

ALKAME HOLDINGS, INC.

Form 10-Q

December 15, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2015**

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: **333-175044**

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)

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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 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: 190,985,547 as December 10, 2015.

Table of Contents

ALKAME HOLDINGS, INC.

INDEX

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1. <u>Financial Statements</u>	
<u>Condensed consolidated balance sheets as of March 31, 2015 (unaudited) and December 31, 2014</u>	4
<u>Condensed consolidated statements of operations for the three months ended March 31, 2015 and 2014 (unaudited)</u>	5
<u>Condensed consolidated statements of cash flows for the three months ended March 31, 2015 and 2014 (unaudited)</u>	6
<u>Notes to condensed consolidated financial statements (unaudited)</u>	7-28
ITEM 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	29-33
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	33
ITEM 4. <u>Controls and Procedures</u>	34
PART II. OTHER INFORMATION	
ITEM 1. <u>Legal Proceedings</u>	35
ITEM 1A. <u>Risk Factors</u>	35
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
ITEM 3. <u>Defaults Upon Senior Securities</u>	36
ITEM 4. <u>Mine Safety Disclosures</u>	36
ITEM 5. <u>Other Information</u>	36
ITEM 6. <u>Exhibits</u>	36
SIGNATURES	37

Table of Contents

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 March 31, 2015, 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.

Table of Contents

ALKAME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash	\$ 141,552	\$ 172,730
Accounts receivable (net of reserve for bad debts of \$25,000 and \$23,000, respectively)	210,308	82,510
Pre-acquisition loans to Xtreme due from former shareholders	7,357	—
Accounts receivable other	19,085	—
Prepaid expenses - current	185,000	260,000
Inventory	156,005	70,243
Total current assets	719,307	585,483
Fixed and intangible assets:		
Manufacturing equipment, net	133,915	11,149
Software	16,496	17,995
Intangible assets, net	1,369,271	4,509
Goodwill	658,187	—
Total fixed and intangible assets, net	2,177,869	33,653
Other assets:		
Deferred finance costs	40,253	63,375
Investments	13,500	68,400
Total other assets	53,753	131,775
Total assets	\$2,950,929	\$750,911
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 575,311	\$ 304,530
Accrued interest	168,212	146,046
Accrued compensation	340,500	240,000
Loans from officer	26,456	3,489
Notes payable	893,010	762,000
Note due Xtreme Shareholders	370,000	—
Convertible debentures (net of debt discount of \$356,583 and \$280,288, respectively)	185,931	168,961
Derivative instrument liability	1,189,968	1,018,782
Series C Convertible Preferred stock to be issued	1,425,000	—
Total current liabilities	5,174,388	2,643,808
Long-term liabilities:		
Notes payable - long term	—	131,490
Convertible debt - long term (net of debt discount of \$108,574 and \$132,254, respectively)	18,648	22,968

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Total long-term liabilities	18,648	154,458
Total liabilities	5,193,036	2,798,266
Commitments and contingencies	—	—
Stockholders' deficit		
Preferred stock - \$0.001 par value, authorized - 20,000,000 shares; Series A Convertible Preferred stock - \$0.001 par value, 12,000,000 shares designated; issued and outstanding - 12,000,000 and 12,000,000 shares, respectively	12,000	12,000
Series B Preferred stock - \$0.001 par value, 70,000,000 shares designated; issued and outstanding 65,398,334 and 65,398,334 shares, respectively	65,398	65,398
Common stock - \$0.001 par value, authorized - 900,000,000 shares; issued and outstanding - 137,984,394 and 74,045,606 shares, respectively	137,985	74,046
Common stock to be issued	13,500	13,500
Additional paid-in capital	6,758,518	6,259,050
Accumulated deficit	(9,229,508)	(8,471,350)
Total stockholders' deficit	(2,242,107)	(2,047,355)
Total liabilities and stockholders' deficit	\$2,950,929	\$750,911

See accompanying notes to the unaudited condensed consolidated financial statements

Table of Contents

ALKAME HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the three months ended	
	March 31, 2015	March 31, 2014
Revenues	\$294,006	\$29,191
Cost of goods sold	224,653	31,885
Gross profit (loss)	69,352	(2,694)
Operating expenses:		
Selling expenses	271,752	208,100
General and administrative	311,802	66,002
Depreciation and amortization	36,737	711
Total operating expenses	620,291	274,813
Loss from operations	(550,939)	(277,507)
Other Income / (Expenses):		
Amortization of deferred financing costs	(46,455)	(5,625)
Interest expense	(43,452)	(19,303)
Amortization of beneficial conversion feature	(307,732)	—
Gain on change in fair value of derivative liability	182,646	—
Gain on settlement of debt	7,774	—
Total other expenses	(207,219)	(24,928)
Net loss	\$(758,158)	\$(302,435)
Per share data		
Net Loss per share - basic and diluted	\$(0.01)	\$(0.00)
Weighted average number of shares outstanding- basic and diluted	91,788,355	89,442,170

See accompanying notes to the unaudited condensed consolidated financial statements

Table of Contents

ALKAME HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the three months ended	
	March 31, 2015	March 31, 2014
Cash flows from operating activities:		
Net loss	\$(758,158)	\$(302,435)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debts	2,000	—
Depreciation and amortization	42,059	800
Amortization of debt discount	307,732	—
Gain on change in fair value of derivative liability	(182,646)	—
Amortization of prepaid assets	75,000	159,500
Amortization of deferred financing costs	46,455	5,625
Changes in operating asset and liability account balances:		
Accounts receivable	(74,500)	(24,477)
Accounts receivable - other	(28,596)	—
Pre-acquisition loans to Xtreme due from former shareholders	(7,357)	—
Deposits	—	385
Inventory	(10,582)	17,178
Accrued interest	41,186	19,306
Accounts payable and accrued expenses	231,162	16,605
Total adjustments	441,913	194,922
Net cash used in operating activities	(316,245)	(107,513)
Cash flows from investing activities		
Payment of purchase consideration to Xtreme Technologies, Inc.	(45,100)	—
Cash acquired from Xtreme Technologies, Inc.	13,287	—
Purchase of equipment	(36,657)	(7,168)
Net cash used in investing activities	(68,470)	(7,168)
Cash flows from financing activities:		
Proceeds from officer loans	22,967	—
Proceeds of financing costs	(22,783)	(10,000)
Proceeds from notes payable	353,833	100,000
Payments of notes payable	(480)	(3,000)
Net cash provided by financing activities	353,537	87,000
Net decrease in cash	(31,178)	(27,681)
Cash at beginning of period	172,730	128,258
Cash at end of period	\$141,552	\$100,577

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Supplemental Schedule of Cash Flow Information:

Cash paid for interest	\$1,520	\$—
Cash paid for income taxes	\$—	\$—

Supplemental Schedules of Noncash Investing and Financing Activities:

Conversion of notes payable and accrued interest into c