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Reed's Inc.

By Sarah Theodore

Old-fashioned recipe makes modern-day success

Chris Reed, president and chief executive officer of Los Angeles-based Reed's Inc., began his career as a chemical engineer designing liquefied natural gas plants — nearly as far from the beverage business as he could get. But a new age lifestyle and an interest in herbal remedies proved a stronger calling, and Reed soon followed. Actually, music was the stronger calling, but Reed needed a day job.

"[I] bought a guitar, moved to Hollywood and decided I was going to live large and do my dreams," Reed says. One of his daytime jobs included working for an advertising start-up company, which planted an entrepreneurial seed. Reed's interest in herbal medicine and other cultures provided the rest of the inspiration.

"I started out in college, long before it was trendy or hip, getting into meditation and yoga and vegetarian styles, and hanging out with people who were really fringe," he says.

Reed says the study of Indian and Chinese herbal medicine resulted in a "very deep respect for ginger as a general everyday tonic." In herbal medicine, ginger is considered an antidote for motion sickness and nausea. In addition, it is thought to ease inflammation, potentially helping with problems such as arthritis and migraines, and is used as a digestive aid.

He began looking up old recipes for ginger ale and discovered formulations dating back to the mid-1800s. One of the most compelling aspects of the old-fashioned tonics, he says, was the use of the entire ginger root.

"From an herbal standpoint, here was the whole wheat bread to the white bread — this was using the whole roots and spices and fruits to make a fresh-brewed drink," he says. "From a craftsmanship thing, it was like crafting something like a fine micro brew or fine wine."

Following the micro-brew idea, Reed made his first batches of ginger brew in 1987 in a beer brewery, and filled and capped bottles by hand. He took the bottles home, glued on labels with a glue stick and packed the bottles into his Volkswagen bug for distribution.

However humble the beginnings, the product soon caught on. Reed gained distributors and moved to a larger — this time, automated — brewery. Today, the company produces product at a Pennsylvania facility through a co-packing arrangement, and its own brewery in Los Angeles. The brewing process is essential to Reed's products, which are made from ginger, spices and juice, which is why he named them Ginger Brews rather than Ginger Ales.

"I have more to do with a beer guy than I do a soft drink guy," Reed says. "I use a brewery. It's not a hybrid; it's a full-on brewery. That's the only way to do it."

Reed's engineering background has come in handy, helping him design the brewing process to fit his standards. While he says the process is proprietary, Reed says he has picked up techniques from beer and wine production and incorporated them into the ginger brew process.

"I developed technologies for the oil and gas industry, and now I develop technology for the beverage industry," he says.

Reed's Ginger Brew formula is based on a Caribbean recipe of ginger root, lemon, lime, honey, fructose, pineapple, herbs and spices. In addition to Reed's Original Ginger Brew, the lineup includes Reed's Extra Ginger Brew, which has a stronger ginger flavor; Reed's Premium Ginger Brew, sweetened with only honey and pineapple juice; Reed's Raspberry Ginger Brew, with 20 percent raspberry juice and lime; Reed's Spiced Apple Brew, with 50 percent apple juice and apple pie spices such as cinnamon, cloves and allspice; and Reed's Cherry Ginger Brew, with cherry juice and spices.

The company expanded the lineup in 1999 with the acquisition of Virgil's sodas from Crowley Beverage Co. It now carries Virgil's Root Beer, Cream Soda and Black Cherry Cream Soda, and also features China Cola made from Chinese herbs such as cassia bark, cardamom, licorice and orange peel.

Moving to mainstream

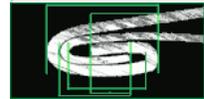
Reed's established itself in the natural food channel long before natural and organic became the buzzwords they are today. Now that natural products are taking off in mainstream channels, the company also is moving in that direction. To finance the expansion, the company decided to go public, first offering shares in 2005 through bottleneck tags that invited consumers to buy stock. The following year, the company listed on the OTC Bulletin Board, and in November of last year, the company was approved for listing on the Nasdaq Capital Market.

After each offering, the company expanded, first investing in a new brewing facility and then funding a move into mainstream grocery and direct store delivery. Reed's brought on board industry veterans such as Rory Ahearn, who previously worked with energy drink powerhouse Red Bull, and Neal Cohane, who hails from the new age SoBe brand, to lead the move into more traditional retail outlets.

Reed estimates the company has the West Coast nearly covered in terms of DSD distributors, and approximately 60 percent of the East Coast. It also is beginning to enter Texas and some of the Great Lakes markets.

The company also is generating more mainstream marketing buzz, with a cross-promotion with Dewar's Scotch Whisky, and new 7-ounce bottles designed for mixing. "We've been pushing into the bar and hotel business recently with that," Reed says.

But for the most part, Reed's marketing still is based on sampling and sharing the story of Reed's real-brewed recipe and heritage. "We have a lot of guys on the street, working with distributors, visiting the retailer, educating them on the brand and the value of it," Reed says. "That's probably the main way we're growing the business right now, the old-fashioned way."



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It's a long way from designing natural gas plants, but Reed says his career experience has come full circle during the past 20 years and now incorporates his engineering talents, herbal interests and his artistic side.

"I needed to feel like this was something unique, that was needed," he says. "I felt there was a deep need to go back to these old-fashioned drinks, otherwise I wouldn't be working on it.

"Everything I had done up to the point I got this was almost some magical prep for all the skills I would need to do this thing. It's weird, but it's true."

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