

ALKAME HOLDINGS, INC.
Form 10-Q
May 21, 2014

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, 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: **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)

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

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 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: 69,878,939 as of May 15, 2014.

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, 2014 (unaudited) and December 31, 2013</u>	3
<u>Condensed consolidated statements of operations for the three months ended March 31, 2014 and 2013 (unaudited)</u>	4
<u>Condensed consolidated statements of cash flows for the three months ended March 31, 2014 and 2013 (unaudited)</u>	5
<u>Notes to condensed consolidated financial statements (unaudited)</u>	7-12
ITEM 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	13-18
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	18
ITEM 4. <u>Controls and Procedures</u>	18-19
PART II OTHER INFORMATION	
ITEM 1. <u>Legal Proceedings</u>	19
ITEM 1A. <u>Risk Factors</u>	19
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
ITEM 3. <u>Defaults Upon Senior Securities</u>	18
ITEM 4. <u>Mine Safety Disclosures</u>	18
ITEM 5. <u>Other Information</u>	18
ITEM 6. <u>Exhibits</u>	18
<u>Signatures</u>	

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 and 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, 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.

Table of Contents**ALKAME HOLDINGS, INC. AND SUBSIDIARY****CONDENSED Consolidated Balance Sheets**

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash	\$ 100,577	\$ 128,258
Accounts receivable	24,808	331
Prepaid expenses - current	562,500	624,500
Inventory	28,420	45,598
Deposits	14,647	15,032
Total current assets	730,952	813,719
Fixed and intangible assets:		
Manufacturing equipment, net	7,078	—
Intangible assets, net	6,642	7,352
Fixed and intangible assets, net	13,720	7,352
Other assets:		
Deferred finance costs	51,459	47,084
Prepaid expenses - long term	162,500	260,000
Total other assets	213,959	307,084
Total assets	\$958,630	\$1,128,156
LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$79,306	\$62,702
Accrued interest	55,653	36,347
Loans from officer	3,489	3,489
Notes payable	550,490	53,490
Total current liabilities	688,938	156,028
Other liabilities:		
Notes payable - long term	350,000	750,000
Total liabilities	1,038,938	906,028
Stockholders' (deficit) equity		
Preferred stock - \$.001 par value, authorized - 20,000,000 shares;		
Series A Convertible Preferred stock - \$.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 Convertible Preferred stock - \$.001 par value, 70,000,000 shares designated; issued and outstanding 65,210,834 and 0 shares respectively	65,211	—
Series C Convertible Preferred stock - \$.001 par value, 10,000,000 shares designated; issued and outstanding 0 shares	—	—
Common stock - \$.001 par value, authorized - 900,000,000 shares; issued and outstanding - 69,878,939 and 135,089,766 shares, respectively	69,880	135,090

Edgar Filing: ALKAME HOLDINGS, INC. - Form 10-Q

Additional paid-in capital	5,548,405	5,548,405
Accumulated deficit	(5,775,803)	(5,473,367)
Total stockholders' (deficit) equity	(80,308)	222,128
Total liabilities and stockholders' (deficit) equity	\$958,630	\$1,128,156

See accompanying notes to the unaudited condensed consolidated financial statements

F-1

Table of Contents**ALKAME HOLDINGS, INC. AND SUBSIDIARY****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the three months ended	
	March 31, 2014	March 31, 2013
Revenues	\$29,191	\$—
Cost of goods sold	31,886	—
Gross profit	(2,694)	—
Operating expenses:		
Selling expenses	208,100	73,618
General and administrative	66,002	172
Depreciation and amortization	711	—
Total operating expenses	274,813	73,790
Loss from operations	(277,507)	(73,790)
Other expenses:		
Amortization of deferred financing costs	5,625	—
Interest expense	19,303	—
Total other expenses	24,928	—
Net loss applicable to common stock holders	\$(302,435)	\$(73,790)
Per share data		
Net Loss per share - basic and diluted	\$(0.00)	\$(0.00)
Weighted average number of shares outstanding- basic and diluted	89,442,170	210,000,000

See accompanying notes to the consolidated financial statements

Table of Contents**ALKAME HOLDINGS, INC. AND SUBSIDIARY****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the three months ended	
	March 31, 2014	March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(302,435)	(73,790)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of prepaid assets	159,500	
Amortization of deferred financing costs	5,625	—
Depreciation and amortization	800	—
Changes in assets and liabilities:		
Accounts receivable – trade	(24,477)	—
Deposits	385	
Inventory	17,178	—
Accrued interest	19,306	
Accounts payable and accrued expenses	16,605	5,694
NET CASH USED IN OPERATING ACTIVITIES	(107,514)	(68,096)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(7,168)	—
NET CASH USED IN INVESTING ACTIVITIES	(7,168)	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on financing costs	(10,000)	—
Proceeds from related parties	—	6,248
Proceeds from notes payable	100,000	63,000
Payments of notes payable	(3,000)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	87,000	69,248
NET INCREASE (DECREASE) IN CASH	(27,681)	1,152
CASH - BEGINNING OF PERIOD	128,258	145
CASH - END OF PERIOD	\$100,577	\$1,297
Supplemental Schedule of Cash Flow Information:		
Cash paid for interest	\$—	\$—
Cash paid for income taxes	\$—	\$—
Supplemental Schedules of Noncash Investing and Financing Activities:		
Conversion of common stock into Series B convertible preferred stock	\$65,211	\$—

See accompanying notes to unaudited condensed consolidated financial statements

F-3

Table of Contents

Alkame Holdings, Inc. and Subsidiary

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended March 31, 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 manufacturing bottled/canned alkaline, antioxidant and oxygenated water.

On June 24, 2013, the Company entered into a share exchange agreement with 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 Water, Inc. ("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 year end 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. As of March 31, 2014, the Company has recognized only \$29,191 in revenue and an accumulated deficit of \$5,775,803. 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 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 months ended March 31, 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 accounting principles generally accepted in the United States ("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.

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.

F-4

Table of Contents**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.

c) Basic and Diluted Net Loss per Share

The Company computes net loss per share in accordance with ASC 260, Earnings per Share. ASC 260 requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive. Such securities, shown below, presented on a common share equivalent basis and outstanding as of March 31, 2014 and 2013 have been excluded from the per share computations:

	As of March 31, 2014	As of March 31, 2013
Series A Convertible Preferred Stock	600,000,000	—
Series B Convertible Preferred Stock	65,210,834	—

d) Financial Instruments

Pursuant to ASC 820, Fair Value Measurements and Disclosures, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts payable and accrued liabilities and amounts due to related parties. Pursuant to ASC 820, the fair value of our cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

e) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted ASC 740 "Accounting for Income Taxes" as of its inception. Pursuant to ASC 740, the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in this financial statement because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

f) Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

g) Revenue Recognition

The Company will recognize revenue in accordance with ASC-605, "Revenue Recognition," which requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or title has passed; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts.

Revenues are recognized upon shipment, provided that a signed purchase order has been received, the price is fixed, title has transferred, collection of resulting receivables is reasonably assured, and there are no remaining significant obligations. Reserves for sales returns and allowances, including allowances for so called "ship and debit" transactions, are recorded at the time of shipment, based on historical levels of returns and discounts, current economic trends and changes in customer demand. Certain Internet generated transactions that are prepaid at time of order, are recognized at the time the merchandise ships from the warehouse to the customer.

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company will defer any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

Table of Contents

5. Reverse Acquisition

On June 25, 2013, the Company acquired 100% of the members' shares of Alkame Water ("Alkame"), a company incorporated in the state of Nevada on March 1, 2012, in exchange for 450,000,000 common shares, comprised of 350,000,000 common shares privately transacted from the President of Company and the issuance of 100,000,000 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 acquisition, where Alkame is deemed to be the acquirer for accounting purposes.

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

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

6. Notes Payable

Current:

The Company owed \$50,490 and \$53,490 at March 31, 2014 and March 31, 2013 respectively to a stockholder and former director.

During the year ended December 31, 2013, the Company had \$63,000 in expenses paid on its behalf by this shareholder and former director which was recorded as a Note. On August 1, 2013, the Company and Note Holder amended the Note by mutual agreement increasing the principal amount by an additional \$10,000 for other services rendered by the former director. The Note is unsecured, and only begins accruing interest beginning August 1, 2014 at 5% per annum on the unpaid principal thereafter.

During the three months ended March 31, 2014 and 2013, the Company repaid \$3,000 and \$6,248 of the Note respectively.

Long-term:

On March 29, 2013, the Company entered into a two year promissory note agreement for \$500,000. On April 8, 2013, the Company received \$200,000 and on May 1, 2013, the Company received \$300,000. On September 27, 2013, the note agreement was amended to include an additional advance to the Company of \$250,000. Pursuant to the agreement, the loan is secured with a general security agreement, bears interest at 10% per annum, and \$500,000 is due on March 30, 2015 and \$250,000 is due on September 27, 2015. As at March 31, 2014 and December 31, 2013, the Company has accrued interest of \$55,563 and \$36,347, respectively. The original note, and the amendment, each mature two years from date of issuance or amendment.

On March 11, 2014, the Company entered into an additional two year promissory note agreement for an additional \$100,000 from the same investor group, on the same terms as outlined above.

As of March 31, 2014, the Company reclassified \$500,000 of this note payable to current liability.

The Company paid 10% of proceeds from \$750,000 long-term notes payable as financing cost of \$75,000 to a consultant. The Company will amortize this cost over the term of the long-term note payable.

The Company paid 10% of proceeds from the \$100,000 long-term notes payable as financing cost of \$10,000 to a consultant. The Company will amortize this cost over the term of the long-term note payable.

During the three months ended March 31, 2014, the Company charged to operations \$5,625 as amortization of deferred financing costs. As of March 31, 2014 and December 31, 2013, remaining balance in deferred financing cost of \$51,459 and \$47,084, respectively is presented as part of other assets.

7. Related Party Transactions

During the three months ended March 31, 2014 and 2013, the Company received \$0 and \$7,905 respectively in cash loans, and made cash payments on these amounts owing totaling \$1,657 and \$0 during the same periods.

As of March 31, 2014 and December 31, 2013, the Company owed \$3,489, to its President. The amounts owing are unsecured, non-interest bearing and due on demand.

Table of Contents

8. Stockholders' Deficit

Where applicable, all common share numbers have been restated to retroactively reflect, the 1:3 reverse split affected by the Company on January 8, 2014.

a) Authorized

Authorized capital stock consists of:

· 900,000,000 common shares with a par value of \$0.001 per share; and

· 100,000,000 preferred shares with a par value of \$0.001 per share;

• The Company has designated 12,000,000 shares as Series A Convertible Preferred Series Stock. Each share of Series A Preferred Stock is convertible into five (5) share of Common Stock.

• The Company has designated 70,000,000 shares as Series B Convertible Preferred Series Stock. Each share of Series B Preferred Stock is convertible into one (1) share of Common Stock.

• The Company has designated 10,000,000 shares as Series C Convertible Preferred Series Stock. Each share of Series C Preferred Stock is convertible into \$1.00 of Common Shares at the market price on the date of conversion.

Increase in authorized shares

On January 24, 2014, we filed a Certificate of Amendment to the Company's Articles of Incorporation (the "Certificate of Amendment") with the Nevada Secretary of State. The Certificate of Amendment amends Article III of the Company's Articles of Incorporation to authorize the issuance of up to one hundred million (100,000,000) shares of Preferred Stock, par value \$0.001 per share, which may be issued in one or more series, with such rights, preferences, privileges and restrictions as shall be fixed by the Company's Board of Directors from time to time. As a result of the Certificate of Amendment, we now have 1,000,000,000 authorized shares, par value \$0.001 per share, consisting of two classes designated as "Common Stock" and "Preferred Stock." The total number of shares of Common Stock that we have authority to issue is nine hundred million (900,000,000) shares and the total number of shares of Preferred Stock that we have authority to issue is one hundred million (100,000,000) shares. Our Board of Directors and a majority of our shareholders approved the Certificate of Amendment.

Series B Convertible Preferred Stock

On January 24, 2014, pursuant to Article III of our Articles of Incorporation, our Board of Directors voted to designate a class of preferred stock entitled Series B Preferred Stock, consisting of up to seventy million (70,000,000) shares, par value \$0.001. Under the Certificate of Designation, holders of Series B Preferred Stock will participate on an equal basis per-share with holders of our common stock and Series A Preferred Stock in any distribution upon winding up, dissolution, or liquidation. Holders of Series B Preferred Stock are entitled to convert each share of Series B Preferred Stock into one (1) share of common stock. Holders of Series B Preferred Stock are also entitled to vote together with the holders of our common stock and Series A Preferred Stock on all matters submitted to shareholders at a rate of one (1) vote for each share held.

The rights of the holders of Series B Preferred Stock are defined in the relevant Certificate of Designation filed with the Nevada Secretary of State on January 24, 2014.

Series C Convertible Preferred Stock

On January 24, 2014, pursuant to Article III of our Articles of Incorporation, our Board of Directors voted to designate a class of preferred stock entitled Series C Preferred Stock, consisting of up to ten million (10,000,000) shares, par value \$0.001. Under the Certificate of Designation, holders of Series C Preferred Stock will be entitled to receive the Stated Value per share (\$1.00) in any distribution upon winding up, dissolution, or liquidation. Holders of Series C Preferred Stock are entitled to convert such number of shares of Common Stock equal to the quotient of the Stated Value per share divided by the closing price of our common stock on the day of conversion. Holders of Series C Preferred Stock are also entitled to vote together with the holders of our common stock, Series A Preferred Stock and Series B Preferred Stock on all matters submitted to shareholders at a rate of one (1) vote for each share held.

The rights of the holders of Series C Preferred Stock are defined in the relevant Certificate of Designation filed with the Nevada Secretary of State on January 24, 2014.

Table of Contents

b) Share Issuances

On January 28, 2014, six stockholders exchanged a total of 65,210,834 common shares for 65,210,834 Series B Convertible Preferred Stock.

As of March 31, 2014 and December 31, 2013, 69,878,939 and 135,089,766 shares of common stock were issued and outstanding, respectively.

9.

Subsequent Events

We have evaluated subsequent events through the date of issuance of the financial statements, and did not have any material recognizable subsequent events, other than the following:

a) On April 21, 2014, the Company entered into a Stock Purchase Definitive Agreement (the “Agreement”) with Xtreme Technologies, Inc., an Idaho corporation (“Xtreme”). In accordance with the terms of the Agreement, the Company will purchase all of the outstanding shares of Xtreme for the purchase price of \$2,000,000.00, payable as follows:

A cash payment of \$50,000 has been previously paid as a non-refundable deposit;

An additional cash payment of \$525,000 shall be paid on or before the Closing Date (defined below), which, along with the initial \$50,000 deposit, shall pay the obligations on Xtreme’s balance sheet;

The balance of \$1,425,000.00 shall be payable by the issuance of shares of the Company’s Series C Preferred Stock with a stated value of \$1.00 per share to be divided pro rata among the Company’s shareholders of record as of the Closing Date. The Series C Preferred Stock shall include an option to convert such shares of Series C Preferred Stock into the Company’s Common Stock at the closing price of the Company’s common stock, as quoted on the OTCQB; and

One of Xtreme’s previous officers and directors holds outstanding options to purchase up to 1,009,000 shares of Xtreme’s common stock at the price of \$0.10 per share. At the Closing Date, pursuant to Idaho law, Xtreme shall notify this previous officer and director of his 30-day right to exercise any or all of his remaining options. If he elects to exercise any of his options within such 30-day period, the Company agrees to issue additional shares of Series C Preferred Stock in exchange for such Xtreme shares.

The Agreement includes customary representations, warranties and covenants of the Company and Xtreme, made to each other as of specific dates.

b) In April 2014, the Company was notified that a note holder disputes the balance of his note as recorded on the books of the Company. The discrepancy arises from a question regarding expenses that the holder claims were paid on behalf of the Company and subsequent payments that the Company recorded as payments against the note. The Company has no record of the expenses claimed to be due, and is in negotiations to settle this matter. The Company has accrued \$28,000 to cover the potential expenses and adjustments to accrued interest if the claim is substantiated.

The Company believes it has properly accounted for all payments made to the individual.

c) In May 2014, the Company received notice that a complaint was filed in District Court, Clark County, NV alleging that the Company and various unnamed defendants are liable to a Mr. Renard Wiggins with regard to commissions and equity purportedly owed Mr. Wiggins, for services allegedly rendered in raising capital on behalf of the Company prior to the reverse merger between Pinnacle Enterprises Inc. (now Alkame Holdings, Inc.) and Alkame Water, Inc. in June 2013. The Company has not fully evaluated the complaint, but after initial review, does not believe there is any validity to the claims of Mr. Wiggins, and intends to vigorously defend against these claims.

F-8

Table of Contents

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements.” These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

Overview

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 manufacturing bottled/canned alkaline, antioxidant and oxygenated water.

On June 24, 2013, the Company entered into a share exchange agreement with 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 Water, Inc. (“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 acquisition, 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.

Table of Contents*Results of Operations***Results of Operations for the three months ended March 31, 2014 and 2013.***Liquidity and Capital Resources**Working Capital*

	March 31, 2014	March 31, 2013	Percentage Increase/ (Decrease)
Current Assets	\$730,952	\$813,719	(10.2 %)
Current Liabilities	\$688,938	\$156,028	341.5 %
Working Capital Surplus	\$42,014	\$657,691	(93.6 %)

Operating Revenues

In the three months ended March 31, 2014, we earned \$29,191 from the sales of our water products, compared with \$0 for the same periods ended March 31, 2013. We expect that over the coming months, our sales and marketing efforts will result in significantly increasing sales.

Cost of Goods Sold

In the three months ended March 31, 2014, we incurred \$31,886 as cost of goods sold, compared with \$0 for the same periods ended March 31, 2013. We expect that over the coming months, our cost of goods sold will increase as a result in significantly increasing sales.

Operating Expenses and Net Loss

Our operating expenses for the three month periods ended March 31, 2014 and 2013 are outlined in the table below:

	Three Months Ended March 31, 2014 2013	
Selling expenses	\$208,100	\$73,618
General and administrative	66,002	172
Depreciation and amortization	711	—
Total	\$274,813	\$73,790

Operating expenses for the three months ended March 31, 2014 were \$274,813 compared with \$73,790 for the three months ended March 31, 2013. The increase in operating expense is attributed to an increase in operating activity compared to the prior year period, including \$189,040 in selling and travel related expenses connected with our sales efforts, and \$15,830 in professional fees for legal, accounting, and audit services required for SEC filing requirements.

In addition to operating expenses, we incurred interest expenses of \$19,303 during the three months ended March 31, 2014 on \$850,000 of notes payable, the majority of which are secured, bear interest at 10% per annum, and \$500,000 is due on March 30, 2015, \$250,000 is due on September 27, 2015 and \$100,000 is due on March 11, 2016.

We incurred a net loss of \$302,435 for the three months ended March 31, 2014, compared with a net loss of \$73,790 for the same period ended 2013.

Table of Contents*Liquidity and Capital Resources*

As at March 31, 2014, our cash balance was \$100,577 compared to \$128,258 as at December 31, 2013. The decrease in cash is attributed to proceeds of \$100,000 from the issuance of notes payable which were used to pay operating expenses, payments to a shareholder of \$3,000 in recorded as notes, with the remaining amounts unspent.

As at March 31, 2014, we had total liabilities of \$1,038,938 compared with total liabilities of \$906,028 as at December 31, 2013 . The increase in total liabilities is attributed to increases in accounts payable and accrued liabilities of \$35,910 due to timing differences between the payment terms of various operating expenditures. We also received proceeds of \$100,000 from the issuance of notes payable during the quarter, and offset by repayments of \$3,000 in notes.

As at March 31, 2014, we had a working capital surplus of \$42,014 compared with a working capital surplus of \$657,691 at December 31, 2013. The decrease in the working capital is attributed to the consumption of various services prepaid by the issuance of restricted stock, a reduction in inventory, and an increase in accrued expenses.

Cash Flows

	Three Months Ended		Percentage
	March 31,	March 31,	Increase /
	2014	2013	(Decrease)
Cash Used in Operating Activities	\$ (107,514)	(68,096)	(59.4 %)
Cash Used in Investing Activities	\$ (7,168)	\$—	— %
Cash Provided by Financing Activities	\$87,000	\$69,248	20.4 %
Net Increase (Decrease) in Cash	\$ (27,681)	\$ 1,152	(2,502.9 %)

Cash flow from Operating Activities

During the three months ended March 31, 2014, we used \$107,514 of cash for operating activities compared to the use of \$68,096 of cash for operating activities during the period ended March 31, 2013. The increase in the use of cash for operating activities was mainly attributed to funding our net loss of \$302,435, offset mainly by \$159,500 for prepaid

assets amortized during the period.

Cash flow from Investing Activities

During the three months ended March 31, 2014, we used \$7,168 in investing activities for the purchase of certain upgrades to our manufacturing equipment utilized by our bottle manufacturer in producing our product, compared with \$0 in investing activities in the prior year.

Cash flow from Financing Activities

During the three months ended March 31, 2014, we received net proceeds of \$87,000 from financing activities compared to \$69,248 during the period ended March 31, 2013. The increase in proceeds from financing activities were attributed to \$100,000 from the issuance of notes payable which are unsecured, bear interest at 10% per annum, less payment of financing cost of \$10,000 and \$3,000 repayment for an outstanding note payable.

Table of Contents

Going Concern

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive acquisitions and activities. For these reasons, our auditors stated in their report on our audited consolidated financial statements that they have substantial doubt that we will be able to continue as a going concern without further financing.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Future Financings

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund our operations and other activities.

Critical Accounting Policies

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other

assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 of the Securities Exchange Act of 1934, our Principal Executive Officer and Principal Financial Officer evaluated our company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. Our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures are not effective at this reasonable assurance level.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Changes in Internal Control over Financial Reporting

During the three months ended March 31 2014, we made several changes that have materially affected our internal control over financial reporting. Specifically, our consulting Chief Financial Advisor implemented further day to day reporting procedures and signoffs to control and manage the ongoing accounting and financial reporting.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In May 2014, the Company received notice that a complaint was filed in District Court, Clark County, NV alleging that the Company and various unnamed defendants are liable to a Mr. Renard Wiggins with regard to commissions and equity purportedly owed Mr. Wiggins, for services allegedly rendered in raising capital on behalf of the Company prior to the reverse merger between Pinnacle Enterprises Inc. (now Alkame Holdings, Inc.) and Alkame Water, Inc. in June 2013. The Company has not fully evaluated the complaint, but after initial review, does not believe there is any validity to the claims of Mr. Wiggins, and intends to vigorously defend against these claims.

Item 1A. Risk Factors.

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 28, 2014, six stockholders exchanged a total of 65,210,834 common shares for 65,210,834 Series B Convertible Preferred Stock.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The investor represented his intention to acquire the securities for investment only and not with a view towards distribution. The investor was given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1*	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1 *	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant Section 906 Certifications under Sarbanes-Oxley Act of 2002</u>

* Filed herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALKAME HOLDINGS, INC.

By: /s/ Robert
Eakle
Robert Eakle
Chief
Executive
Officer,
President,
and Director
(Principal
Executive
Officer and
Principal
Accounting
Officer)

Date: May 21, 2014

