

ALKAME HOLDINGS, INC.  
Form 10-Q/A  
November 24, 2014

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q/A**

**Amendment No. 1**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2014**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

Commission File Number: **000-55267**

**Alkame Holdings, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation organization)

**98-0661455**

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

**3651 Lindell Road, Suite D #356, Las Vegas, NV 89103**

(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: **702-273-9714**

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 74,045,606 as November 17, 2014

**Explanatory Note**

This Amendment No. 1 on Form 10-Q/A amends our Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed with the U.S. Securities and Exchange Commission on November 20, 2014, and includes exhibits missing in the original filing, the Interactive Data files (XBRL files) and corrects minor typographical errors.

No Other changes have been made to the Form 10-Q. This Amendment does not reflect events occurring after the filing of the Form 10-Q, does not update disclosures contained in the Form 10-Q, and does not modify or amend the Form 10-Q except as specifically described in this explanatory note. Accordingly, this Amendment should be read in conjunction with our Form 10-Q and our other filings made with the SEC subsequent to the filing of the Form 10-Q, including any amendments to those filings.



**ALKAME HOLDINGS, INC.**

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**PART 1 - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

*Forward Looking Statements*

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or “continue” or the negative of these terms or comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, any of which may cause our company’s or our industry’s 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 these forward-looking statements. These risks include, by way of example and not in limitation:

- the uncertainty that we will not be able to successfully execute our business plan;
- risks related to the large number of established and well-financed entities that are actively seeking suitable business opportunities;
- risks related to the failure to successfully manage or achieve growth of a new business opportunity; and
- other risks and uncertainties related to our business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements.

Forward looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited condensed consolidated financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2014 are not necessarily indicative of the results that can be expected for the full year.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to “common stock” refer to the common shares in our capital stock.

As used in this quarterly report, the terms “we”, “us”, “our”, “our company” and “Alkame” mean Alkame Holdings, Inc., unless otherwise stated.

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## ALKAME HOLDINGS, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (Unaudited)	December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash	\$ 161,709	\$ 128,258
Accounts receivable (net of bad debt reserve of \$3,000 and \$0, respectively)	67,132	331
Prepaid expenses - current	422,500	624,500
Inventory	59,662	45,598
Deposits	—	15,032
Total current assets	711,003	813,719
Fixed and intangible assets:		
Manufacturing equipment, net	6,899	—
Intangible assets, net	5,220	7,352
Fixed and intangible assets, net	12,119	7,352
Other assets:		
Deferred finance costs	650,493	47,084
Investment in Xtreme Technologies, Inc.	50,000	—
Prepaid expenses - long term	—	260,000
Total other assets	700,493	307,084
 Total assets	 \$ 1,423,615	 \$ 1,128,156
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 291,474	\$ 62,702
Accrued interest	101,116	36,347
Loans from officer	3,489	3,489
Notes payable	796,490	53,490
Convertible debentures (net of debt discount of \$223,612 and \$0, respectively)	40,638	—
Derivative instrument liability	973,667	—
Total current liabilities	2,206,875	156,028
Other liabilities:		
Convertible debentures (net of debt discount of \$76,293 and \$0, respectively)	6,207	—
Notes payable - long term	100,000	750,000
Total liabilities	2,313,081	906,028
Stockholders' equity (deficit)		
Preferred stock - \$.001 par value, authorized - 20,000,000 shares;	—	—
	12,000	12,000

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Series A Convertible Preferred stock - \$.001 par value, 12,000,000 designated; issued and outstanding - 12,000,000 and 12,000,000 shares, respectively

Series B Convertible Preferred stock - \$.001 par value, 70,000,000 designated; issued and outstanding 65,210,834 and 0, respectively

Series C Convertible Preferred stock - \$.001 par value, 10,000,000 designated; issued and outstanding 0 shares

Common stock - \$.001 par value, authorized - 900,000,000 shares; issued and outstanding - 74,045,606 and 135,089,766 shares, respectively (1)

Additional paid-in capital

Accumulated deficit

Total stockholders' equity (deficit)

65,211 —

— —

74,046 135,090

6,143,196 5,548,405

(7,183,920) (5,473,367)

(889,467 ) 222,128

Total liabilities and stockholders' equity (deficit)

\$1,423,615 \$1,128,156

(1) Adjusted for 1:3 reverse split on January 8, 2014

See accompanying notes to the unaudited condensed consolidated financial statements

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## ALKAME HOLDINGS, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenues	\$6,665	\$17,274	\$105,676	\$17,274
Cost of goods sold	33,717	73,529	129,340	73,529
Gross loss	(27,052 )	(56,255 )	(23,664 )	(56,255 )
Operating expenses:				
Selling expenses	242,935	136,793	642,800	234,647
General and administrative	110,359	63,390	261,129	3,563,364
Depreciation and amortization	711	425	2,133	425
Total operating expenses	354,005	200,608	906,062	3,798,436
Loss from operations	(381,057 )	(256,863 )	(929,726 )	(3,854,691 )
Other expenses:				
Amortization of deferred financing costs	18,549	—	34,799	—
Interest expense	1,032,993	8,104	1,073,546	17,578
Amortization of debt discounts	46,845	—	46,845	—
Gain on change in fair value of derivative liability	(374,363 )	—	(374,363 )	—
Total other expenses	724,024	8,104	780,826	17,578
Net loss applicable to common stock holders	\$(1,105,081 )	\$(264,967 )	\$(1,710,552 )	\$(3,872,269 )
Per share data				
Net Loss per share - basic and diluted	\$(0.01 )	\$(0.00 )	\$(0.02 )	\$(0.03 )
Weighted average number of shares outstanding- basic and diluted	70,558,287	148,247,462	76,557,282	147,983,281

See accompanying notes to the unaudited condensed consolidated financial statements



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## ALKAME HOLDINGS, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the nine months ended	
	September 30, 2014	September 30, 2013
Cash flows from operating activities:		
Net loss	\$(1,710,552)	\$(3,872,269)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,401	425
Common stock issued for services	—	3,305,550
Expenses paid on behalf of company	—	63,000
Amortization of debt discount	46,845	—
Gain on change in fair value of derivative liability	(374,363 )	—
Amortization of prepaid assets	472,000	85,354
Amortization of deferred financing costs	34,799	—
Bad debts	3,000	—
Non-cash interest expense	1,001,280	—
Changes in operating asset and liabilities:		
Accounts receivable	(69,801 )	(16,013 )
Deposits	15,032	—
Inventory	(14,064 )	(46,089 )
Prepaid expenses	(10,000 )	(7,500 )
Accrued interest	64,769	17,597
Accounts payable and accrued expenses	228,773	213
Total adjustments	1,400,671	3,402,537
Net cash used in operating activities	(309,881 )	(469,732 )
Cash flows from investing activities:		
Nonrefundable deposit for acquisition of production facility	(50,000 )	—
Purchase of equipment	(7,168 )	(5,000 )
Net cash used in investing activities	(57,168 )	(5,000 )
Cash flows from financing activities:		
Proceeds from related parties	—	7,985
Payments to related parties	—	(21,658 )
Proceeds from notes payable	100,000	760,000
Payments of notes payable	(7,000 )	(22,510 )
Proceeds from convertible notes	346,750	—
Payments of financing costs	(39,250 )	—
Net cash provided by financing activities	400,500	723,817
Net increase in cash	33,451	249,085
Cash at beginning of period	128,258	145

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Cash at end of period	\$ 161,709	\$ 249,230
Supplemental Schedule of Cash Flow Information:		
Cash paid for interest	\$—	\$—
Cash paid for income taxes	\$—	\$—
Supplemental Schedules of Noncash Investing and Financing Activities:		
Common shares converted to Series A Convertible Preferred shares	\$—	\$ 250,000
Common stock issued for license agreement	\$—	\$ 3,538
Common stock issued for prepaid services	\$—	\$ 1,133,000
Recapitalization	\$—	\$ 7,000
Conversion of common stock into Series B convertible preferred stock	\$ 65,211	\$—
Derivative liability on convertible notes at inception	\$ 1,348,030	\$—
Common stock issued for deferred financing cost	\$ 625,000	\$—
Amortization of equity deferred financing cost to additional paid-in capital	\$ 26,042	\$—

See accompanying notes to the unaudited condensed consolidated financial statements

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**Alkame Holding, Inc. and Subsidiary**

**Notes to the Unaudited Condensed Consolidated Financial Statements**

**For the nine months ended September 30, 2014 and 2013**

**1. Organization and Nature of Operations**

Alkame Holdings, Inc. (fka Pinnacle Enterprise Inc.) (the "Company", "we", "us" or "our") was incorporated under the laws of the State of Nevada on April 19, 2010. The Company is in the business of distributing bottled/canned alkaline, antioxidant and oxygenated water.

On June 24, 2013, the Company entered into a share exchange agreement with Alkame Water, Inc. ("Alkame") and the shareholders of all of the issued and outstanding shares of Alkame. On June 25, 2013, the Company acquired 100% of the members' shares of Alkame, a Company incorporated in the state of Nevada on March 1, 2012, in exchange for 150,000,000 common shares, comprised of 116,666,667 common shares privately transacted from the President of Company and the issuance of 33,333,333 common shares to shareholders of Alkame. Effectively, Alkame held 71% of the issued and outstanding common shares of the Company and the transaction has been accounted for as a reverse merger, where Alkame is deemed to be the acquirer and or the surviving entity for accounting purposes.

As part of the acquisition transaction, all assets and liabilities of Alkame Holdings, Inc. at the date of acquisition were assumed by the former management.

The transaction is accounted for using the purchase method of accounting. As a result of the recapitalization and change in control, Alkame is the acquiring entity in accordance with ASC 805, Business Combinations. Accordingly, the historical financial statements are those of Alkame, the accounting acquirer, immediately following the consummation of the reverse merger.

The Company ceased to be a Development Stage Company during the year ended December 31, 2013.

As a result of the exchange transaction, our board of directors decided to change our fiscal yearend from January 31 to December 31.

**2. Going Concern**

These accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which implies that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended September 30, 2014, the Company has recognized only \$105,676 in revenue and as of September 30, 2014 had an accumulated deficit of \$7,183,920. The continuation of the Company as a going concern is dependent upon the continued financial support from its management, and its ability to identify future investment opportunities and obtain the necessary debt or equity financing, and generating profitable operations from the Company's future operations. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These accompanying unaudited condensed consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**3. Basis of Presentation**

These unaudited interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) for financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for any interim period or an entire year. The Company applies the same accounting policies and methods in its interim financial statements as those in the most recent audited annual financial statements. The financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2013 included in the Company’s filing on Form 10-K.

The financial statements of the Company have been prepared in accordance with US GAAP and are expressed in U.S. dollars. All inter-company accounts and transactions have been eliminated. The Company’s fiscal year end is December 31.

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**4. Summary of Significant Accounting Policies**

**a) Use of Estimates**

The preparation of unaudited condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

**b) Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash includes demand deposits, saving accounts and money market accounts. The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.