

REFLECT SCIENTIFIC INC
Form POS AM
July 15, 2009

As filed with the Securities and Exchange Commission on July 15, 2009

Registration No. 333-151239

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

POST-EFFECTIVE AMENDMENT NO.1

TO THE

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

REFLECT SCIENTIFIC, INC.

(Exact name of registrant as specified in its charter)

Utah

3821

87-0642556

(State or other Jurisdiction
of Incorporation or Organization)

(Primary Standard Industrial
Classification Code Number)

(I.R.S. Employer
Identification No.)

1270 South 1380 West

Orem, Utah 84058

(801) 226-4100

(Address and telephone number of principal executive offices and principal place of business)

Kim Boyce, Chief Executive Officer

Reflect Scientific, Inc.

1270 South 1380 West

Orem, Utah 84058

(801) 226-4100

(Name, address and telephone number of agent for service)

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APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC:

From time to time after this Registration Statement becomes effective.

If any securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

**Title of
each class
of
securities
to be
registered**

**Number of
Shares to
be
registered
(3)**

**Proposed
maximum
offering
price per
share (4)**

**Proposed
maximum
aggregate
offering
price**

Amount of

**registration
fee**

Common
Stock,
\$0.001 par
value (1)

1,923,077

\$0.835

\$ 1,605,769

\$ 63.11

*

Common
Stock,
\$0.001 par
value (2)

1,923,077

\$0.835

1,605,769

63.11

*

Total

3,846,154

\$ 3,211,538

\$ 126.22

*

(1)

Represents shares issuable upon exercise of Series A Warrants

(2)

Represents shares issuable upon exercise of Series B Warrants

(3)

Pursuant to Rule 416 promulgated under the Securities Act of 1933, as amended, there are also registered hereunder such indeterminate number of additional shares as may be issued to the selling stockholders pursuant to the anti-dilution provisions of the Series A and Series B Warrants.

(4)

Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) and Rule 457(g) under the Securities Act of 1933, using the average of the high and low prices as reported on the OTC Bulletin Board on May 19, 2008, which was \$0.835 per share.

* Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this Prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement is filed with the Securities and Exchange Commission and becomes effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED

JULY 15, 2009

REFLECT SCIENTIFIC, INC.

3,846,154 Shares of

Common Stock

This prospectus relates to periodic offers and resales of an aggregate of 3,846,154 shares of our common stock held by certain selling security holders which includes:

1,923,077 shares of our common stock underlying series A common stock purchase warrants;

1,923,077 shares of our common stock underlying series B common stock purchase warrants; and

All shares are being offered through the selling security holders. We will not receive any proceeds from the sale of the shares by the selling security holders. The shares of common stock are being offered for sale by the selling security holders at prices established on the OTC Bulletin Board (OTCBB) or other trading markets or exchanges where our stock trades or by agreement between selling security holder and the buyer during the term of this offering. There are no minimum purchase requirements. These prices will fluctuate based on the demand for the shares of common stock. Our common stock is quoted on the OTCBB under the symbol RSCF. On July 13, 2009, the closing price for our common stock was \$0.22 per share.

A current prospectus must be in effect at the time of the sale of the shares of common stock offered herein. Each selling shareholder of the common stock is required to deliver a current prospectus upon the sale. In addition, for the purposes of the Securities Act of 1933, selling shareholders may be deemed underwriters. Therefore, the selling shareholder may be subject to statutory liabilities if the registration statement, which includes this prospectus, is defective by virtue of containing a material misstatement or failing to disclose a statement of material fact.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 3 of this prospectus to read about the risks of investing in our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2009.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

REFLECT SCIENTIFIC HAS NOT REGISTERED THE SHARES FOR SALE BY THE SELLING SHAREHOLDERS UNDER THE SECURITIES LAWS OF ANY STATE. BROKERS OR DEALERS EFFECTING TRANSACTIONS IN THE SHARES SHOULD CONFIRM THAT THE SHARES HAVE BEEN REGISTERED UNDER THE SECURITIES LAWS OF THE STATE OR STATES IN WHICH SALES OF THE SHARES OCCUR AS OF THE TIME OF SUCH SALES, OR THAT THERE IS AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES LAWS OF SUCH STATES.

THIS PROSPECTUS IS NOT AN OFFER TO SELL ANY SECURITIES OTHER THAN THE SHARES. THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER IS UNLAWFUL.

REFLECT SCIENTIFIC HAS NOT AUTHORIZED ANYONE, INCLUDING ANY SALESPERSON OR BROKER, TO GIVE ORAL OR WRITTEN INFORMATION ABOUT THIS OFFERING, REFLECT SCIENTIFIC, OR THE SHARES THAT IS DIFFERENT FROM THE INFORMATION INCLUDED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS, OR ANY SUPPLEMENT TO THIS PROSPECTUS, IS ACCURATE AT ANY DATE OTHER THAN THE DATE INDICATED ON THE COVER PAGE OF THIS PROSPECTUS OR ANY SUPPLEMENT TO IT.

IN THIS PROSPECTUS, REFERENCES TO REFLECT SCIENTIFIC, THE COMPANY, WE, US, A OUR, REFER TO REFLECT SCIENTIFIC, INC., AND ITS SUBSIDIARIES.

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PROSPECTUS SUMMARY

This summary highlights information contained in this prospectus and may not contain all of the information that should be considered prior to investing in our shares. We encourage you to read this prospectus in its entirety, with particular attention to the information under Risk Factors and our consolidated financial statements and related notes included in this prospectus.

Our Business

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

Reflect Scientific was organized under the laws of the State of Utah on November 3, 1999, under the name Cole, Inc. On December 31, 2003, we acquired Reflect Scientific, Inc., a California corporation and currently our wholly-owned subsidiary, changed our name to Reflect Scientific, Inc. and succeeded to the business operations of Reflect Scientific, Inc., which involves the manufacture and distribution of 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. Since the acquisition of our lifescience business, we have acquired several other companies in an effort to expand our product lines and expertise.

Our goal is to provide our customers with the best solution for their needs. This philosophy extends into our business strategies and acquisition plans. Through a series of strategic acquisitions in 2006 and 2007, we now offer a greatly expanded line of products that take advantage of market needs. Our growing product portfolio includes ultra low temperature freezers and chemical detectors, in addition to supplying OEM products to the life science industry.

Our Visacon brand chemical detectors provide our OEM customers a cost effective detection product that allows them to extend their markets. Detectors use patented optical detection technologies that can be tailored for pharmaceutical, biotechnology or other life science applications.

Our Cryometrix brand ultra low temperature freezers innovative design enables our customers to save on energy costs related to cryogenic storage. Ultra low temperature freezers are used world wide for the storage of vaccines, DNA, RNA, proteins and many other biological and chemical samples. There is a growing need for energy efficient, reliable ultra low temperature storage units. We will, hopefully, continue to expand into this growing market with the

Cryometrix freezer.

About Us

We were incorporated in 1999 in Utah. Our principal office is located at 1270 South 1380 West, Orem, Utah 84058. Our telephone number at this location is (801) 226-4100. We also maintain a regional office in San Jose, California and Bozemen, Montana.

THE OFFERING

Securities offered by Selling Stockholders

3,846,154 shares of common stock

Common stock outstanding before the offering

34,961,734 (as of July 1, 2009)

Common stock to be outstanding after the offering

38,807,888

Use of proceeds

The only proceeds will be from the exercise of warrants. If the warrants are exercised, we will use the funds received for general working capital. If all warrants are exercised, we would receive proceeds of \$3,462,538. The timing of warrant exercises and receipt of proceeds is difficult to determine.

OTC bulletin board symbol

RSCF

Risks

As part of your evaluation, you should take into account not only our business approach and strategy, but also special risks we face in our business. For a detailed discussion of these risks and others, see Risk Factors beginning on page 3.

Issuance of Securities to the Selling Stockholders

On June 29, 2007, pursuant to a securities purchase agreement, we issued to several institutional investors convertible debentures in the aggregate principal amount of \$2,500,000 and stock purchase warrants, comprised of 1,923,077 Class A Warrants and 1,923,077 Class B Warrants, exercisable over a five year period into an aggregate of 3,846,154 shares of common stock. vFinance Investments, Inc. acted as a placement agent for the offering.

The debentures have a maturity date of June 29, 2009, and, upon issuance, accrued interest at a rate of 12% per annum. Payment of principal under the debentures was due on the maturity date and interest was due on a quarterly basis. The principal amount of the debentures is convertible into common stock of the Company. Upon issuance, interest was payable at the option of the Company to the Investors either in cash or in registered common stock at a fifteen percent (15%) discount to the market price. At the closing, the Company prepaid the first two quarterly interest payments out of proceeds of the offering from escrow. The conversion price of the debentures is \$0.65 per share yielding an aggregate total of possible shares to be issued as a result of conversion as of the closing of 3,846,154 shares. The principal amount of the debentures could not be prepaid without the consent of the holders. The Company failed to repay the outstanding principal amount of \$2,300,000 on the debentures on the maturity date due to a lack of available funds, and the debentures are currently in default. The Company is currently in negotiations with the debenture holders. The exercise price of the Class A Warrants is \$0.80 per share; and the exercise price of the Class B Warrants is \$1.00 per share.

The debentures and the warrants have anti-dilution protections, and the Company has agreed to certain registration rights for the resale of the shares of common stock underlying the debentures and warrants, pursuant to a registration rights agreement entered into simultaneously with the transaction. On August 28, 2007, we filed such registration statement which was declared effective by the SEC on December 21, 2007 registering the shares underlying the debentures and the shares issuable upon payment of interest on the debentures.

Summary of Financial Information

We reported revenues of \$1,508,246 and a net loss of \$927,711 for the three-month period ended March 31, 2009. At March 31, 2009, we had cash and cash equivalents of \$240,370 and a working capital deficit of \$491,443, which represented a decrease in working capital of \$754,722 from the amount reported at December 31, 2008, of approximately \$263,279.

The following table shows selected summarized financial data for Reflect Scientific at the dates and for the periods indicated. The data should be read in conjunction with the financial statements and notes included in this prospectus beginning on page 32.

STATEMENT OF OPERATIONS DATA:

Three Months
Ended March 31,

Year Ended

2009 (Unaudited)

2008 (Unaudited)

2008

2007

Revenues

\$ 1,508,246

\$ 1,970,279

\$ 10,126,805

\$ 8,020,226

Cost of Goods Sold

877,292

944,025

5,500,694

4,633,278

Operating Expenses

1,190,013

1,157,922

5,161,144

8,797,322

Net Income (Loss)

(927,711)

(507,627)

(2,164,396)

(7,076,619)

Basic Income (Loss)
per Share

(0.03)

(0.01)

(0.06)

(0.21)

Weighted Average
Number

of Shares
Outstanding

34,578,208

34,963,927

34,359,453

34,328,678

BALANCE SHEET DATA

March 31, 2009
(Unaudited)

December 31, 2008

Total Current Assets	
	\$ 2,758,788
	\$ 3,116,193
Total Assets	
	8,719,858
	9,235,509
Total Current Liabilities	
	3,250,231
	2,852,914
Working Capital (Deficit)	
	(491,443)
	263,279

Shareholders Equity

\$ 5,455,389

\$ 5,363,089

RISK FACTORS

An investment in our common stock involves a high degree of risk, and should not be made by anyone who cannot afford to lose their entire investment. You should consider carefully the risks set forth in this section, together with the other information contained in this prospectus, before making a decision to invest in our common stock. Our business, operating results and financial condition could be seriously harmed and you could lose your entire investment if any of the following risks were to occur.

Risks Related to our Business

We are currently losing money and we will need to reduce our losses if we are to survive.

For the three months ended March 31, 2009, we had a net loss of \$927,711 on revenues of \$1,508,246. For the year ended December 31, 2008, we had a net loss on revenues of \$10,126,805. We cannot continue to cover the current losses and are striving to reduce the losses. If we are not successful in increasing revenues and/or reducing cost, there will be a substantial question as to our long term viability.

We are currently in default on our outstanding debentures.

Our 12% Senior Convertible Debentures, issued on June 29, 2007, matured on June 29, 2009. The Company failed to repay the outstanding principal amount of \$2,300,000 on the debentures on the maturity date due to a lack of available funds, and the debentures are currently in default. Without the consent of the debenture holders to restructure these debentures, extend their term or raise capital to pay off these debentures, our operations would be materially impacted, and the debenture holders could conceivably have the ability to force us into involuntary bankruptcy. The Company is currently in negotiations with the debenture holders to renegotiate the terms of the debentures. However, there is no assurance we will renegotiate the terms of the debentures or raise the funds needed to repay the debentures.

Our business consists of multiple companies that were brought together and the integration of the diverse product line and work force may be difficult and in the end may be unsuccessful.

Our business model for the last two and a half years was focused on the acquisition of several companies that we believed had niche products with competitive advantages over existing products on the marketplace. Most of the companies we acquired had products in the very early stage of commercialization. As a result of our acquisitions which were only completed during the first quarter of 2007, our management is stretched and integrating the different companies has been time consuming. We are looking to hire additional personnel, but have not had the resources to make this commitment until recently. Our future success with these diverse companies is still unknown and an investor in Reflect Scientific will not have a track record to analyze in making a decision on if we are a good investment and if we will be successful integrating these acquisitions.

Our lack of capital limits our ability to compete in the market place, which can adversely affect our market share, revenue and gross margins.

Many of our competitors are substantially larger and better financed than we are. We continue to lose money. Accordingly, we are limited in our ability to provide the marketing and research and development dollars that many of our competitors are able to invest. We are hopeful with the completion of our last acquisition, some administrative expenses will be reduced particularly associated with legal, accounting and consulting cost; however,

even with reductions in these categories we must start making money to be able to invest the dollars needed to stay competitive in the marketplace. If revenues do not improve, we may have to seek additional financing and there can be no assurance additional capital will be available.

Several of our key products are in the early phase of commercialization so their long-term acceptance by the marketplace is unknown, and if they are not accepted, our ability to continue will be questionable.

Several of our products, including our freezers and detectors, have only recently been introduced on a commercial basis to the marketplace. Although we are hopeful on the products' long-term acceptance, at this time, there is no assurance that they will be accepted by the marketplace or that there will not be another product which supersedes them before they can obtain a foothold. Much of our future success is dependent on these freezers and detectors

and if they are not successful, our long term profitability will be very questionable. Investors in Reflect Scientific will not have the advantage of being able to look to a mature product or long-term revenue streams when making an investment decision.

The nature of our refrigerator product line creates potential liability if the refrigerator does not perform or malfunctions since they hold permissible items.

Our ultra low temperature refrigerators are designed to hold items which require extremely low temperatures. If these low temperatures are not maintained, the items inside can be destroyed. These refrigerators often hold items such as blood, plasma and other scientific compounds which must be maintained at extremely low temperatures and are often very valuable. If our refrigerators don't maintain these low temperatures, the items inside will be lost which could result in potential claims for reimbursement. We currently carry product liability insurance but there is no assurance the insurance will be able to cover all potential losses.

Our inability to adequately retain or protect our employees, customer relationships and proprietary technology could harm our ability to compete.

Our future success and ability to compete depends in part upon our employees and their customer relationships, as well as our proprietary technology and patents, which we attempt to protect with combination of patent, trademark and trade secret claims as well as with our confidentiality procedures and employee contract provisions. These legal protections afford only limited protection and are time consuming and expensive to maintain. Further, despite our efforts, we may not prevent third parties from soliciting our employees or customers or infringing upon or misappropriating our intellectual property. Our employees, customer relationships and intellectual property may not provide us with a competitive advantage adequate to prevent the competitors from entering the markets for our products and services. Additionally, our competitors, which are larger and better financed, could independently develop non-infringing technologies that are competitive with, and equivalent or superior to our technology.

The departure of certain key personnel could affect the financial condition of Reflect Scientific due to the loss of their expertise and customer relationships.

Certain key employees, primarily Kim Boyce and Tom Tait, are very closely involved in our business and have day-to-day relationships with critical customers. One of the key aspects in the purchase of our initial technology was the ability to obtain the employees responsible for developing our technology. The loss of these employees would severely hinder our ability to develop new products and improve on existing products and technology. Competition for highly skilled business, product development, technical and other personnel is intense, and we may not be successful in recruiting new personnel or in retaining our existing personnel. With the size and funding advantages enjoyed by our competitors, it may be difficult to keep key employees, particularly those in the scientific fields. A failure on our part to retain the services of these key personnel could have a material adverse effect on our operating results and financial conditions. We do not maintain key man life insurance on any of our employees. Although we do maintain employment contracts with key employees, these contracts may not be sufficient to keep the employees from leaving.

We face numerous competitors and as a result, we may not get the business we seek.

We have many competitors with comparable technology and capabilities that compete for the same group of customers. Our competitors are competent and experienced and are continuously working to take projects away from us. Many of our competitors have greater financial, technical, marketing and other resources than we do. Our ability to compete effectively may be adversely affected by the ability of these competitors to devote greater resources to the sale and marketing of their products and services.

We are a small company that relies on a few significant employees to ensure that our business operates efficiently. If we were to lose one of these employees it would effect our business operations and we would experience difficulty in replacing one of these employees.

Other larger companies have greater capital resources and therefore greater recruitment capability than Reflect Scientific. This may limit our ability to hire new talent and retain current employees. We have a very small staff of executives and significant employees. We rely on our executive officers, senior management and significant employees to ensure our business operates efficiently. The loss of such an employee could harm our business. We believe that our success in this business depends on our ability to continue to attract and retain highly skilled and knowledgeable staff.

Risks Related to our Common Stock

Trading in our common stock is limited

Our common stock is quoted on the OTC Bulletin Board. The OTC Bulletin Board is a significantly more limited market than the New York Stock Exchange or NASDAQ system. The quotation of our shares on the OTC Bulletin Board may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock which could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

Our issuances of shares in connection with exercises of the Series A and B Warrants and conversions of the Debentures likely will result in overall dilution to market value and relative voting power of previously issued common stock, which could result in substantial dilution to the value of shares held by shareholders prior to sales under this prospectus.

The issuance of common stock in connection with exercises of the Series A and B Warrants and conversions of the Debentures by the Selling Shareholders may result in substantial dilution to the equity interests of holders of our common stock other than the Selling Shareholders. Specifically, the issuance of a significant amount of additional common stock will result in a decrease of the relative voting control of our common stock issued and outstanding prior to the issuance of common stock in connection with exercises of the Series A and B Warrants and conversions of the Debentures. Furthermore, public resales of our common stock by the Selling Shareholders following the issuance of common stock in connection with exercises of the Series A and B Warrants and conversions of the Debentures likely will depress the prevailing market price of our common stock. Even prior to the time of actual exercises, conversions, and public resales, the market overhang resulting from the mere existence of our obligation to honor such conversions or exercises could depress the market price of our common stock, which could make it more difficult for

existing investors to sell their shares of our common stock, and could reduce the amount they would receive on such sales.

There is an increased potential for short sales of our common stock due to the sales of shares issued to the Selling Shareholders in connection with the Series A and B Warrants and the Debentures, which could materially effect the market price of our stock.

Downward pressure on the market price of our common stock that likely will result from sales of our common stock by the Selling Shareholders issued in connection with exercises of the Series A and B Warrants and conversions of the Debentures could encourage short sales of common stock by the Selling Shareholders or others. A short sale is defined as the sale of stock by an investor that the investor does not own. Typically, investors who sell short believe that the price of the stock will fall, and anticipate selling at a price higher than the price at which they will buy the stock. Significant amounts of such short selling could place further downward pressure on the market price of our common stock, which could make it more difficult for existing shareholders to sell their shares.

The restrictions on the number of shares issued upon exercise of the Series A and B Warrants and on conversion of the Debentures may have little if any effect on the adverse impact of our issuance of shares in connection with exercise of the Series A and B Warrants and conversion of the Debentures, and as such, the Selling Shareholders may sell a large number of shares, resulting in substantial dilution to the value of shares held by our existing shareholders.

The Selling Shareholders are prohibited, except in certain circumstances, from exercising the Series A and B Warrants and converting amounts of the Debentures to the extent that the issuance of shares would cause any Selling

Shareholder to beneficially own more than 4.99% of our then outstanding common stock. These restrictions, however, do not prevent any Selling Shareholder from selling shares of common stock received in connection with an exercise or conversion, and then receiving additional shares of common stock in connection with a subsequent exercise or conversion. In this way, a Selling Shareholder could sell more than 4.99% of the outstanding common stock in a relatively short time frame while never holding more than 4.99% at one time. As a result, existing shareholders and new investors could experience substantial dilution in the value of their shares of our common stock.

The trading market for our common stock is limited, and investors who purchase shares from the Selling Shareholders may have difficulty selling their shares.

The public trading market for our common stock is limited. As of the date of this prospectus, our common stock is quoted on the OTC Bulletin Board. Nevertheless, an established public trading market for our common stock may never develop or, if developed, it may not be able to be sustained. The OTCBB is an unorganized, inter-dealer, over-the-counter market that provides significantly less liquidity than other markets. Purchasers of our common stock therefore may have difficulty selling their shares should they desire to do so.

It may be more difficult for us to raise funds in subsequent stock offerings as a result of the sales of our common stock by the Selling Shareholders in connection with the Series A and B Warrants, the Debentures.

As noted above, sales by the Selling Shareholders likely will result in substantial dilution to the holdings and interest of current and new shareholders. Additionally, as noted above, the volume of shares sold by the Selling Shareholders could depress the market price of our stock. These factors could make it more difficult for us to raise additional capital through subsequent offerings of our common stock, which could have a material adverse effect on our operations.

We are considered a penny-stock company, which may limit the market for our common equity securities.

Our common stock is quoted on the OTCBB and currently trades below \$5.00 per share. For much of our history our shares have been treated as "penny stock" within the definition of that term contained in Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended. These rules impose sales practices and disclosure requirements on certain broker-dealers who engage in certain transactions involving penny stocks. These additional sales practices and disclosure requirements could impede the sale of our securities, including securities purchased herein, in the secondary market. In general, penny stocks are low priced securities that do not have a very high trading volume. Consequently, the price of the stock is volatile and you may not be able to buy or sell the stock when you want. Accordingly, the liquidity for our securities may be adversely affected, with related adverse effects on the price of our securities.

Under the penny stock regulations, a broker-dealer selling penny stocks to anyone other than an established customer or "accredited investor" (generally, an individual with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. In addition, unless the broker-dealer or the transaction is otherwise exempt, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the Registered Representative and current quotations for the securities. A broker-dealer is additionally required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

The market for our common stock is limited and there are no assurances an active market for our common stock will ever develop. Accordingly, purchasers of our common stock cannot be assured any liquidity in their investment.

You will not receive dividend payments.

We have not paid and do not plan to pay dividends in the foreseeable future even if our operations are profitable. Additionally, under the terms of the Debentures, we are not permitted to pay a dividend while they are outstanding. Earnings, if any, will be used to expand our operations, hire additional staff, pay operating expenses and salaries, rather than to make distributions to shareholders. Future value of an investment will be tied to an increase in Reflect Scientific's enterprise value and/or market price of our common stock, if trading on an exchange or market.

We may issue more stock without shareholder input or consent which could dilute the book value of your investment.

The board of directors has authority, without action by or vote of the shareholders, to issue all or part of the authorized but unissued shares. In addition, the board of directors has authority, without action by or vote of the shareholders, to fix and determine the rights, preferences, and privileges of the preferred stock, which may be given voting rights superior to that of the common stock in this offering. Any issuance of additional shares of common stock or preferred stock will dilute the ownership percentage of shareholders and may further dilute the book value

of Reflect Scientific's shares. It is likely we will seek additional capital in the future to fund operations. Any future capital will most likely reduce investors in this offerings percentage of ownership.

Current management owns most of the shares and will control Reflect Scientific.

Current managers own 22,329,250 shares of common stock or 55.9% of the issued and outstanding shares. As a result, management will most likely be in a position to elect the Board of Directors, to dissolve, merge or sell our assets, and to direct our business affairs without shareholder input or consent. Until all of the Debentures are converted and Warrants exercised, current management will continue to be able to be in control on any matters submitted to a shareholder vote.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this prospectus constitute forward-looking statements. These statements involve risks known to us, significant uncertainties, and other factors which may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by those forward-looking statements.

You can identify forward-looking statements by the use of the words "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential," "proposed," or "continue" or the negative of those terms. These statements are only predictions. In evaluating these statements, you should specifically consider various factors, including the risks outlined above. These factors may cause our actual results to differ materially from any forward-looking statement.

Although we believe that the exceptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Use of Proceeds

We will not receive any proceeds upon the resale of shares by the selling security holders. Any proceeds that we receive will be from the selling security holders upon the exercise of the outstanding warrants. We will use these proceeds for general working capital. The actual allocation of proceeds realized from the exercise of these warrants will depend upon the amount and timing of such exercises, our operating revenues and cash position at such time and our working capital requirements. There can be no assurances that any of the outstanding warrants will be exercised.

Determination of Offering Price

Our common stock will be offered by the selling security holder in amounts, at prices, and on terms to be determined in light of market conditions at the time of sale. The shares may be resold directly by the selling stockholders in the open market at prevailing prices or through negotiations between selling shareholder and prospective buyer or through agents, underwriters, or dealers. We will not control or determine the price at which the shares are sold.

Management's Discussion and Analysis or Plan of Operations

Certain statements in this prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, among others, uncertainties relating to general economic and business conditions; industry trends; changes in demand for our products and services; uncertainties relating to customer plans and commitments and the timing of orders received from customers; announcements or changes in our pricing policies or that of our competitors; unanticipated delays in the development, market acceptance or installation of our products and services; changes in government regulations; availability of management and other key personnel; availability, terms and deployment of capital; relationships with third-party equipment suppliers; and worldwide political stability and economic growth. The words "believe", "expect", "anticipate", "intend" and "plan" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the unaudited Condensed Consolidated Financial Statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. Reflect Scientific believes there have been no significant changes during the three months ended March 31, 2009, to the items disclosed as significant accounting policies in management's Notes to the audited financial statements included in this prospectus.

Reflect Scientific's accounting policies are more fully described in Note 2 of the audited consolidated financial statements included in this prospectus. As discussed in Note 2, the preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about the future events that affect the amounts reported in the consolidated financial statements and the accompanying notes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. Reflect Scientific believes that the following addresses Reflect Scientific's most critical accounting policies.

We recognize revenue in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, Revenue Recognition (SAB 104). Under SAB 104, revenue is recognized at the point of passage to the customer of title and risk of loss, when there is persuasive evidence of an arrangement, the sales price is determinable, and collection of the resulting receivable is reasonably assured. We recognize revenue as services are provided with specific long lead time orders.

The Company recognizes revenue on long-term contracts using the percentage-of-completion method. We generally recognize revenue using the percentage-of-completion method for original equipment that requires a minimum of six months to produce. When using the percentage-of-completion method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Estimated losses are recognized in full when identified. The asset, costs and estimated earnings in excess of contract billings on uncompleted contracts represents revenues recognized in excess of amounts billed. The liability, contract billings in excess of costs and estimated earnings on uncompleted contracts, represents billings in excess of revenues recognized.

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

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS No. 109). Under SFAS No. 109, deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets will be reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized.

Intangible assets include trademarks, trade secrets, patents, customer lists and goodwill acquired through acquisitions of subsidiaries. The Patents have been registered with the United States Patent and Trademarks office. The costs of obtaining patents are capitalized as incurred. Intangibles, except for goodwill, are amortized over their estimated useful lives.

The Company reviews long-lived assets, at least annually, to determine if impairment has occurred and whether the economic benefit of the asset (fair value for assets to be used and fair value less disposal costs for assets to be disposed) is expected to be less than the carrying value. Triggering events, which signal further analysis, consist of a significant decrease in the asset's market value, a substantial change in the use of an asset, a significant physical change in the asset, a significant change in the legal or business climate that could affect the asset, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct the asset, or a history of losses that imply continued losses associated with assets used to generate revenue. No such adjustments were required for the year ended December 31, 2008.

Plan of Operation

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

Management's focus over the last several years was on the acquisition and development of our product lines. Management now feels they have the core product lines in place to now refocus its efforts on the commercialization

of the product lines. As such much of the focus over the next twelve months will be on marketing our products and expanding our customer base.

Our revenues decreased from the quarter ended March 31, 2008, from \$1,970,279 to \$1,508,246 for the quarter ended March 31, 2009. This decrease is due to the general economic downturn and many potential customers postponing large capital expenditures for our product lines. We do not expect this trend to continue in the remaining quarters of 2009. Our products are new to the marketplace and we expect the demand to grow as our products become more familiar. We believe the product lines are becoming commercially accepted and that sales will increase.

We do not anticipate we will emphasize acquisitions as we have in the past and instead will focus on managing our current product line. This will require a focus from management on the sales of these products. We anticipate the future business growth over the next twelve months to come from our current product line.

Results of Operations

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

Our revenues decreased during the quarter ended March 31, 2009, to \$1,508,246 from \$1,970,279 for the quarter ended March 31, 2008. We believe this trend will not continue as our products gain more commercial acceptance.

Our cost of goods decreased in the quarter ending March 31, 2009, as compared to March 31, 2008 to \$877,292 from \$944,025. The difference was the result of decreased sales. Overall, as a percentage of sales, our cost of goods sold was approximately 58% for the three months ended March 31, 2009 compared to 48% for the quarter ended March 31, 2008. We anticipate the cost of goods sold percentage to vary by quarter depending on which products make up the largest percentage of sales during the quarter. Once our products are in the market place longer, our cost of goods sold percentage should become more fixed as a percentage of sales.

Salaries and wages increased to \$617,848 during the quarter ended March 31, 2009, compared to \$617,261 for the quarter ended March 31, 2008.

With the increase in operating expenses from \$1,157,922 for the quarter ended March 31, 2008 to \$1,190,013 for the quarter ended March 31, 2009, our operating loss increased to \$559,059 from \$131,668 for the comparable period in 2008. We expect that as sales start to increase, we will be able to reduce our operating loss this year.

Interest expense was \$368,905 for the quarter ended March 31, 2009. The interest expense related to our debentures is \$70,110 for the quarter and \$298,795 is related to the amortization of the discounts on the debenture.

Liquidity and Capital Resources

Our cash resources at March 31, 2009, were \$240,370, with accounts receivable of \$994,659 and inventory of \$768,871. We have relied on revenues and sales of equity and debt securities for cash resources. Our working capital surplus/(deficit) on March 31, 2009, was \$(491,443) compared to \$263,279 on December 31, 2008. To complete acquisitions and to fund our expanding operations, much of the working capital was used in the first part of 2007 requiring us to raise additional capital which was completed in June 2007. This capital was used to increase our manufacturing resulting in increased inventory. We hope to devote some of the available cash to marketing to help increase sales over the next twelve months.

Historically, we have financed our working capital requirements through capital funding which have generated sufficient funds to offset shortfalls and cover losses. As we continue to expand our operations, we anticipate seeking additional capital through the sale of equity securities. It is highly likely, we will again seek additional capital in the equity markets. At this time we do not know the extent of the overall financing we will need in the future. Financing will depend on how well our products are received in the marketplace.

Our long term liabilities were \$14,238 on March 31, 2009. This reflects the maturity of our debenture becoming short-term of \$2,337,500, although only \$2,044,875 is reflected because of the discounts on the debenture. The debentures matured on June 29, 2009. Due to a lack of available funds, the Company failed to repay the principal on the debentures on the maturity date and the debentures are currently in default. The Company is in negotiations with the debenture holders.

For the quarter ended March 31, 2009, our net cash used by operating activities was \$219,415 which was up from

\$77,475 for the quarter ended March 31, 2008.

We anticipate losses to continue as we expand our sales efforts. Since the products are new to the marketplace, we are not sure how sales will be in upcoming quarters but we expect they increase and should start covering our expenses.

Results of Operations

December 31, 2008 and 2007

Our revenues increased during the year ended December 31, 2008, to \$10,126,805 from \$8,020,266 for the year ended December 31, 2007, primarily as a result of increased business from our acquisitions.

Our cost of goods increased in the period ending December 31, 2008, as compared to December 31, 2007, to \$5,500,694 from \$4,633,278. The difference is primarily attributed to increased sales. The percentage on gross margins for the two years was essentially unchanged.

General and administrative expenses decreased to \$2,998,008 during the year ended December 31, 2008, from \$3,447,791 during the year ended December 31, 2007. This was due to our stabilization of our operations and our costs of operations. With this stability and our increase in revenues, our operating loss decreased to \$535,033, after the operating loss in 2007 of \$5,410,334. In 2007 we expanded operations in an effort to staff anticipated product development and product launches.

With the acquisitions, our salaries increased from \$1,752,103 to \$1,855,730 from December 31, 2007 to December 31, 2008. We anticipate salaries will increase further as we search for additional management personnel. We anticipate, however, that we will reduce expenses in other areas to somewhat offset future salary increases. One area we are hopeful in reducing expenses is the consulting, legal and accounting cost associated with the acquisitions.

There were expenses associated with the acquisitions in 2007, and as a result, we had a net loss of \$2,164,396 for the year ended December 31, 2008, compared to net loss of \$7,076,619 for the year ended December 31, 2007. With many of the acquisitions not closing until the first part of 2007, it will be difficult to compare last year's results with future periods or expected results going forward. We anticipate that sales will continue to increase and will be able to offset expenses going forward. Since we are in the initial phases of several product launches and these products are entering into new markets, the time frame until we reach profitability is still unknown.

Liquidity and Capital Resources

Our cash resources at December 31, 2008, were \$447,037, with accounts receivable of \$1,005,864 and inventory of \$765,589. We have relied on revenues and sales of equity and debt securities for cash resources. As a result of the issuances of debt and common stock, our working capital on December 31, 2008, was \$263,279. To complete acquisitions and to fund our expanding operations, much of the working capital was used in the first part of 2007 requiring us to raise additional capital which was completed in June 2007. This capital was used to increase our manufacturing resulting in increased inventory. We hope to devote some of the available cash to marketing to help increase sales over the next twelve months.

In 2008, net cash used by operating activities was \$286,105 as opposed to \$1,930,313 in 2007. The major changes were the result of the acquisitions and the cost to cover such acquisitions. We were able to offset the use of cash by raising additional equity in 2007. We are hopeful that in 2009, with the additional capital to focus on operations, including marketing, we will be able to reduce our loss for the year.

Off-Balance Sheet Arrangements

We have no off balance sheet arrangements as of March 31, 2009.

Seasonality and Cyclicity

We do not believe our business is cyclical.

Description of Business

Overview

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

Our goal is to provide our customers with the best solution for their needs. This philosophy extends into our business strategies and acquisition plans. Through a series of strategic acquisitions in 2006 and 2007, we now offer a greatly expanded line of products that take advantage of market needs. Our growing product portfolio includes ultra low temperature freezers and chemical detectors, in addition to supplying OEM products to the life science industry.

Our Visacon brand chemical detectors provide our OEM customers a cost effective detection product that allows them to extend their markets. Detectors use patented optical detection technologies that can be tailored for pharmaceutical, biotechnology or other life science applications.

Our Cryometrix brand ultra low temperature freezers innovative design enables our customers to save substantially on energy costs related to cryogenic storage. Ultra low temperature freezers are used world wide for the storage of vaccines, DNA, RNA, proteins and many other biological and chemical samples. There is a growing need for energy efficient, reliable ultra low temperature storage units. We will continue to expand into this growing market with the Cryometrix freezer.

Organization

We were organized under the laws of the State of Utah on November 3, 1999, under the name Cole, Inc. On December 31, 2003, we acquired Reflect Scientific, Inc., a California corporation and currently our wholly-owned subsidiary, changed our name to Reflect Scientific, Inc. and succeeded to the business operations of Reflect Scientific, Inc., that involved the manufacture and distribution of 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.

On November 29, 2005, we announced the execution of a Letter of Intent to acquire Cryomastor Corporation, a California corporation (Cryomastor sometimes called Cryometrix, its amended name). On June 27, 2006, we completed the acquisition of Cryomastor pursuant to an Agreement and Plan of Merger (the Cryomastor Merger

Agreement), which became our wholly-owned subsidiary; changed its name to Cryometrix, Inc. ; and succeeded to its business operations, which involved the manufacture and sale of ultra low temperature freezers systems powered by liquid nitrogen for use in bio-repositories associated with the biotech and pharmaceutical industries, as well as government facilities, universities and many other diverse applications that require a large number of reliable and energy efficient freezers.

Effective as of April 4, 2006, we entered into a Purchase Agreement (the JMST Agreement) with JM SciTech, LLC, a limited liability company organized under the laws of the State of Colorado, and doing business as JMST Systems (JMST). Pursuant to the JMST Agreement, we purchased and JMST sold all right, title and interest in and to the JMST Technology (the JMST Technology), as described in the JMST Agreement; and David Carver, a shareholder of JMST (Carver), conveyed and assigned any rights he had in and to certain patents (the Carver Patents) and related intellectual assets as described in the JMST Agreement (collectively, including the Carver Patents referred to herein as the Carver Technology). JMST had created a line of chemical detection instruments that are used in the pharmaceutical, biotechnology and homeland security markets. The patented technology allows researchers to accurately analyze chemical formulations for their composition and identity.

On November 15, 2006, we entered into an Agreement and Plan of Merger (the Image Labs Merger Agreement) to acquire Image Acquisition Corp., a Georgia corporation by our wholly-owned subsidiary; Smithgall & Associates, Inc., dba Image Labs International, a Georgia corporation (Image Labs). Established in 1993 and located in Bozeman, Montana, Image Labs is a manufacturer and developer of factory automation equipment. The primary product lines focus in the areas of automated inspection, measurement and material handling. Effective February 28, 2007, the Image Labs Merger Agreement was completed.

On November 17, 2006, we entered into an Agreement and Plan of Merger (the The All Temp Merger

Agreement) between our wholly-owned subsidiary, Cryometrix, Inc. and All Temp Engineering Inc., a California corporation (All Temp). All Temp is located in San Jose, California and has been providing engineered solutions and services to the cryogenics industry for over 23 years. All Temp serves over 1,450 companies in business sectors such as biotech, pharmaceutical, medical devices, research, universities, semiconductor, aerospace, military and industrial food processing. Effective January 19, 2007, the All Temp Merger Agreement was completed.

Business

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

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

competing and existing products on the market.

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

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

PRODUCTS

Cryometrix Freezers

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

Currently, the only ultra low temperature freezers are produced by only a few companies and rely on a mechanical process for cooling. Because of inadequacies in the mechanical process, we believe there is wastage of inventory each year because of the problems of proper cooling found in the mechanical freezers.

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

§

High energy usage a growing problem with rising energy costs

§

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

§

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

§

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

Our Cryometrix ultra low temperature freezer uses a new patented design which is powered by liquid nitrogen.

Through the use of a liquid nitrogen powered freezer system we are able to address the market need for:

§

Low energy requirements

§

Flexible temperature control wide range of usable temperatures

§

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

§

Uniform temperatures throughout freezer more usable storage volume

§

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

§

Reliable and essentially maintenance free; further lowering cost of ownership

We believe existing freezers are outdated and our freezers will be the direction the industry will move offering us a chance to gain a significant market share in this large market.

Detectors

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

diseases.

Companies that manufacture beneficial chemicals or biotechnology products are often required to develop a methodology to detect their presence in the environment or in living tissue. Recent market trends have been toward

the creation of a dedicated system that is specific for a particular chemical. As the market expands for dedicated instrumentation, certain critical issues arise.

§

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

§

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

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

§

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

§

Technological breakthroughs provide cost-effective detection instrument solutions

§

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

§

Certified by various regulatory agencies for sale worldwide

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

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On March 5, 2003, Mandalay's board of directors authorized the repurchase of up to an additional 10 million shares of Mandalay's common stock, as market conditions and other factors warrant, when the board's prior repurchase authorization was fully utilized. As of the date of this prospectus, we are authorized by our board to purchase up to an additional 10.3 million shares of our common stock. However, Mandalay has agreed in a definitive merger agreement discussed in the summary section of this prospectus under "Recent Developments" not to repurchase additional shares of its common stock pending the consummation of the merger contemplated by the agreement or the termination of the agreement if the merger is not consummated. If Mandalay incurs additional indebtedness to repurchase shares of its common stock pursuant to the board's March 5, 2003 authorization or any subsequent authorization of the board, it will increase its leverage.

Until June 12, 2003, Mandalay had not declared a cash dividend on its common stock since it became publicly owned in 1983, although it had returned cash to its stockholders through its policy of periodic share repurchases, as cash flows, borrowing capacity and market conditions warranted. On June 12, 2003, Mandalay's board of directors instituted a policy of quarterly cash dividends and declared the first cash dividend to Mandalay's stockholders. This first quarterly dividend, which was \$0.23 per share, was paid on August 1, 2003 to stockholders of record on June 26, 2003. The most recent dividend declared by Mandalay's board of directors was \$0.27 per share payable on August 2, 2004 to stockholders of record on July 15, 2004. However, Mandalay has agreed in a definitive merger agreement discussed in the summary section of this prospectus under "Recent Developments" not to declare or pay any additional dividends pending the consummation of the merger contemplated by the agreement or the termination of the agreement if the merger is not consummated. If Mandalay incurs additional indebtedness as a result of its payment of cash dividends to its stockholders, it will increase its leverage.

Our debt agreements impose restrictions on our operations.

Our credit facilities impose operating and financial restrictions on us. These restrictions include, among other things, limitations on our ability to:

- incur additional debt;
- create liens or other encumbrances;
- pay dividends or make other restricted payments;
- make investments, loans or other guarantees;
- sell or otherwise dispose of a portion of our assets; or
- merge or consolidate with another entity.

Each of our credit facilities contains a financial covenant that requires us not to exceed a total indebtedness ratio. Each credit facility also requires us to comply with a minimum interest coverage ratio. Our ability to borrow funds for any purpose will depend on our satisfying these tests.

If we fail to comply with either of the financial covenants or any of the other restrictions contained in our credit facilities or any future financing agreements, an event of default could occur. An event of default could result in the acceleration of some or all of our debt. We would not have, and are not certain we would be able to obtain, sufficient funds to repay our indebtedness if it is accelerated, including our obligations under the debentures.

The terrorist attacks of September 11, 2001 adversely impacted our operations and any future attacks, as well as any hostilities which may develop between the United States and other countries, could have a material adverse effect on our future operations.

The terrorist attacks which occurred on September 11, 2001 had a pronounced impact on our operating results for the years ended January 31, 2002 and 2003. In addition, any hostilities between the United States and other countries, such as the recent war in Iraq, as well as any terrorist reprisals

against American interests for such hostilities, or concern that such reprisals may be made, could negatively affect our business and the travel market. Our Las Vegas properties are particularly dependent on air travel for a substantial portion of their customers. We cannot predict the extent to which the war with Iraq and its aftermath, future security alerts or additional terrorist attacks may impact our operations.

We and the joint ventures in which we participate are subject to extensive state and local regulation, and licensing and gaming authorities have significant control over our operations which could have an adverse effect on our business.

The ownership and operation of casino gaming facilities are subject to extensive state and local regulation. We currently conduct licensed gaming operations in Illinois, Michigan, Mississippi and Nevada through wholly owned subsidiaries and/or joint ventures. We are required by each of these states as well as the applicable local authorities in these states to hold various licenses and registrations, findings of suitability, permits and approvals to engage in gaming operations and to meet requirements of suitability. The gaming authorities in each state where we or a joint venture in which we participate conduct business may deny, limit, condition, suspend or revoke a gaming license, registration or finding of suitability. These gaming authorities also control approval of ownership interests in gaming operations. These gaming authorities may deny, limit, or suspend our or our joint ventures' gaming licenses, registrations, findings of suitability or the approval of any of our or our joint ventures' ownership interests in any of the licensed gaming operations conducted in these states for any cause they may deem reasonable.

If we violate gaming laws or regulations that are applicable to us or any joint venture in which we participate, we may have to pay substantial fines or forfeit assets. If any of our or our joint ventures' gaming licenses are denied, suspended, revoked or not renewed this could have a material adverse effect on our business.

To date, we and the joint ventures in which we participate have obtained all gaming licenses necessary for the operation of our existing gaming activities. However, gaming licenses and related approvals are privileges under Illinois, Michigan, Mississippi and Nevada law, and we cannot assure you that any new gaming license or related approvals that may be required in the future will be granted, or that our or our joint ventures' existing gaming licenses or related approvals will not be revoked, suspended or limited or will be renewed.

The Nevada Gaming Commission may, in its discretion, require the holder of any securities that we issue, including the debentures and the shares of our common stock, to file applications, be investigated and be found suitable to own our securities if it has reason to believe that the security ownership would be inconsistent with the declared policies of the State of Nevada. If the Nevada Gaming Commission determines that a person is unsuitable to own our securities, then, under the Nevada Gaming Control Act and the regulations promulgated under this Act, we can be sanctioned, including the loss of our approvals, if without the prior approval of the Nevada Gaming Commission, we:

pay to the unsuitable person any dividend, interest or any distribution whatsoever;

recognize any voting right by the unsuitable person in connection with the securities;

pay the unsuitable person remuneration in any form; or

make any payment to the unsuitable person including any principal, redemption, conversion, exchange, liquidation or similar payment.

Similar to Nevada, the Illinois Gaming Board, the Michigan Gaming Control Board and the Mississippi Gaming Commission have jurisdiction over the holders and beneficial owners of securities that we issue and may also require their investigation and approval. An applicant must pay all costs of investigation incurred by a gaming authority in conducting an investigation relating to the applicant.

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In Nevada as well as Illinois, Michigan and Mississippi, we may not make a public offering of our securities without the prior approval of the applicable gaming authorities if we intend to use the securities or proceeds from the offering to:

construct, acquire or finance gaming properties in these states; or

retire or extend obligations incurred for these purposes or for similar transactions.

On April 17, 2003, the Nevada Gaming Commission granted to us prior approval to make public offerings of our securities for a period of two years subject to some conditions. This approval also applies to any affiliated company that we wholly own which is a publicly traded corporation or would become a publicly traded corporation after a public offering. This approval also permits our registered and licensed subsidiaries to guarantee any security, and to pledge their assets to secure the payment or performance of any obligation evidenced by a security, issued by us or our wholly owned public affiliates in a public offering under the approval. However, this approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop order by the Chairman of the Nevada State Gaming Control Board and must be renewed biennially. The approval does not constitute a finding, recommendation or approval by the Nevada Gaming Commission or the Nevada State Gaming Control Board as to the accuracy or adequacy of this prospectus or the investment merits of the securities being offered by this prospectus. Any statement indicating otherwise is unlawful. We have received a similar approval from the Mississippi Gaming Commission which is effective until January 16, 2006.

From time to time, various proposals are introduced in the legislatures of some of the jurisdictions in which we operate that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry and our company in particular. Legislation of this type may be enacted in the future. The federal government has also previously considered a federal tax on casino revenues and may consider such a tax in the future. In addition, gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase at any time. For example, effective July 1, 2002, Grand Victoria began paying higher gaming taxes pursuant to new legislation in Illinois and, effective July 1, 2003, it began paying even higher gaming taxes pursuant to new legislation signed by the Governor of Illinois on June 20, 2003. New tax legislation signed into law by the Governor of Nevada on July 22, 2003 also increased the taxes applicable to our Nevada operations and those of our Nevada joint ventures. If additional legislation of a similar nature is enacted in one or more of the states where we or our joint ventures operate, or if there is any material increase in state and local taxes and fees, our business, financial condition and results of operations could be adversely affected.

We face substantial competition in the hotel and casino industry.

The hotel and casino industry is very competitive. Our hotel-casino operations in Las Vegas, which are conducted primarily from properties located along the Las Vegas Strip, currently compete with numerous other major hotel-casinos and a number of smaller casinos located on or near the Las Vegas Strip. Our Las Vegas operations also compete with casinos located in downtown Las Vegas, in Las Vegas' suburban areas and, to a lesser extent, with casino and hotel properties in other parts of Nevada, including Laughlin, Reno and along I-15 (the principal highway between Las Vegas and southern California) near the California-Nevada state line. Las Vegas casinos, including our own, also compete with Native American casinos in southern California (the principal source of business for Las Vegas casinos, including our own) and central Arizona and, to a lesser extent, with casinos in other parts of the country.

Circus Circus-Reno competes with seven other major casinos (the majority of which offer hotel rooms), including Silver Legacy, a hotel-casino complex with 1,711 guest rooms, which is 50%-owned by one of our wholly owned subsidiaries. Circus Circus-Reno and Silver Legacy also compete with numerous other smaller casinos in the greater Reno area and, to a lesser extent, with casinos and

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hotels in Lake Tahoe and other parts of Nevada. Reno casinos, including our own, also compete with Native American gaming in California and the northwestern United States.

In Laughlin, Colorado Belle and Edgewater, which together accounted for approximately 25% of the rooms in Laughlin as of April 30, 2004, compete with seven other Laughlin casinos. They also compete with the hotel-casinos in Las Vegas and those on I-15 near the California-Nevada state line, as well as a growing number of Native American casinos in Laughlin's regional market. The expansion of hotel and casino capacity in Las Vegas in recent years and the growth of Native American casinos in central Arizona and southern California have had a negative impact on Laughlin area properties, including Colorado Belle and Edgewater, by drawing visitors from the Laughlin market. This has, in turn, resulted in increased competition among Laughlin properties for a reduced number of visitors which contributes to generally lower revenues and profit margins at Laughlin properties, including Colorado Belle and Edgewater.

Our Jean, Nevada properties, Gold Strike and Nevada Landing, are located on I-15, approximately 25 miles south of Las Vegas and 12 miles north of the California-Nevada border. These properties attract their customers almost entirely from the large number of people traveling between Las Vegas and southern California. Accordingly, these properties compete with the large concentration of hotel, casino and other entertainment options available in Las Vegas as well as three hotel-casinos located at the California-Nevada border. The growth of Native American casinos in southern California has also drawn visitors from the Jean, Nevada market.

Gold Strike-Tunica competes with other casinos in Tunica County, Mississippi, including a hotel-casino which is closer to Memphis, the largest city in Tunica County's principal market. Gold Strike-Tunica's hotel tower provides this property with the second largest number of guest rooms in Tunica County.

Grand Victoria is a 50%-owned riverboat casino and land-based entertainment complex in Elgin, Illinois, a suburb approximately 40 miles northwest of downtown Chicago. Grand Victoria is one of nine licensed gaming riverboats currently operating in Illinois and is located approximately 20 miles and 40 miles, respectively, from its nearest competitors in Aurora, Illinois and Joliet, Illinois. Legislation in Illinois, which would allow a casino in Rosemont, approximately 16 miles from Grand Victoria, is being challenged in court.

MotorCity Casino, a 53.5%-owned casino in Detroit, Michigan, is one of three licensed casinos in Detroit. In addition to the other two Detroit casinos, MotorCity Casino competes with a government-owned casino and a racetrack which has an estimated 2,000 slot machines, each of which is located in Windsor, Ontario, directly across the Detroit River from Detroit. A number of Native American casinos are currently operating in central and northern Michigan, but the nearest of these casinos is approximately 150 miles from Detroit.

Gaming has expanded dramatically in the United States in recent years. Forms of gaming include:

riverboats;

dockside gaming facilities;

Native American gaming ventures;

land-based casinos;

state-sponsored lotteries;

racetracks, including slot machines at racetracks;

off-track wagering;

Internet gaming; and

card parlors.

Since 1990, when there were casinos in only three states (excluding casinos on Native American lands), gaming has spread to a number of additional states. In addition, other states are currently

considering, or may in the future consider, legalizing casino gaming in specific geographic areas within their states. Many Native American tribes conduct casino gaming throughout the United States. Other Native American tribes are either in the process of establishing or are considering establishing gaming at additional locations, including sites in California and Arizona. The competitive impact on Nevada gaming establishments, in general, and our operations, in particular, from the continued growth of gaming in jurisdictions outside Nevada cannot be determined at this time, but, depending on the nature, location and extent of the growth of those operations, the impact could be material.

The continued growth of Native American gaming in California could have a material adverse effect on our Nevada operations.

On March 7, 2000, California voters approved Proposition 1A which amended the California constitution and legalized "Nevada-style" gaming on Native American reservations. The passage of this amendment has allowed the expansion of existing Native American gaming operations, as well as the opening of new Native American gaming facilities, in California. Each Native American tribe in California may operate up to 2,000 slot machines, and up to two gaming facilities may be operated on any one reservation. The number of machines each tribe is allowed to operate is subject to change pursuant to negotiations which have been initiated between the tribes and the State of California. Many existing Native American gaming facilities in California are modest compared to the larger Las Vegas and Reno casinos. However, some Native American tribes have established large-scale hotel and gaming facilities in California. In June 2003, a significant new Native American casino development opened in northern California, which is placing additional competitive pressure on our operations in the Reno market. Numerous other tribes are at various stages of planning new or expanded facilities.

Our operations in Reno, Nevada have been adversely impacted by the growth in Native American gaming in northern California that has occurred to date, and our operations in Laughlin and Jean, Nevada have been adversely impacted by the growth of Native American gaming in southern California. The continued growth of Native American gaming establishments in California could have a material adverse effect on our Nevada operations.

Certain construction risks may arise during the building of any new properties.

Any major construction project we, or any joint venture in which we own an interest, may undertake will involve many risks. These risks include potential shortages of materials and labor, work stoppages, labor disputes, weather interference, unforeseen engineering, environmental or geological problems and unanticipated cost increases, any of which can give rise to delays or cost overruns. Construction, equipment or staffing requirements or problems or difficulties in obtaining any of the requisite licenses, permits, allocations or authorizations from regulatory authorities can increase the cost or delay the construction or opening of the facility or otherwise affect the project's planned design and features. It is possible that we may change budget and construction plans we have developed for a project for competitive or other reasons.

In addition to all of the risks referred to in the preceding paragraph, the Detroit joint venture's construction of its planned expansion to its facility is dependent on the satisfactory resolution of the litigation described in the documents we have incorporated by reference. Although a revised development agreement has been approved by the City of Detroit which eliminates the distinction between a temporary casino and a permanent casino, and, in addition, provides for the expansion of the current MotorCity Casino facility by adding 400 hotel rooms, expanding our gaming area, adding a theater, convention space and additional restaurants, retail space and parking, by court order this construction is currently being held in abeyance pending resolution of litigation.

There can be no assurance as to the commencement or successful completion of any project we or any joint venture in which we are a participant may undertake, including the Detroit joint venture's planned expansion of MotorCity Casino.

Risks Relating to the Debentures

Mandalay is a holding company and depends on the business of its subsidiaries to satisfy its obligations under the debentures.

Mandalay is a holding company and its assets consist primarily of investments in its subsidiaries. Our subsidiaries conduct substantially all of our consolidated operations and own substantially all of our consolidated assets. Consequently, Mandalay's cash flow and its ability to meet its debt service obligations depend on:

the cash flow of its subsidiaries; and

the payment of funds by the subsidiaries to Mandalay in the form of loans, dividends or otherwise.

Mandalay's subsidiaries are not obligated to make funds available to it for payment on the debentures or otherwise. In addition, the ability of Mandalay's subsidiaries to make any payments to it will depend on:

their earnings;

the terms of their indebtedness;

business and tax considerations; and

legal and regulatory restrictions.

These payments may not be adequate to pay interest and principal on the debentures when due. In addition, the ability of Mandalay's subsidiaries to make payments to it depends on applicable law and debt instruments to which they or we are or become parties, which may include requirements to maintain minimum levels of working capital and other assets.

Your right to receive payments on these debentures will be effectively subordinated to the rights of our existing and any future secured creditors. The debentures are also effectively subordinated to any existing and future liabilities of our subsidiaries.

The debentures represent unsecured obligations of Mandalay. Although Mandalay's only secured debt as of the date of this prospectus is \$145 million under a lease agreement we entered into on June 30, 2003, we are not restricted under the indenture from incurring additional secured debt, and holders of our existing and any future secured indebtedness will have claims that are superior to your claims as holders of the debentures to the extent of the value of the assets securing that other indebtedness. In the event of any distribution or payment of Mandalay's assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have superior claims to those of Mandalay's assets that constitute their collateral. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the debentures. Holders of the debentures will participate ratably in our remaining assets with all holders of our unsecured indebtedness that ranks equally in right of payment with the debentures and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor. As a result, holders of debentures may receive less, ratably, than holders of secured indebtedness.

In addition, Mandalay is a holding company and conducts substantially all its operations through its subsidiaries. As a result, holders of the debentures will be effectively subordinated to the liabilities of Mandalay's subsidiaries, which totalled \$656.6 million as of April 30, 2004. Therefore, in the event of the insolvency or liquidation of a subsidiary, following payment by such subsidiary of its liabilities, such subsidiary may not have sufficient remaining assets to make payments to Mandalay as a shareholder or otherwise after the payment of its liabilities so that Mandalay can meet its obligations including its obligations to you under the debentures. In the event of a default by a subsidiary under any credit arrangement or other indebtedness, its creditors could accelerate such debt, prior to such subsidiary distributing amounts to Mandalay that it could have used to make payments on the debentures. In addition, if Mandalay causes a subsidiary to pay a dividend to it to make payment on the debentures and such dividend were determined to be a fraudulent transfer, holders of the debentures would be required to return the payment to the subsidiary's creditors.

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Our subsidiaries have also guaranteed Mandalay's obligations under its revolving credit facility, making the indebtedness owed under this credit facility structurally senior to the debentures. As of the date of this prospectus, we have \$280 million outstanding under our \$850 million revolving credit facility.

If Mandalay fails to deliver common stock it is obligated to deliver upon conversion of a debenture and thereafter becomes the subject of bankruptcy proceedings, a holder's claim for damages arising from Mandalay's failure could be subordinated to all of its existing and future obligations.

We may not have the ability to raise the funds necessary to finance the change in control purchase option or the purchase at the option of the holder provisions of the indenture.

Upon the occurrence of certain specific kinds of change in control events occurring on or before March 21, 2008 and on the 2008, 2013, 2018, 2023 and 2028 purchase dates, we will be required to offer to repurchase all outstanding debentures. However, it is possible that we will not have sufficient funds available at such time to make the required repurchase of debentures. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a "change in control" under the debentures. See "Description of Debentures Change in Control Permits Purchase of Debentures by Us at the Option of the Holder."

The occurrence of a change in control could also constitute a default under our revolving credit facility and/or any of our future credit facilities. The lenders under our revolving credit facility and any future credit facilities may also have the right to prohibit any required purchase or redemption of the debentures, in which event we would be in default on the debentures. For further discussion, see "Description of Debentures Change in Control Permits Purchase of the Debentures by Us at the Option of the Holder" and the discussion in the summary section of this prospectus under "Recent Developments."

As a holder of the debentures or common stock issuable upon conversion of the debentures, you may be required to comply with registration, licensing, qualification or other requirements under gaming laws or dispose of your securities.

The gaming authority of any jurisdiction in which we currently or in the future conduct or propose to conduct gaming, either through our subsidiaries or a joint venture, may require that a holder of the debentures or common stock issuable upon conversion of the debentures be registered, licensed, qualified or found suitable, or comply with any other requirement under applicable gaming laws. If you purchase or otherwise accept an interest in the debentures, by the terms of the indenture, you will agree to comply with all of these requirements, including your agreement to register or apply for a license, qualification or a finding of suitability, or comply with any other requirement, within the required time period, as provided by the relevant gaming authority. If you fail to apply to be, or fail to become, registered, licensed or qualified, or are found unsuitable or fail to comply with any other requirement of a gaming authority, then we will have the right, at our option, to:

require you to sell your debentures or beneficial interest in the debentures within 30 days after you receive notice of our election, or any earlier date that the relevant gaming authority may request or prescribe; or

redeem your debentures (possibly within less than 30 days following the notice of redemption if requested or prescribed by the gaming authority) at a price equal to the lesser of:

your cost;

100% of the accreted principal amount of the debentures, plus accrued and unpaid interest, if any, to the redemption date or the date of any failure to comply, whichever is earlier; and

any other amount required by applicable law or by order of any gaming authority.

We will notify the indenture trustee in writing of any redemption as soon as practicable. We will not be responsible for any costs or expenses you may incur in connection with your registration,

application for a license, qualification or a finding of suitability, or your compliance with any other requirement of a gaming authority. The indenture also provides that as soon as you are required to sell your debentures as a result of a gaming authority action, you will, to the extent required by applicable gaming laws, have no further right:

to exercise, directly or indirectly, any right conferred by the debentures; or

to receive from us any interest, dividends or any other distributions or payments, or any remuneration in any form, relating to the debentures, except the redemption price we refer to above.

See "Description of Debentures Mandatory Disposition Pursuant to Gaming Laws."

An active trading market for the debentures may not develop.

We cannot assure you that an active trading market will develop or as to the liquidity or sustainability of any such market that has developed since the issuance of the debentures or the price at which holders of the debentures will be able to sell their debentures. To the extent that an active trading market does not develop or is developed but cannot be sustained, the liquidity and trading prices for the debentures may be harmed. Future trading prices of the debentures will depend upon many factors including prevailing interest rates, the market for similar securities, the price of our shares of common stock and our operating performance.

The price of our common stock historically has been volatile, which may make it difficult for you to resell the debentures or the common stock into which the debentures are convertible, and the sale of substantial amounts of our common stock could adversely impact the price of our common stock.

Subject to certain conditions, the debentures are convertible into shares of our common stock. Also, we have the option to pay holders of debentures in common stock if a holder requires us to repurchase debentures. The market price of our common stock historically has experienced and may continue to experience high volatility, and the broader stock market has experienced significant price and volume fluctuations in recent years. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. In addition, our announcements of our quarterly operating results, changes in general conditions in the economy or the financial markets and other developments affecting us, our affiliates or our competitors could cause the market price of our common stock to fluctuate substantially. The trading price of the debentures is expected to be affected significantly by the price of our common stock.

In addition, the sale of substantial amounts of our common stock could adversely impact its prices. As of April 30, 2004, options to purchase 825,000 shares of our common stock were outstanding (of which 160,000 were exercisable). In the event that a large number of shares of our common stock are sold in the public market, the price of our common stock may fall.

The transactions contemplated by the definitive merger agreement we have entered into with MGM MIRAGE may not be consummated, and, if they are not consummated, the market price of our common stock may be adversely impacted.

The definitive merger agreement we have entered into with MGM MIRAGE, which provides for the merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay and the purchase by MGM MIRAGE of each outstanding share of Mandalay common stock for \$71.00 in cash, is subject to the approval of Mandalay's stockholders. It is also subject to the satisfaction of customary closing conditions contained in the definitive merger agreement, including the receipt of all necessary regulatory and governmental approvals. Accordingly, there can be no assurance the transactions contemplated by the definitive merger agreement will be consummated.

Prior to the public announcement of MGM MIRAGE's offer to purchase Mandalay, our common stock was trading substantially below the levels at which it has traded since that announcement. The cash consideration to be paid for our outstanding common stock if the merger is consummated represents a 17.8% premium over the closing price of Mandalay common stock on the New York Stock Exchange on June 4, 2004, the last full trading session prior to the public announcement of MGM MIRAGE's offer to purchase Mandalay, and a 26.4% premium over the average closing price of Mandalay common stock on the New York Stock Exchange for the three months preceding that announcement. In the event the transactions contemplated by the definitive merger agreement are not consummated, the market price of our common stock may change to the extent that the current market price of our common stock reflects an assumption that the merger will be consummated. The trading price of the debentures is expected to be affected significantly by the price of our common stock.

You should consider the United States federal income tax consequences of owning the debentures.

The debentures are characterized as indebtedness for U.S. federal income tax purposes. Accordingly, you will be required to include, in your income, interest with respect to the debentures.

The debentures are also characterized as contingent payment debt instruments for U.S. federal income tax purposes, and are subject to U.S. federal income tax regulations applicable to contingent payment debt instruments. Consequently, the debentures are treated as issued with original issue discount for United States federal income tax purposes, and you will be required to include the tax original issue discount in your income as it accrues. The amount of tax original issue discount required to be included by you in income for each year generally will be in excess of the payments and accruals on the debentures for non-tax purposes (i.e., in excess of the stated quarterly regular interest payments and accruals and any contingent interest payments) in that year.

You will recognize gain or loss on the sale, purchase by us at your option, exchange, conversion or redemption of a debenture in an amount equal to the difference between the amount realized, including the fair market value of any of our common stock received, and your adjusted tax basis in the debenture. Any gain recognized by you on the sale, purchase by us at your option, exchange, conversion or redemption of a debenture will be treated as ordinary interest income. A discussion of the United States federal income tax consequences of ownership of the debentures is contained in this prospectus under the heading "Material United States Federal Income Tax Considerations."

FORWARD-LOOKING STATEMENTS

This prospectus includes or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements can be identified by the fact that they do not relate strictly to historical or current facts. We have based these forward-looking statements on our current expectations about future events. These forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, intentions, financial condition, results of operations, future performance and business, including:

statements relating to our business strategy;

our current and future development plans; and

statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or similar expressions.

These forward-looking statements are subject to risks, uncertainties, and assumptions about us and our operations that are subject to change based on various important factors, some of which are beyond our control. The following factors, among others, could cause our financial performance to

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differ materially from the goals, plans, objectives, intentions and expectations expressed in our forward-looking statements:

the possibility that the merger described in the summary section of this prospectus under "Recent Developments" will not occur;

our development and construction activities and those of the joint ventures in which we participate;

competition;

our dependence on existing management;

leverage and debt service (including sensitivity to fluctuations in interest rates and ratings which national rating agencies assign to our outstanding debt securities);

domestic and global economic, credit and capital market conditions;

changes in federal or state tax laws or the administration of these laws;

changes in gaming laws or regulations (including the legalization or expansion of gaming in certain jurisdictions);

expansion of gaming on Native American lands, including lands in California;

applications for licenses and approvals under laws and regulations that apply to us, including gaming laws and regulations;

regulatory or judicial proceedings;

the consequences of any future security alerts and/or terrorist attacks such as the attacks that occurred on September 11, 2001;

the consequences of the war in Iraq and its aftermath; and

the risks described under the heading "Risk Factors."

If one or more of the assumptions underlying our forward-looking statements proves incorrect, then our actual results, performance or achievements in our fiscal 2005 and beyond could differ materially from those expressed in, or implied by, the forward-looking statements contained or incorporated by reference in this prospectus. Therefore, we caution you not to place undue reliance on our forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether written or oral, whether as a result of new information, changed assumptions, the occurrence of unanticipated events, changes in future operating results over time or otherwise. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

USE OF PROCEEDS

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We will not receive any of the proceeds from the sale by the selling securityholders of the debentures or the common stock issuable upon conversion of the debentures. See "Selling Securityholders."

RATIO OF EARNINGS TO FIXED CHARGES

The table below sets forth the ratio of earnings to fixed charges of Mandalay Resort Group and its consolidated subsidiaries on a historical basis for each of the periods indicated:

Fiscal Year Ended January 31,					Three Months Ended April 30,	
2000	2001	2002	2003	2004	2003	2004
1.47x	1.85x	1.50x	1.91x	2.30x	2.41x	4.09x

For purposes of determining the ratio of earnings to fixed charges, earnings are defined as net income before fixed charges, income taxes and minority interest, adjusted to exclude capitalized interest. Fixed charges consist of interest, whether expensed or capitalized, amortization of debt discount and issuance costs, Mandalay's proportionate share of the interest cost of 50%-owned ventures, and the estimated interest component of rental expense. Fixed charges for the year ended January 31, 2004 do not include the loss on early extinguishment of debt of \$6.3 million (net of related gain on swap terminations).

DESCRIPTION OF DEBENTURES

We issued the debentures under a senior indenture, dated as of March 21, 2003, between us and The Bank of New York, as trustee.

The following summary does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all of the provisions of the debentures and the indenture. We urge you to read the indenture and the form of the debentures, which you may obtain from us upon request, because they and not this description define your rights in respect of the debentures. As used in this description, all references to "Mandalay Resort Group," "we," "us" or "our" mean Mandalay Resort Group, excluding, unless otherwise expressly stated or the context otherwise requires, any of its subsidiaries.

General

The debentures are limited to \$400,000,000 aggregate original principal amount. The debentures, which are issued only in registered form without coupons in denominations of \$1,000 original principal amount and any integral multiple of \$1,000 above that amount, include \$350,000,000 principal amount originally issued on March 21, 2003 and \$50,000,000 principal amount originally issued on April 2, 2003 upon exercise of an overallotment option granted to the initial purchasers of the debentures. The debentures will mature on March 21, 2033. On the maturity date of the debentures, a holder will receive the accreted principal amount of a debenture. The accreted principal amount will equal the original principal amount of \$1,000 per debenture increased by a variable yield, which until March 21, 2008 will be 0% per annum and commencing on March 21, 2008 will be reset quarterly to a rate of 3-month LIBOR plus .75% per annum. Regardless of the level of 3-month LIBOR, however, this yield will never exceed 6.75% per annum. The principal amount of the debentures will accrete daily beginning March 21, 2008 at the applicable yield. The rate of accretion will be applied to the accreted principal amount per debenture as of the day preceding the most recent yield reset date. LIBOR reset dates will be each March 21, June 21, September 21 and December 21, commencing on March 21, 2008. The yield will be calculated using the actual number of days elapsed between the LIBOR reset dates divided by 360.

The debentures bear regular interest at an annual rate equal to 3-month LIBOR, reset quarterly, plus .75% on the original principal amount from the date of issuance, or from the most recent date to which regular interest has been paid or provided for, until March 21, 2008. During this period regular interest will be payable quarterly in arrears on March 21, June 21, September 21 and December 21 of each year, beginning June 21, 2003, to the person in whose name a debenture is registered at the close of business on the March 6, June 6, September 6 or December 6, as the case may be, immediately preceding the relevant interest payment date. Each payment of regular interest will include interest accrued for the period, which we refer to as an interest period, commencing on and including the immediately preceding interest payment date (or, if none, the date of issuance) to, but excluding the applicable interest payment date. Regular interest on the debentures will be computed using the actual number of days elapsed between the LIBOR reset dates divided by 360. Contingent interest, if any, which is described below, will be in addition to the regular interest and accreted principal.

If any interest payment date (other than an interest payment date coinciding with the maturity date or earlier redemption date or purchase date) of a debenture falls on a day that is not a business day, such interest payment date will be postponed to the next succeeding business day, provided that, if that business day falls in the next succeeding calendar month, the interest payment date will be brought forward to the immediately preceding business day. If the maturity date, redemption date or purchase date of a debenture would fall on a day that is not a business day, the required payment of interest, if any, and principal will be made on the next succeeding business day and no interest on such payment will accrue for the period from and after the maturity date, redemption date or purchase date to such

next succeeding business day. The term "business day" means, with respect to any debenture, any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close, provided that day is also a London banking day. The term London banking day is defined below under " 3-month LIBOR."

The debentures are redeemable prior to maturity only on or after March 21, 2008 and as described below under " Redemption of Debentures at Our Option," " Purchase of Debentures by Us at the Option of the Holder" and " Change in Control Permits Purchase of Debentures by Us at the Option of the Holder," and do not have the benefit of a sinking fund. Principal of and interest on the debentures is payable at the office of the paying agent, which is initially the trustee, or an office or agency maintained for that purpose, in the Borough of Manhattan, The City of New York. If certain conditions have been satisfied, the debentures may be presented for conversion at the office of the conversion agent, and for registration of transfer or exchange at the office of the registrar, each of these agents initially being the trustee. No service charge will be made for any registration of transfer or exchange of debentures, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with a registration of transfer or exchange.

Maturity, conversion, purchase by us at the option of a holder or redemption of a debenture will cause interest to cease to accrue on that debenture. We may not reissue a debenture that has matured or been converted, purchased by us at the option of a holder, redeemed or otherwise cancelled, except for registration of transfer, exchange or replacement of a debenture.

3-month LIBOR

Prior to March 21, 2008, the annual rate of regular interest payable on the debentures will be reset on the first day of each interest period for the debentures. Beginning on March 21, 2008, the yield on the debentures will be reset on each March 21, June 21, September 21 and December 21, which we call the LIBOR reset date. If any LIBOR reset date would otherwise be a day that is not a business day, that LIBOR reset date will be postponed to the next succeeding business day, except if that business day falls in the next succeeding calendar month, in which case that LIBOR reset date will be the immediately preceding business day.

The trustee will determine 3-month LIBOR on the second London banking day preceding the related LIBOR reset date, which we refer to as the LIBOR determination date.

"3-month LIBOR" means:

- (a) the rate for three-month deposits in United States dollars commencing on the related LIBOR reset date, that appears on the Moneyline Telerate Page 3750 as of 11:00 A.M., London time, on the LIBOR determination date; or
- (b) if no rate appears on the particular LIBOR determination date on the Moneyline Telerate Page 3750, the rate calculated by the trustee as the arithmetic mean of at least two offered quotations obtained by the trustee after requesting the principal London offices of each of four major reference banks in the London interbank market to provide the trustee with its offered quotation for deposits in United States dollars for the period of three months, commencing on the related LIBOR reset date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on that LIBOR determination date and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; or
- (c) if fewer than two offered quotations referred to in clause (b) are provided as requested, the rate calculated by the trustee as the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York time, on the particular LIBOR determination date by three major banks in The City of New York selected by the trustee for loans in United States dollars to leading

European banks for a period of three months and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; or

(d) if the banks so selected by the trustee are not quoting as mentioned in clause (c), 3-month LIBOR in effect on the particular LIBOR determination date.

"Moneyline Telerate Page 3750" means the display on Moneyline Telerate (or any successor service) on such page (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for United States dollars.

"London banking day" means a day on which commercial banks are open for business, including dealings in United States dollars, in London.

The debentures are debt instruments that are subject to the U.S. federal income tax regulations governing contingent payment debt instruments. Therefore, the debentures were issued with original issue discount for U.S. federal income tax purposes, which we refer to as tax original issue discount. Beneficial owners of the debentures are required to accrue interest income on the debentures for U.S. federal income tax purposes in the manner described herein, regardless of whether such owners use the cash or accrual method of tax accounting. Beneficial owners are required to accrue interest each year, as tax original issue discount, based on the rate at which we would issue a noncontingent, nonconvertible, fixed-rate debt instrument with terms and conditions otherwise similar to those of the debentures, rather than at a lower rate based on the accruals on the debentures for non-tax purposes (i.e., in excess of the stated quarterly regular interest payments and any contingent interest payments) actually received in that year. Accordingly, owners of debentures generally are required to include tax original issue discount as interest in taxable income in each year in excess of the accruals on the debentures for non-tax purposes. Furthermore, upon a sale, exchange, conversion or redemption of a debenture, you will recognize gain or loss equal to the difference between your amount realized and your adjusted tax basis in the debenture. The amount realized by you will include the fair market value of the stock you receive. Any gain on a sale, exchange, conversion or redemption of a debenture will be treated as ordinary interest income. You are expected to consult your own tax advisor as to the United States federal, state, local or other tax consequences of acquiring, owning and disposing of the debentures. A discussion of the U.S. federal income tax consequences of ownership of the debentures is contained in this prospectus under the heading "Material United States Federal Income Tax Considerations."

Ranking of Debentures

The debentures are unsecured and unsubordinated obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The debentures are structurally subordinated to the indebtedness and liabilities of our subsidiaries, including trade payables. As of April 30, 2004, our subsidiaries had approximately \$656.6 million of total liabilities to which the debentures were structurally subordinated. In addition to these liabilities, our revolving credit facility is guaranteed by our subsidiaries, making the indebtedness owed under the revolving credit facility structurally senior to the debentures. As of April 30, 2004, we had approximately \$2.9 billion of total debt outstanding, including \$330 million outstanding under our revolving credit facility, and we had an additional \$520 million available for borrowing under that facility. The debentures also effectively rank behind all of our secured debt. Although Mandalay's only secured debt as of the date of this prospectus is \$145 million under a lease agreement entered into on June 30, 2003, we are not restricted under the indenture from incurring additional secured debt.

Conversion Rights

If the Applicable Stock Price is less than or equal to the Base Conversion Price, the Conversion Rate will be the Base Conversion Rate.

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If the Applicable Stock Price is greater than the Base Conversion Price, the Conversion Rate will be determined in accordance with the following formula:

$$\text{Base Conversion Rate} + \left[\frac{(\text{the Applicable Stock Price} - \text{the Base Conversion Price})}{\text{the Applicable Stock Price}} \times \frac{\text{the Incremental Share Factor}}{\text{the Applicable Stock Price}} \right]$$

The "Base Conversion Rate" is 17.452, subject to adjustment as described under " Base Conversion Rate Adjustments." The "Base Conversion Price" is a dollar amount (initially \$57.30) derived by dividing the accreted amount (which will be \$1,000 until March 21, 2008) by the Base Conversion Rate. The "Incremental Share Factor" is 14.2789, subject to the same proportional adjustments as the Base Conversion Rate. The "Applicable Stock Price" is equal to the average of the closing sale prices of our common stock over the five-trading day period starting the third trading day following the conversion date of the debentures.

A holder of a debenture otherwise entitled to a fractional share will receive cash in an amount equal to the value of the fractional share based on the Applicable Stock Price. Upon a conversion, we will have the right to deliver cash or a combination of cash and shares of our common stock, as described below.

Holders may surrender debentures for conversion into shares of our common stock only if at least one of the conditions described below is satisfied. In addition, a debenture for which a holder has delivered a purchase notice or change in control purchase notice requiring us to purchase the debentures may be surrendered for conversion only if the notice is withdrawn in accordance with the indenture.

Conversion Rights Based on Common Stock Price. A holder may surrender a debenture or portions of debentures in integral multiples of \$1,000 original principal amount for conversion into shares of our common stock in any calendar quarter (and only during that calendar quarter), if, as of the last day of the preceding calendar quarter, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding calendar quarter is more than 120% of the Base Conversion Price (initially 120% of \$57.30, or \$68.76) as of the last day of such preceding calendar quarter.

"Trading Day" means a day during which trading in securities generally occurs on the New York Stock Exchange or, if our common stock is not listed on the New York Stock Exchange, on the principal other national or regional securities exchange on which our common stock is then listed or, if our common stock is not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System or, if our common stock is not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which our common stock is then traded.

The accreted principal amount of a debenture will be equal to the original principal amount of \$1,000 per debenture increased daily by a variable yield, which until March 20, 2008 will be 0% per annum and commencing on March 21, 2008 will be reset quarterly on each LIBOR reset date to a rate of 3-month LIBOR plus .75% per annum. Regardless of the level of 3-month LIBOR, however, this yield will never exceed 6.75% per annum. Because the Base Conversion Price of a debenture at any time is dependent upon the accreted principal amount of a debenture at that time, the conversion trigger price per share of our common stock, which is based on the Base Conversion Price, for periods ending after March 21, 2008 cannot be determined at this time. The following table indicates what the conversion trigger prices would be at March 21 of each year beginning 2008, assuming LIBOR was a constant 2.00%, 5.00% and 8.00% from March 21, 2008. This table represents an example of only three possibilities and you should realize that because LIBOR and therefore the yield of the debentures will fluctuate, the Base Conversion Price, and therefore the conversion trigger price, will differ, and may differ significantly, from the amounts shown below.

Hypothetical Conversion Trigger Prices

March 21,	Assuming 2.00% LIBOR		Assuming 5.00% LIBOR		Assuming 8.00% LIBOR	
	Base Conversion Price	Conversion Trigger Price	Base Conversion Price	Conversion Trigger Price	Base Conversion Price	Conversion Trigger Price
2008	\$ 57.30	\$ 68.76	\$ 57.30	\$ 68.76	\$ 57.30	\$ 68.76
2009	58.89	70.66	60.64	72.77	61.23	73.48
2010	60.52	72.62	64.18	77.01	65.44	78.52
2011	62.19	74.63	67.92	81.51	69.93	83.91
2012	63.91	76.70	71.88	86.26	74.73	89.67
2013	65.68	78.82	76.08	91.29	79.86	95.83
2014	67.50	81.00	80.51	96.62	85.34	102.41
2015	69.37	83.25	85.21	102.25	91.20	109.43
2016	71.29	85.55	90.18	108.22	97.45	116.95
2017	73.27	87.92	95.44	114.53	104.14	124.97
2018	75.30	90.36	101.01	121.21	111.29	133.55
2019	77.38	92.86	106.90	128.28	118.93	142.72
2020	79.52	95.43	113.13	135.76	127.09	152.51
2021	81.73	98.07	119.73	143.68	135.82	162.98
2022	83.99	100.79	126.72	152.06	145.14	174.17
2023	86.31	103.58	134.11	160.93	155.10	186.12
2024	88.70	106.44	141.93	170.31	165.75	198.90
2025	91.16	109.39	150.21	180.25	177.13	212.55
2026	93.68	112.42	158.97	190.76	189.28	227.14
2027	96.28	115.53	168.24	201.89	202.28	242.73
2028	98.94	118.73	178.05	213.66	216.16	259.39
2029	101.68	122.02	188.44	226.13	231.00	277.20
2030	104.50	125.40	199.43	239.31	246.85	296.22
2031	107.39	128.87	211.06	253.27	263.80	316.56
2032	110.37	132.44	223.37	268.05	281.90	338.28
2033	113.42	136.11	236.40	283.68	301.25	361.50

* This table assumes no events have occurred that would require an adjustment to the conversion rate.

Conversion Rights Upon Credit Rating Downgrade. Holders may also surrender a debenture or portions of debentures in integral multiples of \$1,000 original principal amount for conversion into shares of our common stock during any period in which (i) the credit rating assigned to the debentures by Standard & Poor's Ratings Services, a division of The McGraw-Hill Corporation, Inc., or its successors, is at or below B+ or the equivalent or (ii) the credit rating assigned to the debentures by Moody's Investor Services, or its successors, is at or below B2 or the equivalent.

Conversion Rights Upon Notice of Redemption. A holder may surrender a debenture or portions of debentures in integral multiples of \$1,000 original principal amount called for redemption for conversion into shares of our common stock at any time prior to the close of business on the second business day preceding the redemption date, even if the debentures are not otherwise convertible at such time. A debenture for which a holder has delivered a purchase notice or a change in control purchase notice, as described below, requiring us to purchase the debenture may be surrendered for conversion only if such notice is withdrawn in accordance with the indenture.

Conversion Rights Upon Occurrence of Certain Corporate Transactions. If we are party to a consolidation, merger or binding share exchange pursuant to which shares of our common stock would be converted into cash, securities or other property, a holder may surrender a debenture or portions of debentures in integral multiples of \$1,000 original principal amount for conversion into shares of our common stock at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual date of such transaction and, at the effective time, the right to convert a debenture into shares of our common stock will be changed into a right to

convert it into the kind and amount of cash, securities or other property of Mandalay Resort Group or another person which the holder would have received if the holder had converted the holder's debenture immediately prior to the transaction. If such transaction also constitutes a change in control, the holder will be able to require us to purchase all or a portion of such holder's debentures as described under "Change in Control Permits Purchase of Debentures by Us at the Option of the Holder." See the discussion in the summary section of this prospectus under "Recent Developments" concerning a definitive merger agreement relating to the merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay which, if consummated, will constitute a "change of control" as defined in the indenture governing the debentures.

In the event we elect to make a distribution described in the third or fourth bullet of the paragraph under the caption "Base Conversion Rate Adjustments" below describing adjustments to the Conversion Rate, which distribution, in the case of distributions described in the fourth bullet, has a per share value equal to more than 15% of the sale price of shares of our common stock on the day preceding the declaration date for such distribution, we will be required to give notice to the holders of debentures at least 20 days prior to the ex-dividend date for such distribution and, upon the giving of such notice, the debentures may be surrendered for conversion at any time until the close of business on the business day prior to the ex-dividend date or until we announce that such distribution will not take place.

Upon conversion of debentures, a holder will not receive any cash payment of interest (unless such debentures or portions thereof have been called for redemption on a redemption date that occurs between a regular record date and the interest payment date to which it relates). Our delivery to the holder of the full number of shares of our common stock into which the debenture is convertible, together with any cash payment for such holder's fractional shares, or cash or a combination of cash and shares of our common stock in lieu thereof, will be deemed:

to satisfy our obligation to pay the accreted principal amount of the debenture; and

to satisfy both our obligation to pay accrued but unpaid interest, including contingent interest, if any, attributable to the period from the most recent interest payment date through the conversion date.

As a result, increases in the accreted principal amount and unpaid interest, including contingent interest, if any, through the conversion date are deemed to be paid in full rather than cancelled, extinguished or forfeited.

Notwithstanding the above, if debentures are converted after a record date but prior to the next succeeding interest payment date, holders of such debentures at the close of business on the record date will receive the interest payable on such debentures on the corresponding interest payment date notwithstanding the conversion. Such debentures, upon surrender for conversion, must be accompanied by funds equal to the amount of interest payable on the debentures so converted, unless such debentures have been called for redemption on a redemption date that occurs between a regular record date and the interest payment date to which it relates, in which case no such payment shall be required.

A certificate for the number of full shares of our common stock into which any debentures are converted, together with any cash payment for fractional shares, will be delivered through the conversion agent as soon as practicable following the conversion date. For a discussion of the tax treatment of a holder receiving shares of common stock upon conversion, see "Material United States Federal Income Tax Considerations Sale, Exchange, Conversion or Redemption."

In lieu of delivery of shares of our common stock upon conversion of any debentures, for all or any portion of the debentures, we may elect to pay holders surrendering debentures an amount in cash per debenture (or a portion of a debenture) equal to the Applicable Stock Price multiplied by the

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Conversion Rate in effect on that date. We will inform the holders through the trustee no later than two business days following the conversion date of our election to deliver shares of our common stock or to pay cash in lieu of delivery of the shares, unless we have already delivered an irrevocable cash settlement notice to the conversion agent or informed holders of our election in connection with our optional redemption of the debentures as described under "Redemption of Debentures at Our Option." Shares of our common stock and cash deliverable upon conversion will be delivered through the conversion agent no later than the third business day following the determination of the Applicable Stock Price. If we elect to pay all of the payment in cash, the payment will be made to holders surrendering debentures no later than the tenth business day following the applicable conversion date. If an event of default, as described under "Events of Default; Waiver and Notice" below (other than a default in a cash payment upon conversion of the debentures), has occurred and is continuing, we may not pay cash upon conversion of any debentures or portion of the debentures (other than cash for fractional shares).

To convert a debenture into shares of common stock, a holder must:

complete and manually sign the conversion notice on the back of the debenture or complete and manually sign a facsimile of the conversion notice and deliver the conversion notice to the conversion agent;

surrender the debenture to the conversion agent;

if required by the conversion agent, furnish appropriate endorsements and transfer documents; and

if required, pay all transfer or similar taxes.

Pursuant to the indenture, the date on which all of the foregoing requirements have been satisfied is the conversion date.

We may, at any time prior to the conversion date, elect to exercise our right to deliver cash in lieu of shares for all or a portion of the shares due to holders upon conversion of the debentures ("cash settle") by delivering to the conversion agent an irrevocable notice of such election setting forth the number of shares per \$1,000 original principal amount of debentures that shall be cash settled by us if and when any holder elects to convert its debentures into shares. Within two business days after delivery of the irrevocable cash settlement notice, we must issue a press release (also to be made available on our Web site on the World Wide Web) stating our election to cash settle and the number of shares per \$1,000 original principal amount of debentures that must be cash settled by us when a holder elects to convert debentures into shares.

Upon delivery of an irrevocable cash settlement notice, we will be required to pay each holder that exercises its right to convert its debentures into shares an amount of cash for the cash settled shares and shall no longer have the right to deliver shares in respect of the cash settled shares upon conversion of such debentures. In the event that the conversion rate is greater than the number of cash settled shares, we will continue to have the right to cash settle all or a portion of such additional shares. Furthermore, we may, at any time, deliver additional irrevocable cash settlement notices for the purpose of increasing the number of cash settled shares. We will issue a press release within two business days after any such notice is delivered setting forth the increase in the number of cash settled shares and the total amount of cash settled shares.

On July 26, 2004 we delivered to the conversion agent an irrevocable cash settlement notice. See "Recent Developments" in the summary section of this prospectus for more information on our election to deliver cash in lieu of shares upon conversion of the debentures.

Base Conversion Rate Adjustments. The Conversion Rate will be adjusted for:

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dividends or distributions on shares of our common stock payable in shares of our common stock or other capital stock of Mandalay Resort Group;

subdivisions, combinations or certain reclassifications of shares of our common stock;

distributions to all holders of shares of our common stock of certain rights to purchase shares of our common stock for a period expiring within 60 days at less than the sale price per share of our common stock at the time; and

distributions to all holders of shares of our common stock of our assets (including shares of capital stock of a subsidiary) or debt securities or certain rights to purchase our securities (excluding cash dividends or other cash distributions from current or retained earnings other than extraordinary cash dividends). "Extraordinary cash dividends" means the amount of any cash dividend or distribution that together with all other cash dividends paid during the preceding 12-month period, are on a per share basis in excess of the sum of (i) 5% of the sale price of the shares of our common stock on the day preceding the date of declaration of such dividend or distribution and (ii) the quotient of the amount of any contingent cash interest paid on a debenture during such 12-month period divided by the number of shares of common stock issuable upon conversion of a debenture at the conversion rate in effect on the payment date of such contingent cash interest.

In the event that we pay a dividend or make a distribution on shares of our common stock consisting of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, the Conversion Rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average closing sale prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such dividend or distribution on the New York Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted.

No adjustment to the Conversion Rate or the ability of a holder of a debenture to convert will be made if Mandalay Resort Group provides that holders of debentures will participate in the transaction without conversion or in certain other cases.

In addition, the indenture provides that upon conversion of the debentures, the holders of the debentures will receive, in addition to the shares of our common stock issuable upon their conversion, the rights related to our common stock pursuant to our existing and any future shareholder rights plan, whether or not those rights have separated from the common stock at the time of the conversion. However, there shall not be any adjustment to the conversion privilege or Conversion Rate as a result of:

the issuance of the rights;

the distribution of separate certificates representing the rights;

the exercise or redemption of such rights in accordance with any rights agreement; or

the termination or invalidation of the rights.

The indenture permits us to increase the Conversion Rate from time to time.

In the event of:

a taxable distribution to holders of shares of our common stock which results in an adjustment of the Conversion Rate; or

an increase in the Conversion Rate at our discretion,

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the holders of the debentures may, in certain circumstances, be deemed to have received a distribution subject to federal income tax as a dividend. See "Material United States Federal Income Tax Considerations Constructive Dividends to Holders of Debentures."

Upon determination that debenture holders are or will be entitled to convert their debentures into shares of our common stock in accordance with the foregoing provisions, we will issue a press release and publish the information on our website on the World Wide Web.

Contingent Interest

Subject to the accrual and record date provisions described below, we will pay contingent interest to the holders of the debentures during any six-month period from March 22 to September 21 or September 22 to March 21, commencing after March 21, 2008, if the average market price of the debentures for the five trading days ending on the third trading day immediately preceding the first day of the applicable six-month period equals 120% or more of the accreted principal amount of the debentures.

During any period when contingent interest shall be payable, the contingent interest payable per debenture in respect of any six-month period in which contingent interest is payable will equal the annual rate of .25% of the average market price of a debenture for the five trading day measuring period. For United States federal income tax purposes, the debentures will constitute contingent payment debt instruments.

Contingent interest, if any, will accrue and be payable on the June 21 and September 21 or December 21 and March 21, as the case may be, next succeeding the first day of the relevant six-month period to holders of the debentures as of the record date relating to such dates.

The market price of a debenture on any date of determination means the average of the secondary market bid quotations per debenture obtained by the bid calculation agent for \$5 million aggregate original principal amount of debentures at approximately 4:00 p.m., New York City time, on such determination date from three independent, nationally recognized securities dealers we select, provided that if:

at least three such bids are not obtained by the bid calculation agent, or

in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the debentures,

then the market price of the debentures will equal (i) the then applicable Conversion Rate of the debentures multiplied by (ii) the average sale price of our common stock on the five trading days ending on such determination date, appropriately adjusted.

The bid calculation agent will initially be The Bank of New York. However, we may change the bid calculation agent. The bid calculation agent will solicit bids from securities dealers that are believed by us to be willing to bid for the debentures.

Upon determination that debenture holders will be entitled to receive contingent interest during a relevant six-month period, we will issue a press release and publish such information on our website on the World Wide Web as soon as practicable.

Redemption of Debentures at Our Option

Except as required by a gaming regulatory authority, as described under "Mandatory Disposition Pursuant to Gaming Law" below, prior to March 21, 2008, the debentures will not be redeemable at our option. Beginning on March 21, 2008 and thereafter, we may redeem the debentures for cash at any time as a whole, or from time to time in part. The redemption price of a debenture will be the

accrued principal amount of such debenture on the redemption date, plus accrued and unpaid interest to, but excluding, such date. We will give not less than 30 days nor more than 60 days notice of redemption by mail to holders of the debentures. The notice of redemption will inform the holders of our election to deliver shares of our common stock or to pay cash or a combination of cash and common stock in the event that a holder elects to convert debentures in connection with the redemption.

If we decide to redeem fewer than all of the outstanding debentures, the trustee may select the debentures by lot, pro rata, or by another method the trustee considers fair and appropriate.

If the trustee selects a portion of your debentures for partial redemption and you convert a portion of your debentures, the converted portion will be deemed to be the portion selected for redemption.

The accreted principal amount of a debenture will be equal to the original principal amount of \$1,000 per debenture increased daily by a variable yield, which until March 20, 2008 will be 0% per annum and commencing on March 21, 2008 will be reset quarterly on the LIBOR reset date to a rate of 3-month LIBOR plus .75% per annum. Regardless of the level of 3-month LIBOR, however, this yield will never exceed 6.75% per annum. Because the redemption price of a debenture at any time is dependent upon the accreted principal amount of a debenture at that time, the redemption price cannot be determined at this time. The following table indicates what the redemption prices would be on each date below if LIBOR was a constant 2.00%, 5.00% and 8.00% from March 21, 2008. This table represents an example of only three possibilities and you should realize that because LIBOR and therefore the yield on the debentures will fluctuate, any increases in accreted principal amount and redemption prices will differ, and may differ significantly, from the results below. The redemption price of a debenture redeemed between the dates below would include an additional amount reflecting the additional yield accrued since the next preceding date in the table.

Hypothetical Redemption Prices

Redemption Dates	Assuming 2.00% LIBOR			Assuming 5.00% LIBOR			Assuming 8.00% LIBOR		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
	Original Principal Amount	Accretion	Redemption Price (1) + (2)	Original Principal Amount	Accretion	Redemption Price (1) + (2)	Original Principal Amount	Accretion	Redemption Price (1) + (2)
March 21, 2008*	\$ 1,000.00	\$ 0.00	\$ 1,000.00	\$ 1,000.00	\$ 0.00	\$ 1,000.00	\$ 1,000.00	\$ 0.00	\$ 1,000.00
March 21, 2009	1,000.00	27.69	1,027.69	1,000.00	58.33	1,058.33	1,000.00	68.64	1,068.64
March 21, 2010	1,000.00	56.14	1,056.14	1,000.00	120.06	1,120.06	1,000.00	141.99	1,141.99
March 21, 2011	1,000.00	85.39	1,085.39	1,000.00	185.38	1,185.38	1,000.00	220.37	1,220.37
March 21, 2012	1,000.00	115.44	1,115.44	1,000.00	254.52	1,254.52	1,000.00	304.14	1,304.14
March 21, 2013*	1,000.00	146.33	1,146.33	1,000.00	327.70	1,327.70	1,000.00	393.65	1,393.65
March 21, 2014	1,000.00	178.07	1,178.07	1,000.00	405.14	1,405.14	1,000.00	489.31	1,489.31
March 21, 2015	1,000.00	210.69	1,210.69	1,000.00	487.09	1,487.09	1,000.00	591.54	1,591.54
March 21, 2016	1,000.00	244.21	1,244.21	1,000.00	573.83	1,573.83	1,000.00	700.78	1,700.78
March 21, 2017	1,000.00	278.66	1,278.66	1,000.00	665.63	1,665.63	1,000.00	817.52	1,817.52
March 21, 2018*	1,000.00	314.07	1,314.07	1,000.00	762.78	1,762.78	1,000.00	942.27	1,942.27
March 21, 2019	1,000.00	350.45	1,350.45	1,000.00	865.59	1,865.59	1,000.00	1,075.59	2,075.59
March 21, 2020	1,000.00	387.84	1,387.84	1,000.00	974.41	1,974.41	1,000.00	1,218.06	2,218.06
March 21, 2021	1,000.00	426.27	1,426.27	1,000.00	1,089.57	2,089.57	1,000.00	1,370.30	2,370.30
March 21, 2022	1,000.00	465.76	1,465.76	1,000.00	1,211.44	2,211.44	1,000.00	1,533.00	2,533.00
March 21, 2023*	1,000.00	506.35	1,506.35	1,000.00	1,340.43	2,340.43	1,000.00	1,706.86	2,706.86
March 21, 2024	1,000.00	548.06	1,548.06	1,000.00	1,476.94	2,476.94	1,000.00	1,892.66	2,892.66
March 21, 2025	1,000.00	590.92	1,590.92	1,000.00	1,621.41	2,621.41	1,000.00	2,091.20	3,091.20
March 21, 2026	1,000.00	634.98	1,634.98	1,000.00	1,774.31	2,774.31	1,000.00	2,303.38	3,303.38
March 21, 2027	1,000.00	680.25	1,680.25	1,000.00	1,936.12	2,936.12	1,000.00	2,530.12	3,530.12
March 21, 2028*	1,000.00	726.77	1,726.77	1,000.00	2,107.38	3,107.38	1,000.00	2,772.43	3,772.43
March 21, 2029	1,000.00	774.58	1,774.58	1,000.00	2,288.62	3,288.62	1,000.00	3,031.36	4,031.36
March 21, 2030	1,000.00	823.72	1,823.72	1,000.00	2,480.43	3,480.43	1,000.00	3,308.07	4,308.07
March 21, 2031	1,000.00	874.22	1,874.22	1,000.00	2,683.44	3,683.44	1,000.00	3,603.77	4,603.77
March 21, 2032	1,000.00	926.11	1,926.11	1,000.00	2,898.28	3,898.28	1,000.00	3,919.77	4,919.77
March 21, 2033	1,000.00	979.44	1,979.44	1,000.00	3,125.65	4,125.65	1,000.00	4,257.46	5,257.46

*

Dates on which holders may require us to purchase outstanding debentures at a price equal to the redemption price.

Purchase of Debentures by Us at the Option of the Holder

You have the right to require us to purchase all or a portion of your debentures on March 21, 2008, 2013, 2018, 2023, and 2028. We will be required to purchase, at a purchase price equal to 100% of the accreted principal amount thereof on the applicable purchase date plus accrued and unpaid interest to, but excluding, such purchase date, any outstanding debenture for which a written purchase notice has been properly delivered by the holder to the paying agent and not withdrawn, subject to certain additional conditions. We may also add additional dates on which you may require us to purchase all or a portion of your debentures. However, we cannot assure you that we will add any purchase dates. You may submit your debentures for purchase to the paying agent at any time from the opening of business on the date that is 21 business days prior to the purchase date until the close of business on the business day immediately preceding the purchase date. Also, our ability to satisfy our purchase obligations may be affected by the factors described in "Risk Factors" under the heading "We may not have the ability to raise the funds necessary to finance the change in control purchase option or the purchase at the option of the holder provisions of the indenture."

We may, at our option, elect to pay the purchase price in cash or shares of our common stock, or any combination thereof. For a discussion of the tax treatment of a holder receiving cash, shares of our common stock or any combination thereof, see "Material United States Federal Income Tax Considerations."

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We will be required to give notice on a date not less than 21 business days prior to the purchase date to all holders at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, stating among other things:

whether we will pay the purchase price of the debentures in cash or shares of our common stock or any combination thereof, and specifying the percentages of each;

if we elect to pay in shares of our common stock, the method of calculating the market price of our common stock; and

the procedures that holders must follow to require us to purchase their debentures.

Your purchase notice electing to require us to purchase your debentures must state:

if certificated debentures have been issued, the debenture certificate numbers, or if not, such information as may be required under applicable DTC procedures;

the portion of the original principal amount of debentures to be purchased, in integral multiples of \$1,000;

that we are to purchase the debentures pursuant to the applicable provisions of the debentures and the indenture; and

in the event we elect, pursuant to the notice that we are required to give, to pay the purchase price in shares of our common stock, in whole or in part, but the purchase price is ultimately to be paid to the holder entirely in cash because any of the conditions to payment of the purchase price or portion of the purchase price in shares of our common stock is not satisfied prior to the close of business on the business day immediately preceding the purchase date, as described below, whether the holder elects:

(1) to withdraw the purchase notice as to some or all of the debentures to which it relates; or (2) to receive cash in respect of the entire purchase price for all debentures or portions of debentures subject to such purchase notice.

If you fail to indicate your choice with respect to the election described in the final bullet point above, you will be deemed to have elected to receive cash in respect of the entire purchase price for all debentures subject to the purchase notice in these circumstances. For a discussion of the tax treatment of a holder receiving cash instead of shares of common stock, see "Material United States Federal Income Tax Considerations Sale, Exchange, Conversion or Redemption of Debentures."

You may withdraw any purchase notice by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day immediately preceding the purchase date. The notice of withdrawal must state:

the original principal amount of the withdrawn debentures;

if certificated debentures have been issued, the certificate numbers of the withdrawn debentures, or if not, such information as may be required under applicable DTC procedures; and

the original principal amount, if any, of debentures that remain subject to your purchase notice.

If we elect to pay the purchase price, in whole or in part, in shares of our common stock, the number of shares to be delivered by us will be equal to the portion of the purchase price to be paid in shares of our common stock divided by the market price of one share of our common stock. We will pay cash based on the market price for all fractional shares in the event we elect to deliver shares of our common stock in payment, in whole or in part, of the purchase price.

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The "market price" means the average of the sale prices of our common stock for the five trading day period ending on the third business day (if the third business day prior to the purchase date is a trading day or, if not, then on the last trading day prior to the third business day) prior to the purchase date, appropriately adjusted to take into account the occurrence, during the period commencing on the first of such trading days during such five trading day period and ending on such purchase date, of certain events with respect to our common stock that would result in an adjustment of the Conversion Rate.

The "sale price" of our common stock on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date as reported in composite transactions for the principal United States securities exchange on which the common stock is traded or, if the common stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System.

Because the market price of our common stock is determined prior to the purchase date, holders of debentures bear the market risk with respect to the value of the shares of our common stock to be received from the date such market price is determined to the purchase date. We may pay the purchase price or any portion of the purchase price in shares of our common stock only if the information necessary to calculate the market price is published in a daily newspaper of national circulation or is otherwise readily publicly available.

Upon determination of the actual number of shares of our common stock to be issued for each \$1,000 original principal amount of debentures in accordance with the foregoing provisions, we will publish the information on our website on the World Wide Web or through such other public medium as we may use at that time.

Our right to purchase debentures, in whole or in part, with shares of our common stock is subject to our satisfying various conditions, including:

the listing of such shares of common stock on the principal United States securities exchange on which the common stock is then listed or, if not so listed, on the National Association of Securities Dealers Automated Quotation System;

the registration of the shares of common stock under the Securities Act and the Exchange Act, if required; and

any necessary qualification or registration under applicable state securities law or the availability of an exemption from such qualification and registration.

If these conditions are not satisfied with respect to a holder prior to the close of business on the purchase date, we will pay the purchase price to the holder of the debentures entirely in cash. See "Material United States Federal Income Tax Considerations Sale, Exchange, Conversion or Redemption of Debentures." We may not change the form or components or percentages of components of consideration to be paid for the debentures once we have given the notice that we are required to give to holders of debentures, except as described in the first sentence of this paragraph.

Our ability to purchase debentures with cash may be limited by the terms of our then existing borrowing agreements. The indenture will prohibit us from purchasing debentures for cash in connection with the holders' purchase right if any event of default under the indenture has occurred and is continuing, except a default in the payment of the purchase price with respect to the debentures.

A holder must either effect book-entry transfer or deliver the debentures to be purchased, together with necessary endorsements, to the office of the paying agent after delivery of the purchase notice to receive payment of the purchase price. You will receive payment in cash on the later of the purchase date or the time of book-entry transfer or the delivery of the debenture. If the paying agent holds

money or securities sufficient to pay the purchase price of the debenture on the business day following the purchase date, then, immediately after the purchase date:

the debenture will cease to be outstanding;

interest will cease to accrue; and

all other rights of the holder will terminate.

This will be the case whether or not book-entry transfer of the debenture is made or whether or not the debenture is delivered to the paying agent.

We will comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act that may be applicable at the time. We will file Schedule TO or any other schedule under the Exchange Act required in connection with any offer by us to purchase the debentures at your option.

Change in Control Permits Purchase of Debentures by Us at the Option of the Holder

In the event of a change in control which occurs on or before March 21, 2008, you will have the right, at your option, subject to the terms and conditions of the indenture, to require us to purchase for cash any or all of your debentures in integral multiples of \$1,000 original principal amount. We will purchase the debentures at a price equal to 100% of the original principal amount of the debentures to be purchased plus accrued and unpaid interest to, but excluding, the change in control purchase date.

We will be required to purchase the debentures as of the date that is 35 business days after the occurrence of such change in control, which we refer to as a change in control purchase date.

Under the indenture, a change in control of Mandalay Resort Group is deemed to have occurred at such time as:

any person, including its affiliates and associates, other than Mandalay Resort Group, its subsidiaries or their employee benefit plans, files a Schedule 13D or 14D-1 (or any successor schedule, form or report under the Exchange Act) disclosing that such person has become the beneficial owner of 50% or more of the voting power of our common stock or other capital stock into which the common stock is reclassified or changed, with certain exceptions; or

there shall be consummated any consolidation or merger of Mandalay Resort Group pursuant to which our common stock would be converted into cash, securities or other property, in each case other than a consolidation or merger of Mandalay Resort Group in which the holders of the shares of our common stock immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the total voting power in the aggregate of all classes of capital stock of the continuing or surviving corporation immediately after the consolidation or merger.

Within 15 business days after the occurrence of a change in control, we are obligated to mail to the trustee and to all holders of debentures at their addresses shown in the register of the registrar and to beneficial owners as required by applicable law a notice regarding the change in control, stating, among other things:

the events causing a change in control;

the date of such change in control;

the last date on which the purchase right may be exercised;

the change in control purchase price;

the change in control purchase date;

the name and address of the paying agent and the conversion agent;

the Conversion Rate and any adjustments to the Conversion Rate;

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that debentures with respect to which a change in control purchase notice is given by the holder may be converted only if the change in control purchase notice has been withdrawn in accordance with the terms of the debentures and the indenture; and

the procedures that holders must follow to exercise these rights.

To exercise this right, you must deliver a written notice to the paying agent prior to the close of business on the business day immediately before the change in control purchase date. The required purchase notice upon a change in control must state:

if certificated debentures have been issued, the debenture certificate numbers, or if not, such information as may be required under applicable DTC procedures;

the portion of the original principal amount of debentures to be purchased, in integral multiples of \$1,000; and

that we are to purchase such debentures pursuant to the applicable provisions of the debentures and the indenture.

You may withdraw any change in control purchase notice by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day before the change in control purchase date. The notice of withdrawal must state:

the original principal amount of the withdrawn debentures, in integral multiples of \$1,000;

if certificated debentures have been issued, the debenture certificate numbers, or if not, such information as may be required under applicable DTC procedures; and

the original principal amount, if any, of debentures that remain subject to your change in control purchase notice.

A holder must either effect book-entry transfer or deliver the debentures to be purchased, together with necessary endorsements, to the office of the paying agent after delivery of the change in control purchase notice to receive payment of the change in control purchase price. You will receive payment in cash on the later of the change in control purchase date or the time of book-entry transfer or the delivery of the debentures. If the paying agent holds money or securities sufficient to pay the change in control purchase price of the debentures on the business day following the change in control purchase date, then, immediately after the change in control purchase date:

the debentures will cease to be outstanding;

interest will cease to accrue; and

all other rights of the holder will terminate.

This will be the case whether or not book-entry transfer of the debentures is made or whether or not the debentures are delivered to the paying agent.

We will comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act that may be applicable at the time. We will file Schedule TO or any other schedule under the Exchange Act required in connection with any offer by us to purchase the debentures at your option upon a change in control.

The change in control purchase feature of the debentures may in certain circumstances make more difficult or discourage a takeover of us. The change in control purchase feature, however, is not the result of our knowledge of any specific effort:

to accumulate shares of common stock;

to obtain control of us by means of a merger, tender offer, solicitation or otherwise; or

by management to adopt a series of anti-takeover provisions.

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Instead, the terms of the change in control purchase feature resulted from negotiations between the initial purchasers and us.

We could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a change in control with respect to the change in control purchase feature of the debentures but that would increase the amount of our (or our subsidiaries') outstanding indebtedness.

No debentures may be purchased by us at the option of holders upon a change in control if there has occurred and is continuing an event of default with respect to the debentures, other than a default in the payment of the change in control purchase price with respect to the debentures.

See the discussion in the summary section of this prospectus under "Recent Developments" concerning a definitive merger agreement relating to the merger of a wholly owned subsidiary of MGM MIRAGE with and into Mandalay which, if consummated, will constitute a "change of control" as defined in the indenture governing the debentures.

Mandatory Disposition Pursuant to Gaming Laws

Each holder, by accepting a debenture, is deemed to have agreed that if the gaming authority of any jurisdiction in which we or any of our subsidiaries (or any joint venture in which we or any of our subsidiaries is a participant) now or hereafter conducts or proposes to conduct gaming requires that a person who is a holder or the beneficial owner of debentures be registered, licensed, qualified or found suitable under applicable gaming laws, the holder or beneficial owner, as the case may be, will register or apply for a license, qualification or a finding of suitability within the required time period. If the person fails to register or apply or become licensed or qualified or is found unsuitable, we will have the right, at our option:

to require the person to dispose of its debentures or beneficial interest in the debentures within 30 days of receipt of notice of our election or any earlier date that the gaming authority may request or prescribe; or

to redeem the debentures (possibly within less than 30 days following the notice of redemption if requested or prescribed by the gaming authority) at a redemption price equal to the lesser of:

the person's cost;

100% of the accreted principal amount of the debentures, plus accrued and unpaid interest, if any, to the redemption date or the date of any failure to comply, whichever is earlier; and

any other amount as may be required by applicable law or by order of any gaming authority.

We will notify the trustee in writing of any redemption under these circumstances as soon as practicable. We will not be responsible for any costs or expenses any holder may incur in connection with its registration or its application for a license, qualification or a finding of suitability.

Immediately upon the imposition by any gaming authority of a finding that any holder or beneficial owner dispose of the debentures, that holder or beneficial owner will have no further right:

to exercise, directly or indirectly, through any trustee, nominee or any other person or entity, any right conferred by the debentures; or

to receive any interest, dividends or any other distributions or payments with respect to the debentures, except the redemption price referred to above.

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Consolidation, Merger, Sale or Conveyance

We may not consolidate with or merge into any other person or convey, transfer or lease our properties and assets substantially as an entirety to any person, unless:

we are the surviving corporation or the successor is a U.S. domestic corporation, limited liability company, partnership, trust or other entity, and expressly assumes our obligations on the debentures and under the indenture;

immediately after giving effect to the transaction, no default or event of default shall have occurred and be continuing; and

certain other conditions are met.

Events of Default; Waiver and Notice

The indenture defines an event of default as one or more of the following:

- (1) default in payment of the accreted principal amount, redemption price, purchase price or change in control purchase price with respect to any debenture when such payment becomes due and payable;
- (2) default for 30 days in payment of any interest (including contingent interest, if any) on the debentures;
- (3) failure by Mandalay Resort Group to comply with any of its other agreements in the debentures or the indenture upon receipt by Mandalay Resort Group of notice of such default and Mandalay Resort Group's failure to cure (or obtain a waiver of) such default within 30 days after receipt by Mandalay Resort Group of such notice;
- (4) the failure of Mandalay Resort Group to make any payment by the end of any applicable grace period after maturity of indebtedness, which term as used in the indenture means obligations (other than nonrecourse obligations) of Mandalay Resort Group for borrowed money or evidenced by bonds, debentures, notes or similar instruments, which we refer to as Indebtedness, in an amount (taken together with amounts under (5)) in excess of \$10 million and continuance of such failure;
- (5) the acceleration of Indebtedness of Mandalay Resort Group in an amount (taken together with amounts under (4)) in excess of \$10 million because of a default with respect to such Indebtedness, without, in the case of (4) or (5), such Indebtedness having been discharged or such acceleration having been cured, waived, rescinded or annulled, for a period of 30 days after written notice to Mandalay Resort Group by the trustee or to Mandalay Resort Group and the trustee by the holders of not less than 25% in aggregate original principal amount of the debentures then outstanding. However, if any such failure or acceleration referred to in (4) or (5) above shall cease or be cured, waived, rescinded or annulled, then the event of default by reason thereof shall be deemed not to have occurred;
- (6) final unsatisfied judgments not covered by insurance aggregating in excess of \$10 million rendered against Mandalay Resort Group or any of our subsidiaries and not stayed, bonded or discharged within 60 days; and
- (7) the bankruptcy, insolvency or reorganization of Mandalay Resort Group.

If an event of default, other than an event of default described in clause (7) above, shall have happened and be continuing, either the trustee or the holders of not less than 25% in aggregate original principal amount of the debentures then outstanding may declare the accreted principal amount of the debentures as of the date of such declaration plus accrued interest (including contingent interest, if any) through the date of such declaration to be immediately due and payable. If an event of default described in clause (7) above shall occur, the accreted principal amount of the debentures as of

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the date on which such event occurs plus accrued interest (including contingent interest, if any) through the date on which such event occurs shall automatically become and be immediately due and payable.

After acceleration, the holders of a majority in aggregate original principal amount of the debentures may, under certain circumstances, rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal or other specified amount, have been cured or waived.

Prior to the declaration of the acceleration of the debentures, the holders of a majority in aggregate original principal amount of the debentures may waive, on behalf of all of the holders of the debentures, any default and its consequences, except an event of default described in paragraphs (1) or (2) above, a default in respect of a provision that cannot be amended without the consent of all of the holders of the debentures or a default that constitutes a failure to convert any debentures into shares of common stock. Other than the duty to act with the required care during an event of default, the trustee will not be obligated to exercise any of its rights or powers at the request of the holders unless the holders shall have offered to the trustee reasonable indemnity. Generally, the holders of a majority in aggregate original principal amount of the debentures will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

A holder will not have any right to institute any proceeding under the indenture, or for the appointment of a receiver or a trustee, or for any other remedy under the indenture, unless:

- (1) the holder has previously given to the trustee written notice of a continuing event of default with respect to the debentures;
- (2) the holders of a least 25% in aggregate original principal amount of the debentures have made a written request and have offered reasonable indemnity to the trustee to institute the proceeding;
- (3) such holder or holders offer to the trustee security or indemnity satisfactory to the trustee against any loss, liability or expense; and
- (4) the trustee has failed to institute the proceeding and has not received direction inconsistent with the original request from the holders of a majority in aggregate original principal amount of the debentures within 60 days after the original request.

Holders may, however, sue to enforce the payment of the accreted principal amount, accrued and unpaid interest (including contingent interest, if any), redemption price, purchase price or change in control purchase price with respect to any debenture on or after the due date or to enforce the right, if any, to convert any debenture without following the procedures listed in (1) through (3) above.

We will furnish the trustee an annual statement by our officers as to whether or not we are in default in the performance of the indenture and, if so, specifying all known defaults.

Modification of the Indenture

We and the trustee may, without the consent of the holders of the debentures, enter into supplemental indentures for, among others, one or more of the following purposes:

to evidence the succession of another corporation to our company, and the assumption by such successor of our obligations under the indenture and the debentures;

to add to our covenants, or surrender any of our rights, or add any rights for the benefit of the holders of debentures;

to cure any ambiguity, omission, defect or inconsistency in the indenture, to correct or supplement any provision in the indenture, or to make any other provisions with respect to

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matters or questions arising under the indenture, so long as the interests of holders of debentures are not adversely affected in any material respect under the indenture;

to evidence and provide for the acceptance of any successor trustee with respect to the debentures or to facilitate the administration of the trust thereunder by the trustee in accordance with such indenture; and

to provide any additional events of default;

provided that any amendment described in the third bullet point above made solely to conform the provisions of the indenture to the description of the debentures contained in this prospectus will not be deemed to adversely affect the interests of holders of the debentures.

With certain exceptions, the indenture or the rights of the holders of the debentures may be modified by us and the trustee with the consent of the holders of a majority in aggregate original principal amount of the debentures then outstanding, but no such modification may be made without the consent of the holder of each outstanding debenture affected thereby that would:

change the maturity of any payment of principal or of any installment of interest on any debenture (including the payment of contingent interest, if any), or reduce the original principal amount or accreted principal amount thereof or alter the manner or rate of accretion of principal or the manner or rate of accrual of interest (including contingent interest), or change any place of payment where, or the coin or currency in which, any debenture or interest (including the payment of contingent interest, if any) thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the maturity thereof (or, in the case of redemption or repayment, on or after the redemption date or the repayment date, as the case may be) or adversely affect the conversion or repurchase provisions in the indenture;

reduce the percentage in original principal amount of the outstanding debentures, the consent of whose holders is required for any such modification, or the consent of whose holders is required for any waiver of compliance with certain provisions of the indenture or certain defaults thereunder and their consequences provided for in the indenture; or

modify any of the provisions of certain sections of the indenture, including the provisions summarized in this paragraph, except to increase any such percentage or to provide that certain other provisions of the indenture cannot be modified or waived without the consent of the holder of each outstanding debenture affected thereby.

Discharge of the Indenture

We may satisfy and discharge our obligations under the indenture by delivering to the trustee for cancellation all outstanding debentures or by depositing with the trustee, the paying agent or the conversion agent, if applicable, after the debentures have become due and payable, whether at stated maturity, or any redemption date, or any purchase date, or a change in control purchase date, or upon conversion or otherwise, cash or common stock (as applicable under the terms of the indenture) sufficient to pay all of the outstanding debentures and paying all other sums payable by us under the indenture.

Governing Law

The indenture and the debentures are governed by and construed in accordance with the laws of the State of New York.

Book-Entry System

The debentures are represented by one or more global securities. Each global security is deposited with, or on behalf of, DTC and is registered in the name of a nominee of DTC. Except under circumstances described below, the debentures will not be issued in definitive form.

Upon the issuance of each global security, DTC credited on its book-entry registration and transfer system the accounts of persons designated by the initial purchasers with the respective principal amounts of the debentures represented by the global security. Ownership of beneficial interests in a global security are limited to persons that have accounts with DTC or its nominee ("participants") or persons that may hold interests through participants. Owners of beneficial interests in the debentures represented by the global securities hold their interests pursuant to the procedures and practices of DTC. Ownership of beneficial interests in a global security is shown on, and the transfer of that ownership is effected only through, records maintained by DTC or its nominee (with respect to interests of persons other than participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a global security.

So long as DTC or its nominee is the registered owner of a global security, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the debentures represented by that global security for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global security are not entitled to have debentures represented by that global security registered in their names, will not receive or be entitled to receive physical delivery of debentures in definitive form and will not be considered the owners or holders of debentures under the indenture. Beneficial owners are not holders and are not entitled to any rights provided to the holders of debentures under the global securities or the indenture. Principal and interest payments, if any, on debentures registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the relevant global security. Neither we, the trustee, any paying agent nor the registrar for the debentures will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in a global security or for maintaining, supervising or reviewing any records relating to such beneficial interests.

We expect that DTC or its nominee, upon receipt of any payment of principal or interest, if any, will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant global security as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in a global security held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participants.

If DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by us within 90 days or if an event of default shall occur under the indenture, we will issue debentures in definitive form in exchange for the entire amount of each of the global securities for the debentures. In addition, we may at any time and in our sole discretion determine not to have debentures represented by a global security and, in such event, will issue debentures in definitive form in exchange for the entire amount of each of the global securities relating to the debentures. In any such instance, an owner of a beneficial interest in a global security will be entitled to physical delivery in definitive form of debentures represented by such global securities equal in principal amount to such beneficial interest and to have such debentures registered in its name. Debentures so issued in definitive form will be issued as registered debentures in denominations of \$1,000 and integral multiples thereof, unless otherwise specified by us.

DESCRIPTION OF CAPITAL STOCK

The following is a summary of information concerning our capital stock, and a brief description of provisions contained in our articles of incorporation, bylaws and our rights plan. The summaries and descriptions below do not purport to be complete statements of these provisions and are entirely qualified by these documents, which you must read for complete information on our capital stock.

Our authorized capital stock currently consists of 450,000,000 shares of common stock, \$.01-²/₃ par value, and 75,000,000 shares of preferred stock, \$.01 par value.

Common Stock

As of July 30, 2004, 67,506,070 shares of our common stock were issued and outstanding. Our common stock is listed on the New York Stock Exchange and The Pacific Exchange and traded under the symbol "MBG." Holders of our common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to the preferences that may be applicable to any outstanding preferred stock, the holders of our common stock are entitled to receive ratably any dividends lawfully declared from time to time by our board of directors. In the event of a liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the prior rights of any preferred stock then outstanding. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All of our outstanding shares of common stock are fully paid and non-assessable, and the shares of our common stock to be issued upon conversion of the debentures in accordance with the terms thereof will be fully paid and non-assessable.

Preferred Stock

Our board of directors has the authority, without further action by the stockholders, to issue up to 75,000,000 shares of our authorized preferred stock in one or more series and to fix the designations, powers, preferences, privileges, and relative participation, optional or special rights and the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of our common stock. Our board of directors, without stockholder approval, can issue preferred stock with voting, conversion or other rights that could adversely affect the voting power and other rights of the holders of our common stock. Preferred stock could be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. Any issuance of our preferred stock may have the effect of decreasing the market price of our common stock.

There are no shares of preferred stock outstanding currently. We currently have no plans to issue any of the preferred stock.

Rights Plan

Our board of directors adopted a rights plan in 1994. In the event of hostile takeover attempts, including the accumulation of shares in the open market or through private transactions, the rights plan enhances the ability of our board of directors to negotiate with a potential acquirer for a fair price to all of the stockholders.

On July 14, 1994, pursuant to the rights plan, a dividend of one right (a "Right") was declared by the board for each share of our common stock outstanding at the close of business on August 15, 1994 (the "Record Date"). As long as the Rights continue to be attached to the common stock, we will issue one Right with each new share of common stock so that all of the shares of our common stock will

have attached Rights. Each Right entitles the registered holder to purchase from us one share of our common stock at a price of \$125 per share, subject to adjustment (the "Purchase Price").

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of our common stock or (ii) 10 days (or such later date as the board of directors may determine) following the commencement or announcement of an intention to make a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of our common stock (the earlier of (i) and (ii) being called the "Distribution Date,") the Rights will be transferred with and only with the common stock. Accordingly, until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for common stock will also constitute the transfer of the Rights associated with the common stock represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to holders of record of our common stock as of the close of business on the Distribution Date and these separate Right Certificates alone will then evidence the Rights. On June 15, 2004, the rights plan was amended to provide, among other things, that neither MGM MIRAGE, nor MGM MIRAGE Acquisition Co. #61 or any affiliate or associate of either shall be deemed to be an Acquiring Person, either individually or collectively, by virtue of (i) the announcement of the merger referred to in the summary section of this prospectus under "Recent Developments" (the "Merger"), (ii) the acquisition of common stock of Mandalay pursuant to the Merger, (iii) the execution of the merger agreement relating to the Merger (the "Merger Agreement") or (iv) the consummation of the Merger or of the other transactions contemplated by the Merger Agreement.

The Rights are not exercisable until the Distribution Date. On August 2, 2004, the rights plan was amended to extend from August 15, 2004 to August 15, 2014 the date the Rights will expire, subject to our right to extend that date, unless the Rights are earlier redeemed or exchanged by Mandalay or terminated.

The Purchase Price payable, and the number of shares of common stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of the common stock, (ii) upon the grant to holders of the common stock of certain rights or warrants to subscribe for or purchase common stock or convertible securities at less than the current market price of the common stock or (iii) upon the distribution to holders of the common stock of evidences of indebtedness, securities or assets (excluding regular periodic cash dividends at a rate not in excess of 125% of the rate of the last regular periodic cash dividend theretofore paid or, in case regular periodic cash dividends have not theretofore been paid, at a rate not in excess of 50% of the average net income per share of Mandalay for the four quarters ended immediately prior to the payment of such dividend, or dividends payable in common stock (which dividends will be subject to the adjustment described in clause (i) above)) or of subscription rights or warrants (other than those referred to above).

In the event that a person becomes an Acquiring Person or if Mandalay is the surviving corporation in a merger with an Acquiring Person or any affiliate or associate of an Acquiring Person and the common stock is not changed or exchanged, each holder of a Right, other than Rights that are or were acquired or beneficially owned by the Acquiring Person (which Rights will thereafter be void), will thereafter have the right to receive upon exercise that number of shares of common stock having a market value of two times the then current Purchase Price of the Right. In the event that, following the first date of public announcement that a person or group has become an Acquiring Person, Mandalay is acquired in a merger or other business combination transaction or more than 50% of its assets or earning power are sold, proper provision shall be made so that each holder of a Right shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price of the Right,

that number of shares of common stock of the acquiring company that at the time of such transaction would have a market value of two times the then current Purchase Price of the Right.

At any time after a person becomes an Acquiring Person and prior to the acquisition by such Acquiring Person of 50% or more of the outstanding common stock, our board of directors may cause Mandalay to acquire the Rights (other than Rights owned by an Acquiring Person which have become void), in whole or in part, in exchange for that number of shares of common stock having an aggregate value equal to the excess of the value of the shares of common stock issuable upon exercise of a Right after a person becomes an Acquiring Person over the Purchase Price, which is subject to adjustment under certain circumstances when cumulative adjustments require an adjustment of at least 1% in the Purchase Price. No fractional shares will be issued and in lieu thereof, a payment in cash will be made based on the market price of the common stock on the last trading date prior to the date of exercise.

The Rights may be redeemed in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price") by our board of directors at any time prior to the close of business on the first date of public announcement that a person or group has become an Acquiring Person. Immediately upon the action of our board of directors electing to redeem the Rights, we will make an announcement thereof, and upon such election, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of Mandalay beyond those as an existing stockholder, including, without limitation, the right to vote or to receive dividends.

This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the rights agreement, a copy of which is available free of charge from Mandalay.

Classified Board

Mandalay's board of directors is divided into three classes, with the classes serving staggered three-year terms. The members of one of the three classes are elected by our stockholders each year. As a result, at least two annual meetings of stockholders may be necessary to change a majority of the directors.

Nevada Anti-Takeover Statutes

Sections 78.411 through 78.444, inclusive (the "Combinations Statutes"), of the Nevada Revised Statutes generally prohibit a Nevada corporation with 200 or more stockholders of record from engaging in certain "combinations," such as a merger or consolidation, with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the transaction is approved in the manner prescribed in the Nevada Revised Statutes. The purpose of the Combinations Statutes is to ensure that management and stockholders of a Nevada corporation are involved in any potential and material changes to the corporate ownership structure. For purposes of the Combinations Statutes, an interested stockholder generally is (i) a person or group that owns 10% or more of a corporation's outstanding voting securities or (ii) an affiliate or associate of the corporation that at any time during the past three years was the owner of 10% or more of the corporation's then outstanding voting securities, unless the acquisition of the 10% or larger percentage was approved by the board of directors before the acquisition. In the event we desired to engage in a combination with an interested stockholder, we would be required to comply with the provisions of the Combinations Statutes.

Sections 78.378 through 78.3793, inclusive (the "Controlling Interest Statutes"), of the Nevada Revised Statutes govern acquisitions of a controlling interest of certain publicly held Nevada

corporations. The purpose of the Controlling Interest Statutes, like the Combinations Statutes, is to statutorily provide management a measure of involvement in connection with potential changes of control. The Controlling Interest Statutes will apply to us if we have 200 or more stockholders of record, at least 100 of whom have addresses in Nevada, unless our articles or bylaws in effect on the tenth day after the acquisition of a controlling interest provide otherwise. These provisions provide generally that any person that acquires a "controlling interest" acquires voting rights in the control shares, as defined, only as conferred by the stockholders of the corporation at a special or annual meeting. In the event control shares are accorded full voting rights and the acquiring person has acquired at least a majority of all of the voting power, any stockholder of record who has not voted in favor of authorizing voting rights for the control shares is entitled to demand payment for the fair value of its shares. A person acquires a "controlling interest" whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the Nevada Revised Statutes, would enable that person to exercise (i) one-fifth or more, but less than one-third, (ii) one-third or more, but less than a majority or (iii) a majority or more, of all of the voting power of the corporation in the election of directors. Once an acquirer crosses one of these thresholds, shares which it acquired in the transaction taking it over the threshold and within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become "control shares."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Wells Fargo Shareholder Services, P. O. Box 64854, St. Paul, MN 55164.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

General

This is a summary of material United States federal income tax consequences relevant to holders of the debentures. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and existing and proposed Treasury regulations now in effect, all of which are subject to change (possibly with retroactive effect) or differing interpretations. The discussion below deals only with debentures held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, partnerships or other entities classified as partnerships for United States federal income tax purposes, tax-exempt entities, persons holding debentures in a tax-deferred or tax-advantaged account, as a position in a "straddle" or as part of a "hedge," "conversion" or other risk-reduction transaction for tax purposes. Persons considering the purchase of the debentures should consult their own tax advisors concerning the application of the United States federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the debentures arising under the laws of any state, local, foreign or other taxing jurisdiction.

We do not address all of the tax consequences that may be relevant to a holder of debentures. In particular, we do not address:

the United States federal income tax consequences to shareholders in, or partners or beneficiaries of, an entity that is a holder of debentures;

the United States federal estate, gift or alternative minimum tax consequences of the purchase, ownership or disposition of debentures;

any state, local or foreign tax consequences of the purchase, ownership or disposition of debentures; and

any United States federal, state, local or foreign tax consequences of owning or disposing of common stock.

No statutory or judicial authority directly addresses the treatment of the debentures or instruments similar to the debentures for United States federal income tax purposes. The Internal Revenue Service (the "IRS") has recently issued a revenue ruling with respect to instruments similar to the debentures. To the extent it addresses the issue, this ruling supports certain aspects of the treatment described below. No ruling has been or is expected to be sought from the IRS with respect to the United States federal income tax consequences of the issues that are not addressed in the recently released revenue ruling. The IRS would not be precluded from taking positions contrary to those set forth in the revenue ruling or from revoking this revenue ruling. Any such revocation could be retroactive. As a result, no assurance can be given that the IRS will agree with all of the tax characterizations and the tax consequences described below.

We urge prospective investors to consult their own tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of debentures in light of their own particular circumstances, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in United States federal or other tax laws.

Classification of the Debentures

We have received an opinion from our counsel, Wolf, Block, Schorr and Solis-Cohen LLP, that the debentures will be treated as indebtedness for United States federal income tax purposes and that the debentures will be subject to the Treasury regulations governing contingent payment debt instruments (to which we refer as the "contingent debt regulations"). Pursuant to the terms of the indenture, we

and every holder agree (in the absence of an administrative pronouncement or judicial ruling to the contrary), for United States federal income tax purposes, to treat the debentures as debt instruments that are subject to the contingent debt regulations and to be bound by our application of the contingent debt regulations to the debentures, including our determination of the rate at which interest will be deemed to accrue on the debentures and the related "projected payment schedule" determined by us as described below. In addition, the terms of the indenture governing the debentures provide that each holder will be deemed to have agreed to treat the fair market value of the common stock received by such holder upon a conversion of the debentures, a redemption of the debentures at our option or a purchase by us at the option of the holder, as a contingent payment.

Notwithstanding the issuance of the recent revenue ruling, the proper application of the contingent debt regulations to the debentures is not entirely certain, and no assurance can be given that the IRS will not assert that the debentures should be treated differently. A different treatment from that described below could affect the amount, timing, source and character of income, gain or loss with respect to an investment in the debentures. In particular, a holder might be required to accrue interest income at a higher or lower rate, might not recognize income, gain or loss upon conversion of a debenture into common stock, and might recognize capital gain or loss upon a taxable disposition of a debenture. Holders should consult their tax advisors concerning the tax treatment of holding a debenture.

The remainder of this discussion assumes that the debentures are treated as indebtedness subject to the contingent debt regulations.

United States Holders

For purposes of this discussion, a United States Holder is a beneficial owner of the debentures who or which is:

a citizen or individual resident of the United States for United States federal income tax purposes;

a corporation, including any entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate if its income is subject to United States federal income taxation regardless of its source; or

a trust if (1) a United States court can exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of its substantial decisions.

Notwithstanding the preceding sentence, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date, may also be treated as United States Holders.

Accrual of Interest on the Debentures

Pursuant to the contingent debt regulations, United States Holders of the debentures will be required to accrue interest income on the debentures on a constant-yield basis, as described below, regardless of whether such holders use the cash or accrual method of tax accounting. Accordingly, United States Holders will be required to include interest in income each year in excess of the accruals on the debentures for non-tax purposes and in excess of any interest payments actually received in that year.

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The contingent debt regulations provide that a United States Holder must accrue an amount of ordinary interest income, as original issue discount for United States federal income tax purposes, for each accrual period prior to and including the maturity date of the debentures that equals:

1. the product of (i) the adjusted issue price (as defined below) of the debentures as of the beginning of the accrual period and (ii) the comparable yield to maturity (as defined below) of the debentures, adjusted for the length of the accrual period;
2. divided by the number of days in the accrual period; and
3. multiplied by the number of days during the accrual period that the United States Holder held the debentures.

A debenture's issue price is the first price at which a substantial amount of the debentures is sold to the public, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The adjusted issue price of a debenture is its issue price increased by any interest income previously accrued, determined without regard to any adjustments to interest accruals described below, and decreased by the projected amount of any payments previously made with respect to the debentures.

Wolf, Block, Schorr and Solis-Cohen LLP, our counsel, has advised us that the term "comparable yield" means the annual yield we would pay, as of the initial issue date, on a fixed-rate, nonconvertible debt security with no contingent payments, but with terms and conditions otherwise comparable to those of the debentures. Based in part on that advice, we have determined that the comparable yield for the debentures is 7.50%, compounded semi-annually, and that is the interest that we will use to calculate the amount of a holder's interest income for United States federal tax purposes. The precise manner of calculating the comparable yield is not entirely clear. In the event that the comparable yield that we determined is successfully challenged by the IRS, the redetermined yield could be materially greater or lesser than the comparable yield we have determined. In that case, the projected payment schedule could differ materially from the projected payment schedule provided by us.

The contingent debt regulations require that we provide to United States Holders, solely for United States federal income tax purposes, a schedule of the projected amounts of payments (to which we refer as "projected payments") on the debentures. This schedule must produce a yield to maturity that equals the comparable yield. The projected payment schedule includes estimates for certain contingent interest payments and an estimate for a payment at maturity taking into account the conversion feature. In this connection, the fair market value of any common stock (and cash, if any) received by a holder upon conversion will be treated as a contingent payment. The comparable yield and the projected payment schedule are set forth in the indenture. United States Holders also may obtain the projected payment schedule by submitting a written request for such information to us at: Mandalay, 3950 Las Vegas Boulevard South, Las Vegas, Nevada 89119, Attention: Les Martin.

By purchasing the debentures, United States Holders agree in the indenture to be bound by our determination of the comparable yield and projected payment schedule. For United States federal income tax purposes, a United States Holder must use the comparable yield and projected payments schedule in determining its interest accruals, and the adjustments thereto described below, in respect of the debentures.

The comparable yield and the projected payment schedule are not used for any purpose other than to determine a holder's interest accruals and adjustments thereto in respect of the debentures for United States federal income tax purposes. They do not constitute a projection or representation regarding the actual amounts payable on the debentures.

Adjustments to Interest Accruals on the Debentures

If, during any taxable year, a United States Holder of debentures receives actual payments with respect to such debentures that, in the aggregate, exceed the total amount of projected payments for that taxable year, the United States Holder will incur a "net positive adjustment" under the contingent debt regulations equal to the amount of such excess. The United States Holder will treat a "net positive adjustment" as additional interest income. For this purpose, the payments in a taxable year include the fair market value of property (including common stock received upon conversion or repurchase of the debentures) received in that year.

If a United States Holder receives in a taxable year actual payments with respect to the debentures that, in the aggregate, are less than the amount of projected payments for that taxable year, the United States Holder will incur a "net negative adjustment" under the contingent debt regulations equal to the amount of such deficit. This negative adjustment will (a) reduce the United States Holder's interest income on the debentures for that taxable year, and (b) to the extent of any excess after the application of (a), give rise to an ordinary loss to the extent of the United States Holder's interest income on the debentures during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments. Any negative adjustment in excess of the amounts described in (a) and (b) will be carried forward to offset future interest income with respect to the debentures or to reduce the amount realized on a sale, exchange, conversion or retirement of the debentures.

Sale, Exchange, Conversion or Redemption of Debentures

Generally, the sale or exchange of a debenture or the redemption of a debenture for cash will result in taxable gain or loss to a United States Holder. As described above, our calculation of the comparable yield and the projected payment schedule for the debentures includes the receipt of stock upon conversion as a contingent payment with respect to the debentures. Accordingly, we intend to treat the receipt of common stock by a United States Holder upon (a) the conversion of a debenture or (b) a United States Holder's exercise of its option to require us to redeem its debenture that we elect to pay in common stock as a payment under the contingent debt regulations. As described above, a United States Holder is bound by our determination of the comparable yield and projected payment schedule. Under this treatment, a conversion of a debenture into common stock, or a repurchase where we elect to pay in common stock, also will result in taxable gain or loss to a United States Holder.

The amount of gain or loss on a sale, exchange, conversion or redemption will be equal to the difference between (a) the amount of cash plus the fair market value of any other property received by the United States Holder, including the fair market value of any common stock received, and (b) the United States Holder's adjusted tax basis in the debenture.

A United States Holder's adjusted tax basis in a debenture generally will be equal to the United States Holder's original purchase price for the debenture, increased by any interest income previously accrued by the United States Holder (determined without regard to any adjustments to interest accruals described above) and decreased by the amount of any projected payments that previously have been scheduled to be made in respect of the debentures (without regard to the actual amount paid).

Gain recognized upon a sale, exchange, conversion or redemption of a debenture generally will be treated as ordinary interest income; any loss will be ordinary loss to the extent of interest previously included in income, and thereafter capital loss (which will be long-term if the debenture is held for more than one year). The deductibility of capital losses is subject to limitations.

A United States Holder's tax basis in common stock received upon a conversion of a debenture, or upon a United States Holder's exercise of its option to require us to redeem its debenture that we elect to pay in common stock, will equal the then current fair market value of such common stock. The

United States Holder's holding period for the common stock received will commence on the day immediately following the date of conversion or repurchase.

Constructive Dividends to Holders of Debentures

If at any time we were to make a distribution of property to our stockholders that would be taxable to the stockholders as a dividend for United States federal income tax purposes and, in accordance with the anti-dilution provisions of the debentures, the conversion rate of the debentures were increased, such increase might be deemed to be the payment of a taxable dividend to holders of the debentures.

For example, an increase in the conversion rate in the event of distributions of our evidences of indebtedness or our assets or an increase in the event of an extraordinary cash dividend generally would result in deemed dividend treatment to holders of the debentures, but an increase in the event of stock dividends or the distribution of rights to subscribe for common stock generally would not.

Non-United States Holders

As used in this prospectus, the term "Non-United States Holder" means a beneficial holder of a debenture that is, for United States federal income tax purposes:

an individual who is classified as a nonresident for United States federal income tax purposes;

a foreign corporation; or

an estate or trust that is not a United States estate or trust, as described above.

All payments on the debentures made to a Non-United States Holder, including any payment of contingent interest, a payment in common stock pursuant to a conversion or purchase by us at the option of the Non-United States Holder, and any gain realized on a sale or exchange of the debentures, will be exempt from United States federal income or withholding tax, provided that: (i) such Non-United States Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote, is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership, and is not a bank receiving certain types of interest; (ii) the statement requirement set forth in section 871(h) or section 881(c) of the Code has been fulfilled with respect to the beneficial owner, as discussed below; (iii) such payments and gain are not effectively connected with the conduct by such Non-United States Holder of a trade or business in the United States; (iv) our common stock continues to be actively traded within the meaning of section 871(h)(4)(C)(v)(I) of the Code (which, for these purposes and subject to certain exceptions, includes trading on the New York Stock Exchange); and (v) we are not and have not been a United States real property holding corporation ("USRPHC") within the meaning of section 897(c)(2) of the Code. We believe that we are not and have never been, nor do we anticipate becoming, a USRPHC. Even if we are a USRPHC for United States federal income tax purposes, a Non-United States Holder would generally not be subject to United States federal income tax on the disposition of a debenture so long as our common stock continues to be regularly traded on an established securities market and the debenture that was acquired by the Non-United States Holder had a fair market value that was less than or equal to 5% of the fair market value of our common stock then outstanding as of the date the debenture was acquired by the Non-United States Holder. There can be no assurance that our common stock will qualify or continue to qualify as regularly traded on an established securities market.

Notwithstanding the preceding paragraph, if a Non-United States Holder of a debenture were deemed to have received a constructive dividend (see "United States Holders Constructive Dividends to Holders of Debentures" above), the Non-United States Holder generally would be subject to United States withholding tax at a 30% rate on the taxable amount of such dividend, subject to reduction by

an applicable treaty or upon the receipt of a Form W-8ECI from the Non-United States Holder claiming that the deemed receipt of the constructive dividend is effectively connected with the conduct of a United States trade or business.

The statement requirement referred to set forth in section 871(h) or section 881(c) of the Code will be fulfilled if the beneficial owner of a debenture certifies on IRS Form W-8BEN, under penalties of perjury, that it is not a United States person and provides its name and address or otherwise satisfies applicable documentation requirements. If a Non-United States Holder of the debentures is engaged in a trade or business in the United States, and if interest on the debentures is effectively connected with the conduct of such trade or business, the Non-United States Holder, although exempt from the tax withholding discussed above, will generally be subject to regular United States federal income tax on interest and on any gain realized on the sale, exchange or conversion of the debentures in the same manner as if it were a United States Holder. In lieu of the certificate described above, such a Non-United States Holder would be required to provide to the withholding agent a properly executed IRS Form W-8ECI (or successor form) in order to claim an exemption from withholding tax. In addition, if such a Non-United States Holder is a foreign corporation, such holder may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Backup Withholding Tax and Information Reporting

Payments of principal, premium, if any, and interest (including original issue discount and a payment in common stock pursuant to a conversion of a debenture) on, and the proceeds of dispositions of, the debentures may be subject to information reporting and United States federal backup withholding tax if the United States Holder thereof fails to supply an accurate taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. A Non-United States Holder may be subject to United States backup withholding tax on payments on the debentures and the proceeds from a sale or other disposition of the debentures unless the Non-United States Holder complies with certification procedures to establish that it is not a United States person. Any amounts so withheld will be allowed as a credit against a United States Holder's United States federal income tax liability and may entitle a holder to a refund, provided the required information is timely furnished to the IRS.

SELLING SECURITYHOLDERS

We originally issued the debentures in a private placement to the initial purchasers, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Banc of America Securities LLC. The debentures were resold by the initial purchasers in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by such initial purchasers to be qualified institutional buyers (as defined by Rule 144A under the Securities Act). The selling securityholders (which term includes their transferees, pledgees, donees or successors) may from time to time offer and sell pursuant to this prospectus any and all of the debentures and common stock issuable upon conversion of the debentures.

Set forth below are the names of each selling securityholder, the original principal amount of debentures that may be offered by such selling securityholder pursuant to this prospectus and the number of shares of common stock into which such debentures are convertible. Unless set forth below, none of the selling securityholders has indicated that it has held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years.

We have prepared the table set forth below based on information received by us from the selling securityholders prior to July 31, 2004. Any or all of the debentures or common stock listed below may be offered for sale pursuant to this prospectus by the selling securityholders from time to time. Accordingly, no estimate can be given as to the amounts of debentures or common stock that will be held by the selling securityholders upon consummation of any such sales. In addition, the selling securityholders identified below may have sold, transferred or otherwise disposed of all or a portion of

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their debentures since the date on which the information regarding their debentures was provided, in transactions exempt from the registration requirements of the Securities Act.

Name	Aggregate Original Principal Amount of Debentures That May Be Sold	Percentage of Debentures Outstanding	Shares of Common Stock That May Be Sold(1)	Percentage of Common Stock Outstanding(2)
Akela Capital Master Fund, Ltd.	\$ 5,500,000	1.38%	95,986	*
Allstate Insurance Company	\$ 1,500,000	*	26,178(3)	*
Argent Classic Convertible Arbitrage (Bermuda) Fund Ltd.	\$ 3,300,000	*	57,591	*
Argent Classic Convertible Arbitrage Fund LP	\$ 1,600,000	*	27,923	*
Argent LowLev Convertible Arbitrage Fund Ltd.	\$ 2,200,000	*	38,394	*
Argent LowLev Convertible Arbitrage Fund LLC	\$ 400,000	*	6,980	*
Arpeggio Fund	\$ 3,300,000	*	57,592	*
Bear Stearns International Limited	\$ 20,000,000	5.00%	349,040	*
Black Diamond Convertible Offshore LDC	\$ 2,231,000	*	38,935	*
Black Diamond Offshore Ltd.	\$ 1,222,000	*	21,326	*
CNH CA Master Account L.P.	\$ 1,250,000	*	21,815	*
CSV Limited	\$ 800,000	*	13,962	*
Caxton Equity Growth (BVI) Ltd.	\$ 1,100,000	*	19,197(4)	*
Caxton Equity Growth LLC	\$ 900,000	*	15,707(5)	*
DBAG London	\$ 37,880,000	9.47%	661,081	*
Deutsche Bank Securities, Inc.	\$ 1,470,000	*	25,654	*
Double Black Diamond Offshore LDC	\$ 6,322,000	1.58%	110,331	*
Global Bermuda Limited Partnership	\$ 12,000,000	3.00%	209,424	*
HSBC Trustee, Zola Managed Trust	\$ 100,000	*	1,745	*
Hamilton Multi-Strategy Master Fund, LP	\$ 3,000,000	*	52,356	*
Highbridge International LLC	\$ 19,000,000	4.75%	331,588	*
IMF Convertible Fund	\$ 400,000	*	6,981	*

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Name	Aggregate Original Principal Amount of Debentures That May Be Sold	Percentage of Debentures Outstanding	Shares of Common Stock That May Be Sold(1)	Percentage of Common Stock Outstanding(2)
KBC Financial Products USA Inc.	\$ 3,000,000	*	52,356	*
KBC Financial Products (Cayman Islands) Limited	\$ 18,500,000	4.63%	322,862	*
Lakeshore International, Ltd.	\$ 48,000,000	12.00%	837,696	1.23%
Laurel Ridge Capital, LP	\$ 20,000,000	5.00%	349,040	*
Lehman Brothers, Inc.	\$ 750,000	*	13,089	*
Lydian Overseas Partners Master Fund Ltd.	\$ 25,000,000	6.25%	436,300	*
Lyxor Master Fund Ref: Argent LowLev CB c/o Argent	\$ 800,000	*	13,961	*
Lyxor/Zola Fund, Ltd.	\$ 400,000	*	6,980	*
Man Convertible Bond Master Fund, Ltd.	\$ 11,097,000	2.77%	193,664	*
Merrill Lynch, Pierce, Fenner & Smith, Inc.	\$ 10,650,000	2.66%	185,863	*
Nisswa Master Fund Ltd.	\$ 4,000,000	1.00%	69,808	*
Nomura Securities International, Inc.	\$ 7,500,000	1.88%	130,890(6)	*
OZ Convertible Master Fund, Ltd.	\$ 695,000	*	12,129	*
OZ Master Fund, Ltd.	\$ 8,805,000	2.20%	153,664	*
Rhapsody Fund, L.P.	\$ 5,300,000	1.33%	92,496	*

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St. Thomas Trading, Ltd.	\$	18,403,000	4.60%	321,169	*
Sagamore Hill Hub Fund Ltd.	\$	20,500,000	5.13%	357,766	*
Silverback Master, Ltd.	\$	25,000,000	6.25%	436,300	*
UBS AG London Branch	\$	40,000,000	10.00%	698,080	1.02%
Worldwide Transactions Ltd.	\$	225,000	*	3,926	*
Xavex Convertible Arbitrage 2 Fund	\$	100,000	*	1,745	*
Xavex Convertible Arbitrage 10 Fund	\$	100,000	*	1,745	*
Zurich Institutional Benchmark Master Fund LTD.	\$	200,000	*	3,490	*
All other holders of debentures or future transferees, pledgees, donees or successors of any such holders(7)(8)	\$	5,500,000	*	95,986	*
Total	\$	400,000,000	100.00%	6,980,800	9.37%

*

Less than 1%.

- (1) Assumes conversion of all of the holder's debentures at the initial conversion rate of 17.452 shares of common stock per \$1,000 original principal amount of the debentures. However, this conversion rate will be subject to adjustment as described under "Description of Debentures Conversion Rights." As a result, the amount of common stock issuable upon conversion of the debentures may increase in the future.
- (2) Calculated based on Rule 13d-3(d)(i) of the Exchange Act using 67,506,070 shares of common stock outstanding as of July 30, 2004. In calculating this amount, we treated as outstanding the number of shares of common stock issuable upon conversion of all of that particular holder's debentures. However, we did not assume the conversion of any other holder's debentures.
- (3) Does not include 26,900 shares of our common stock held by Allstate Insurance Company in addition to the common stock into which such holder's debentures are convertible.
- (4) Does not include 55,972 shares of our common stock held by Caxton Equity Growth (BVI) Ltd. in addition to the common stock into which such holder's debentures are convertible.
- (5) Does not include 19,424 shares of our common stock held by Caxton Equity Growth LLC in addition to the common stock into which such holder's debentures are convertible.
- (6) Does not include 4,300 shares of our common stock held by Normura Securities International, Inc. in addition to the common stock into which such holder's debentures are convertible.
- (7) Information about other selling securityholders will be set forth in prospectus supplements, if required.
- (8) Assumes that any other holders of debentures, or any future transferees, pledgees, donees or successors of or from any such other holders of debentures, do not beneficially own any common stock other than the common stock issuable upon conversion of the debentures at the initial conversion rate.

PLAN OF DISTRIBUTION

The debentures and the common stock are being registered to permit public secondary trading of such securities by the holders thereof from time to time after the date of this prospectus. We have agreed, among other things, to bear all expenses (other than underwriting discounts and selling commissions) in connection with the registration and sale of the debentures and the common stock covered by this prospectus, which we estimate will total approximately \$250,000.

We will not receive any of the proceeds from the offering of the debentures or common stock by the selling securityholders. The selling securityholders, which term includes their transferees, pledgees, donees or successors in interest selling securities received from a named selling securityholder as a gift, partnership distribution or other non-sale-related transfer after the date of this prospectus, may sell all or a portion of the debentures and common stock beneficially owned by them and offered hereby from time to time on any exchange or automated interdealer quotation system on which the securities are listed or in the over-the-counter market on terms to be determined at the times of such sales. The selling securityholders may also make private sales directly or through a broker or brokers. The selling securityholders may also make sales through put or call option transactions. Alternatively, any of the selling securityholders may from time to time offer the debentures or common stock beneficially owned by them through underwriters, dealers or agents, who may receive compensation in the form of underwriting discounts, commissions or concessions from the selling securityholders and the purchasers of the debentures and the common stock for whom they may act as agent. The aggregate proceeds to the selling securityholders from the sale of the debentures or common stock offered by them hereby will be the purchase price of such debentures or common stock less discounts and commissions, if any.

The debentures and common stock may be sold from time to time in one or more transactions at fixed offering prices, which may be changed, or at market prices prevailing at the time of sale, or at prices related to prevailing market prices at the time of sale, or at varying prices determined at the time of sale or at negotiated prices. Such prices will be determined by the holders of such securities or by agreement between such holders and underwriters or dealers who may receive fees or commissions in connection therewith.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

In connection with sales of the debentures and the underlying common stock or otherwise, the selling securityholders may enter into hedging transactions with broker-dealers. These broker-dealers may in turn engage in short sales of the debentures and the underlying common stock in the course of hedging their positions. The selling securityholders may also sell the debentures and underlying common stock short and deliver debentures and the underlying common stock to close out short positions, or loan or pledge debentures and the underlying common stock to broker-dealers that in turn may sell the debentures and the underlying common stock.

To our knowledge, there are currently no plans, arrangements or understandings between any selling securityholders and any underwriter, broker-dealer or agent regarding the sale of the debentures and the underlying common stock by the selling securityholders. Selling securityholders may decide not to sell any or all of the debentures and the underlying common stock offered by them pursuant to this prospectus. In addition, we cannot assure you that any such selling securityholder will not transfer, devise or gift the debentures and the underlying common stock by other means not described in this prospectus. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than pursuant to this prospectus.

Our common stock trades on the New York Stock Exchange and the Pacific Exchange under the symbol "MBG." We do not, however, intend to apply for listing of the debentures on any securities

exchange or for quotation through the National Association of Securities Dealers Automated Quotation System. The debentures originally issued in a private placement are eligible for trading on the PORTAL market. However, debentures sold pursuant to this prospectus will no longer be eligible for trading on the PORTAL market. Accordingly, we cannot assure you of the development of liquidity or of any trading market for the debentures.

The selling securityholders and any broker and any broker-dealers, agents or underwriters that participate with the selling securityholders in the distribution of the debentures or the common stock may be deemed to be "underwriters" within the meaning of the Securities Act, in which event any commissions received by such broker-dealers, agents or underwriters and any profit on the resale of the debentures or the common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

The debentures were issued and sold in a private placement to the initial purchasers, which sold the debentures in March and April 2003 in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by the initial purchasers to be qualified institutional buyers (as defined in Rule 144A under the Securities Act). We have agreed to indemnify the initial purchasers and each holder; each holder has agreed to indemnify us and the initial purchasers; and the initial purchasers have agreed to indemnify us and each holder, against certain liabilities arising under the Securities Act.

The selling securityholders and any other person participating in such distribution will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the debentures and the underlying common stock by the selling securityholders and any other such person. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the debentures and the underlying common stock to engage in market-making activities with respect to the particular debentures and the underlying common stock being distributed for a period of up to five business days prior to the commencement of such distribution. This may affect the marketability of the debentures and the underlying common stock and the ability of any person or entity to engage in market-making activities with respect to the debentures and the underlying common stock.

We will use our reasonable efforts to keep the registration statement of which this prospectus is a part effective until the earlier of (1) the sale pursuant to the registration statement of all the securities registered thereunder and (2) the expiration of the holding period applicable to such securities held by persons that are not our affiliates under Rule 144(k) under the Securities Act or any successor provision, subject to certain permitted exceptions.

We are permitted to prohibit offers and sales of securities pursuant to this prospectus under certain circumstances and subject to certain conditions for a period not to exceed 45 days in the aggregate in any three-month period or 120 days in the aggregate in any 12-month period. We also agreed to pay liquidated damages to certain holders of the debentures and shares of common stock issuable upon conversion of the debentures if the prospectus is unavailable for periods in excess of those permitted.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or "SEC." You may read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings are also available to the public from the SEC's website on the World Wide Web at <http://www.sec.gov>. In addition, you may read our SEC filings at the offices of the New York Stock

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Exchange, or "NYSE," which is located at 20 Broad Street, New York, New York 10005. Our SEC filings are available at the NYSE because our common stock is listed on the NYSE.

We are "incorporating by reference" information we have filed with the SEC, which means that we can disclose important information by referring you to those documents. We consider the information incorporated by reference to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below. Additionally, we incorporate by reference any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until this offering is complete (other than any portions of any such documents that are not deemed "filed" under the Exchange Act in accordance with the Exchange Act and applicable SEC rules).

Annual Report on Form 10-K for the fiscal year ended January 31, 2004, Amendment No. 1 thereto on Form 10-K/A and Amendment No. 2 thereto on Form 10-K/A.

Quarterly Report on Form 10-Q for the quarter ended April 30, 2004.

Current Reports on Form 8-K dated April 5, 2004, June 11, 2004, June 14, 2004, June 15, 2004, June 22, 2004 and July 26, 2004.

The description of our common stock contained in our Registration Statement on Form 8-A declared effective by the SEC on October 25, 1983, and any amendment or report filed for the purpose of updating such description.

The description of our common stock purchase rights contained in our Registration Statement on Form 8-A declared effective by the SEC on August 12, 1994, amendments thereto on Form 8-A/A filed with the SEC on August 8, 1994, June 17, 2004 and August 2, 2004, and any other amendment or report filed for the purpose of updating such description.

Any statement contained in a document incorporated by reference, or deemed to be incorporated by reference, in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference in this prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. Statements contained in this prospectus as to the contents of any document referred to in this prospectus do not purport to be complete, and where reference is made to the particular provisions of such document, such provisions are qualified in all respects by reference to all of the provisions of such document.

We will provide to each person, including any beneficial owner, to whom this prospectus is delivered, upon written or oral request, a copy of any and all filings that are incorporated by reference in this prospectus but not delivered with this prospectus. We also make available, free of charge, through our website (www.mandalayresortgroup.com) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. You may request a copy of these filings, at no cost, by writing or telephoning us at the following address or telephone number, as applicable:

Mandalay Resort Group
3950 Las Vegas Boulevard South
Las Vegas, Nevada 89119
Attention: Les Martin
(702) 632-6700

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that

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the information in this prospectus or in the documents incorporated by reference is accurate as of any date other than the date on the front of this prospectus or those documents.

LEGAL MATTERS

Certain legal matters relating to the validity of the debentures have been passed upon for us by Wolf, Block, Schorr and Solis-Cohen LLP, Philadelphia, Pennsylvania. Certain legal matters relating to the validity of the common stock issuable upon conversion of the debentures have been passed upon for us by Schreck Brignone, Las Vegas, Nevada.

EXPERTS

The consolidated financial statements of Mandalay Resort Group, incorporated in this prospectus by reference from Amendment No. 2 on Form 10-K/A to Mandalay Resort Group's Annual Report on Form 10-K for the year ended January 31, 2004, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Victoria Partners as of December 31, 2003 and 2002 and for the years then ended, incorporated in this prospectus by reference from Amendment No. 2 on Form 10-K/A to Mandalay Resort Group's Annual Report on Form 10-K for the year ended January 31, 2004, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Victoria Partners for the year ended December 31, 2001 incorporated in this prospectus by reference from Amendment No. 2 on Form 10-K/A to Mandalay Resort Group's Annual Report on Form 10-K for the year ended January 31, 2004 were audited by Arthur Andersen LLP, as indicated in their report with respect thereto, and are incorporated herein by reference in reliance upon the authority of said firm as experts in giving said report. We have not been able to obtain the written consent of Arthur Andersen to the inclusion of their report in this prospectus, and we have dispensed with the requirement to file their consent in reliance of Rule 437a promulgated under the Securities Act of 1933, as amended. Because Arthur Andersen has not consented to the inclusion of their report in this prospectus, investors will not be able to recover against Arthur Andersen under Section 11 of the Securities Act. In addition, the ability of Arthur Andersen to satisfy any claims (including claims arising from its provision of auditing and other services to Victoria Partners) may be limited as a result of the diminished amount of assets of Arthur Andersen that are or may in the future be available to satisfy claims.

The audited financial statements of Elgin Riverboat Resort Riverboat Casino as of December 31, 2003 and for the year then ended, incorporated in this prospectus by reference from Amendment No. 2 on Form 10-K/A to Mandalay Resort Group's Annual Report on Form 10-K for the year ended January 31, 2004, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm, given upon their authority as experts in accounting and auditing.

The audited financial statements of Elgin Riverboat Resort-Riverboat Casino as of December 31, 2002 and 2001 and for the years in the period ended December 31, 2002 incorporated in this prospectus by reference to Amendment No. 2 on Form 10-K/A to Mandalay Resort Group's Annual Report on Form 10-K for the year ended January 31, 2004, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

**Floating Rate Convertible Senior Debentures due 2033
and Common Stock Issuable Upon Conversion of the Debentures**

PROSPECTUS

, 2004

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

Mandalay Resort Group is paying all of the selling securityholders' expenses related to this offering. The following table sets forth the approximate amount of fees and expenses payable in connection with this registration statement and the distribution of the debentures and shares of common stock registered hereby. All expenses other than the Securities and Exchange Commission fee are estimated.

Securities and Exchange Commission fee	\$ 34,875
Trustee's fees and expenses	\$ 10,000
Accounting fees and expenses	\$ 50,000
Legal fees and expenses	\$ 100,000
Printing and engraving expenses	\$ 50,000
Miscellaneous	\$ 5,125
	<hr/>
Total	\$ 250,000
	<hr/>

Item 15. Indemnification Of Directors And Officers.

Section 78.7502 of the Nevada Revised Statutes permits a corporation to indemnify any of its directors, officers, employees and agents against costs and expenses arising from claims, suits and proceedings if such persons acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Notwithstanding the foregoing, no indemnification may be made in respect of any claim, issue or matter, as to which such person is adjudged to be liable to the corporation unless and only to the extent that a court of competent jurisdiction determines that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

In accordance with former Nevada Revised Statutes Section 78.037, Article XI of the registrant's Restated Articles of Incorporation provides that no director or officer of the registrant shall be personally liable to the registrant or its stockholders for damages for breach of fiduciary duty as a director or officer, except for (a) acts or omissions which include intentional misconduct, fraud or a knowing violation of law, or (b) the payment of dividends in violation of Nevada Revised Statutes Section 78.300.

Nevada Revised Statutes Section 78.138, however, currently provides that a director or officer will not be individually liable unless it is proven that (i) the director's or officer's acts or omissions constituted a breach of his or her fiduciary duties, and (ii) such breach involved intentional misconduct, fraud or a knowing violation of the law. To the extent the Restated Articles of Incorporation would be deemed to be inconsistent with Section 78.138, the provisions of such statute should control.

Article X, Section 10.2 of the registrant's Restated Bylaws provides for mandatory indemnification of directors and officers to the fullest extent now or hereafter permitted by law.

The registrant maintains liability insurance under which officers and directors are generally indemnified against losses and liability (including costs, expenses, settlements, and judgments) incurred by them in such capacities, individually or otherwise, other than specified excluded losses. The insurance policy will pay on behalf of the registrant all covered losses for which the registrant grants indemnification of each officer or director as permitted by law which the officer or director becomes legally obligated to pay on account of an indemnifiable claim. The policy generally covers liabilities arising under the federal securities laws, other than specified exclusions such as any payment for a loss arising out of a deliberate criminal or deliberate fraudulent act by the insured.

Item 16. Exhibits And Financial Statement Schedules.

(a) *Exhibits*

- 4.1 Indenture dated as of March 21, 2003 by and among the Registrant and The Bank of New York, with respect to \$400 million aggregate principal amount of Floating Rate Convertible Senior Debentures due 2033 (incorporated by reference to Exhibit 4.44 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003)
- 4.2 First Supplemental Indenture dated as of July 26, 2004 (incorporated by reference to Exhibit 4 to the Registrant's Current Report on Form 8-K dated July 26, 2004)
- 4.3 Registration Rights Agreement dated as of March 21, 2003 by and among the Registrant and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Banc of America Securities LLC (incorporated by reference to Exhibit 4.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003)
- 4.4 Form of Floating Rate Convertible Senior Debentures due 2033 (included in Exhibit 4.1)
- 5.1* Opinion of Wolf, Block, Schorr and Solis-Cohen LLP, Philadelphia, Pennsylvania
- 5.2* Opinion of Schreck Brignone, Las Vegas, Nevada
- 8.1* Opinion of Wolf, Block, Schorr and Solis-Cohen LLP, as to certain tax matters
- 12 Statement regarding Computation of Ratio of Earnings to Fixed Charges
- 23.1 Consent of Wolf, Block, Schorr and Solis-Cohen LLP (included as part of Exhibit 5.1)
- 23.2 Consent of Schreck Brignone (included as part of Exhibit 5.2)
- 23.3 Consent of Deloitte & Touche LLP related to the Registrant's Consolidated Financial Statements
- 23.4 Consent of Deloitte & Touche LLP related to the financial statements of Victoria Partners
- 23.5 Consent of Deloitte & Touche LLP related to the financial statements of Elgin Riverboat Resort Riverboat Casino
- 23.6 Consent of PricewaterhouseCoopers LLP related to the financial statements of Elgin Riverboat Resort Riverboat Casino
- 24* Power of Attorney (included on Page II-4 of this Registration Statement as originally filed)
- 25* Statement of Eligibility and Qualification on Form T-1 of The Bank of New York, as trustee of the Floating Rate Convertible Senior Debentures due 2033 of the Registrant

*

This exhibit has been previously filed with this registration statement.

In accordance with Regulation S-K 601(b)(4)(iii)(A), the registrant agrees to file applicable agreements with the Securities and Exchange Commission upon request.

(b)

Financial Statements and Schedules
None.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

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(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the "Securities Act");

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(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) of the Securities Act if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Las Vegas, State of Nevada, on August 2, 2004.

MANDALAY RESORT GROUP

By: /s/ MICHAEL S. ENSIGN

Michael S. Ensign,
Chairman of the Board

Pursuant to the requirements of the Securities Act of 1933, this amendment has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title(s)	Date
<u> /s/ MICHAEL S. ENSIGN </u> Michael S. Ensign	Chairman of the Board, Chief Executive Officer and Chief Operating Officer (Principal Executive Officer)	August 2, 2004
<u> /s/ WILLIAM A. RICHARDSON </u> William A. Richardson	Vice Chairman of the Board	August 2, 2004
<u> /s/ GLENN W. SCHAEFFER </u> Glenn W. Schaeffer	President, Chief Financial Officer and Director (Principal Financial Officer)	August 2, 2004
<u> /s/ LES MARTIN </u> Les Martin	Vice President, Chief Accounting Officer and Treasurer (Principal Accounting Officer)	August 2, 2004
<u> * </u> William E. Bannen	Director	August 2, 2004
<u> Jeffrey D. Benjamin </u>	Director	August , 2004

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* Director August 2, 2004

Michael D. McKee

* Director August 2, 2004

Rose McKinney-James

* Director August 2, 2004

Donna B. More

* Director August 2, 2004

Harold J. Phillips

*By: /s/ MICHAEL S. ENSIGN

Michael S. Ensign
Attorney-in-Fact

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INDEX TO EXHIBITS

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23.6	Consent of PricewaterhouseCoopers LLP related to the financial statements of Elgin Riverboat Resort Riverboat Casino
24*	Power of Attorney (included on Page II-4 of this Registration Statement as originally filed)
25*	Statement of Eligibility and Qualification on Form T-1 of The Bank of New York, as trustee of the Floating Rate Convertible Senior Debentures due 2033 of the Registrant

*

This exhibit has been previously filed with this registration statement.

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