Colorado Springs, Colorado. HyperQuan is a technology startup focused on analytical instrumentation. Then, from 2002 to 2004, Mr. Tait was the Senior Product Manager for Hach Company, in Loveland, Colorado. Hach Company is a leader in the development, manufacturing and distribution of water quality testing equipment.

Kevin Cooksy. Mr. Cooksy received his B. S. degree in Chemistry from Northern Illinois University in 1984; an MBA degree with distinction (magna cum laude) from Lake Forest in 1988; and received his Juris Doctor in 1995 from the McGeorge School of Law at the University of the Pacific, in California. Mr. Cooksy is a corporate attorney and executive manager with experience in legal, strategic, technology planning, mergers and acquisitions and intellectual property matters.

Craig Morrison, M.D., practices medicine at the Brigham Young University Student Health Center in Provo, Utah. He has been an attending and consulting staff general surgeon since 1978 at the following hospitals: Utah Valley Regional Medical Center, Orem Community Hospital, Colombia Mountain View Hospital and Central Valley Hospital. Dr. Morrison received his Doctor of Medicine Degree from the University of Oregon Medical School in 1970, followed by a pediatric internship and surgical residency at the University of Southern California-Los Angeles County Hospital and the Huntington Memorial Hospital in 1975.

## Family Relationships.

There are no family relationships between any of our current directors and executive officers.

## Audit Committee Financial Expert.

Our Company does not have an audit committee or an audit committee financial expert. We do not believe, based upon our present operations, that the failure to have such a committee or expert is material to the financial statements of our Company.

14

## Section 16(a) Beneficial Reporting Compliance.

Section 16(a) of the Exchange Act requires that our Company's executive officers and directors, and persons who beneficially own more than 10% of our Company's 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 our Company or written representations from certain persons, our Company believes that during our calendar year ended December 31, 2005, all filing requirements applicable to our officers, directors and 10% stockholders were met by such persons.

Audit Committee.

We have no audit committee, and we 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.

Compensation Committee.

We have not established a Compensation Committee because we believe that our three member Board of Directors is able to effectively manage the issues normally considered by a Compensation Committee.

Nominating and Corporate Governance Committee.

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

Code of Ethics.

Our Company has 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-KSB Annual Report for the year ended December 31, 2003. See Part III, Item 13.

Item 10. Executive Compensation.

Compensation of Executive Officers.

The following table sets forth information concerning all cash compensation paid by our Company for services in all capacities to our Company's Principal Executive Officer during the two-year period ended December 31, 2005. Our Company has no other officers whose total cash compensation exceeded $100,000 for these years. Our Company has no plans that will require our Company to contribute to or to provide pension, retirement or similar benefits to directors or officers of our Company.



Summary Compensation Table

| | | | | | Long Term Compensation | | | |
|---|---|---|---|---|---|---|---|---|
| | Annual Compensation | | | | Awards | | Payouts | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| Name and Principal Position | Year or Period Ended | Salary ($) | Bonus ($) | Other Annual Compen- | Rest- ricted Stock | Secur- ities Under- lying Options | All LTIP Pay- outs | Other Comp- ensat'n |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Kim Boyce | 12/31/05 | $105,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| President & | 12/31/04 | $108,132 | 0 | 0 | 0 | 0 | 0 | 0 |
| Director | 12/31/03 | $ 87,698 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tom Tait | 12/31/05 | $ 50,769 | 0 | 0 | * | 0 | 0 | 0 |
| VP & Director | | | | | | | | |
| Kevin Cooksy | 12/31/05 | 0 | 0 | 0 | * | 0 | 0 | 0 |
| S/T | | | | | | | | |
| Craig D. Morrison, M.D. Director | 12/31/05 | 0 | 0 | 0 | * | 0 | 0 | 0 |
| Pamela Boyce | 12/31/04 | $ 53,362 | 0 | 0 | * | 0 | 0 | 0 |
| Former S/T | 12/31/03 | $ 52,611 | 0 | 0 | 0 | 0 | 0 | 0 |

* Effective May 6, 2005, the following persons were issued the following shares of our common stock that were "restricted securities," for services rendered and all valued at approximately $0.03 per share: Tom Tait, 50,000 shares; Kevin Cooksy, 25,000 shares; Craig D. Morrison, M.D., 100,000 shares; and Pamela Boyce, 50,000 shares.

Options Grants in Last Calender Year.

Our Company granted no options or warrants during the calendar years ended December 31, 2005 and 2004.

Compensation of Directors.

There are no standard arrangements pursuant to which our Company's directors are compensated for any services provided as director. No additional amounts are payable to our Company's directors for committee participation or special assignments.

Termination of Employment and Change of Control Arrangement.

There are no employment contracts, compensatory plans or arrangements, including payments to be received from our Company, with respect to any director or executive officer of our Company which would in any way result in payments to any such person because of his or her resignation, retirement or other termination of employment with our Company, any change in control of our Company, or a change in the person's responsibilities following a change in control of our Company.

16

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Security Ownership of Management.

The following table sets forth the share holdings of our Company's directors and executive officers as of March 29, 2005:

| Name and Address* | Percentage of Class | Number of Shares Beneficially Owned |
|---|---|---|

| | | | |
|---|---|---|---|
| Kim Boyce | President and Director | 18,723,250 | 73.3% |
| Tom Tait | Vice President and Director | 50,000 | .2% |
| Kevin Cooksy | Secretary/Treasurer | 25,000 | .1% |
| Craig D. Morrison, M.D. | Director | 200,000 | .78% |
| All Directors and Executive Officers as a group (four persons) | | 18,998,250 | 74.4% |

* Addresses are listed above in Part III, Item 9.

Item 12. Certain Relationships and Related Transactions.

Transactions with Management and Others.

There have been no material transactions, series of similar transactions or currently proposed transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any director or executive officer, or any security holder who is known to our Company to own of record or beneficially more than five percent of our Company's common stock, or any member of the immediate family of any of the foregoing persons, had a material interest.

Certain Business Relationships.

There have been no material transactions, series of similar transactions or currently proposed transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any director or executive officer, or any security holder who is known to our Company to own of record or beneficially more than five percent of our Company's common stock, or any member of the immediate family of any of the foregoing persons, had a material interest.

Indebtedness of Management.

There have been no material transactions, series of similar transactions or currently proposed transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any director or executive officer, or any security holder who is known to our Company to own of record or beneficially more than five percent of our Company's common stock, or any member of the immediate family of any of the foregoing persons, had a material interest.

17

Parents of the Issuer.

None; however Kim Boyce may be deemed to be our Company's "Parent" by virtue of his substantial shareholdings in our Company.

Transactions with Promoters.

There have been no material transactions, series of similar transactions, currently proposed transactions, or series of similar transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded $60,000 and in which any promoter or founder, or any member of the immediate family of any of the foregoing persons, had a material interest.

Item 13. Exhibits

(a) The following Exhibits are attached hereto or incorporated herein by reference as indicated in the table below:

| 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 dated December 31, 2003* |
| 3.5 | Articles of Amendment to Articles of Incorporation | 8-K dated December 31, 2003* |
| 3.6 | Articles of Amendment | September 30, 2004 10-QSB* |
| 3.7 | By-Laws Amendment | September 30, 2004 10-QSB* |
| 14 | Code of Ethics | December 31, 2003 10-KSB* |
| 21 | Subsidiaries of the Company | December 31, 2004 10-KSB* |
| 31.1 | 302 Certification of Kim Boyce | |
| 31.2 | 302 Certification of Kevin Cooksy | |
| 32 | 906 Certification | |
| 8-K Current Report dated January 17, 2005. | | Part I* |
| 8-K Current Report dated August 18, 2005. | | Part I* |
| 8-K Current Report dated January 25, 2006. | | Part II* |

*Incorporated herein by reference.



Item 14. Principal Accountant 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, 2004 and 2003:

| Fee category | 2005 | 2004 |
|---|---|---|
| Audit fees | $18,500 | $6,046 |
| Audit-related fees | $ 0 | $ 0 |

| | | |
|---|---|---|
| Tax fees | $ 250 | $ 250 |
| All other fees | $ 0 | $ 0 |
| Total fees | $18,750 | $6,296 |

Audit fees. Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and the review of financial statements included in our Forms 10-QSB Quarterly Reports 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 the Company's 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.



SIGNATURES

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

REFLECT SCIENTIFIC, INC.

Date: 06/26/06

/s/ KIM BOYCE
Kim Boyce, President and Director

Date: 06/26/06

/s/ Tom Tait
Tom Tait, Vice President & Director

Date: 06/26/06

/s/ Kevin Cooksy
Kevin Cooksy, Secretary/Treasurer