

ALKAME HOLDINGS, INC.
Form 10-K
July 18, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2015**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

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 or organization)

98-0661455

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

3651 Lindell Road

Suite D # 356

Las Vegas, Nevada

(Address of principal executive offices)

89103

(Zip Code)

Registrant's telephone number: **(702) 273-9714**

Securities registered under Section 12(b) of the Exchange Act

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Title of each class **None** Name of each exchange on which registered **not applicable**

Securities registered under Section 12(g) of the Exchange Act:

Title of each class
Common Stock, par value \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by checkmark 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provide pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrants most recently completed second fiscal quarter. **\$1,622,166**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: **5,500,000,000 common shares as of July 17, 2018.**

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PART I

Item 1. Business

Overview

Alkame Holdings, Inc. is a publicly traded health and wellness technology holding company, with a focus on patentable, innovative, and eco-friendly consumer products utilizing a patented unique water treatment technology. The Company's wholly-owned subsidiaries are diligently pursuing multiple applications to utilize its Intellectual Property by focusing our efforts on several emerging business sectors, such as the growing aqua-culture industry, consumer food & beverage products, household pet products, horticulture and agriculture, medical, health & beauty, as well as a number of water based applications to both new and existing business platforms. Our holding company can provide the infrastructure, protective umbrella and transparency of a publicly listed company to acquisition candidates through their incubation and provides the delivery mechanism for these alternative and innovative methods, products, and systems that will lead to healthier lifestyles and result in a more sustainable planet. Our principal executive offices are located at 3651 Lindell Road, Suite D # 356, Las Vegas, Nevada 89103, and our telephone number is (702) 273-9714.

On April 21, 2014, we entered into a Stock Purchase Definitive Agreement (the "Agreement") with Xtreme Technologies, Inc., an Idaho corporation ("Xtreme"). Pursuant to the terms of the Agreement, we agreed to acquire all of the issued and outstanding capital stock of Xtreme in exchange for certain consideration as set forth in the Agreement.

On January 16, 2015, the parties to the Agreement entered into an amendment (the "Amendment") that changed, among other things, the Closing Date of the transaction.

On April 15, 2015, the parties to the Agreement entered into a second amendment (the "Second Amendment") that changed, among other things, the 120-day time period to pay monetary consideration under the Agreement to 240 days after the Closing Date of the transaction.

In accordance with the terms of the Agreement, the Amendment and the Second Amendment, we agreed to purchase all of the outstanding shares of Xtreme for the purchase price of \$2,000,000, payable as follows:

- A cash payment of \$50,000 has been previously paid as a non-refundable deposit;
- The Closing Date is effective as of January 13, 2015;

- An additional cash payment of \$525,000 shall be paid within two hundred and forty (240) days of the Closing Date, which, along with the initial \$50,000 deposit, shall pay the obligations on Xtreme's balance sheet;
- The balance of \$1,425,000 shall be payable by the issuance of shares of the Company's Series C Preferred Stock 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 each share of Series C Preferred Stock into one share of the Company's Common Stock. The Series C Preferred Stock shall be held in escrow along with the issued and outstanding shares of Xtreme's capital stock pending the full payment of \$525,000. As of the date of this report, the balance of \$525,000 has been fully paid to Xtreme; 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 B Preferred Stock in exchange for such Xtreme shares. Xtreme notified the option holder and the 30-day period expired unanswered. The options expired unexercised.

The Amendment also requires that the Company guarantee the obligations on employment agreements for Xtreme's key employees, namely, Keith Fuqua, Timm Ott and Casey Henry. The employment agreements with Messrs. Fuqua, Ott and Henry have the terms set forth in the following table.

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<u>Employee</u>	<u>Position</u>	<u>Term</u>	<u>Compensation</u>	<u>Commission</u>	<u>Benefits</u>	<u>Severance</u>
Keith Fuqua	Operations Director	One year	\$70,000 annually and annual bonus	5% on gross sales made to Walmart	Benefit plans	6 months' severance for termination in certain instances; residual commissions for 1 year
Timm Ott	Sales and Marketing Director and Treasurer	One year	\$2,700 per month salary and annual bonus	\$1.00 per case of product sold	Benefit plans	6 months' severance for termination in certain instances
Casey Henry	Manufacturing Director	One year	\$4,350 per month and annual bonus	\$1.00 per case of product sold	Benefit plans	6 months' severance for termination in certain instances

In addition, after the Closing Date, Xtreme's current officers and directors, namely, Jeffery J. Crandall, John N. Marcheso and Michael J. Bibin, shall continue to serve in that capacity until the \$525,000 is paid in full. Our President and CEO, Robert K. Eakle and two (2) additional representatives of our company shall be appointed as directors of Xtreme and shall serve together with the other directors until the \$525,000 is paid in full. In addition, Mr. Eakle shall be named as President and Chief Executive Officer of Xtreme. Until the \$525,000 is paid in full, the officers and directors of Xtreme shall not make any material change in the company's business and operations without unanimous consent of the directors. By January 2017, the \$525,000 was fully paid and the appointments of Mr. Eakle and the other two representatives as interim officers and directors became permanent. Prior to completion of the payment of \$525,000 in full to Xtreme, all former officers and directors of Xtreme had resigned and full control of Xtreme was be tendered to us. Given that certain representations were accurate, Jeffery J. Crandall, John N. Marcheso and Michael J. Bibin were released by us and Xtreme from any liability as officers and directors of Xtreme for their fiduciary obligations occurring prior to the Closing Date.

We previously held a three-year limited exclusive distribution agreement with Xtreme for the consumer market. We were permitted to distribute the technologically enhanced bottled water in the consumer market in the United States, Canada and Mexico. As a result of the Agreement, Amendment, and Second Amendment, Xtreme became our wholly-owned subsidiary and we acquired the patents on the proprietary process that we believe is the most technologically advanced in water treatment systems for complete hydration. We will now assume the operations of Xtreme and continue its business of distributing technologically enhanced bottled water.

Upon closing of the acquisition, we discovered that Xtreme was operating at a loss for the prior year and that it required a substantial cash infusion. We began a program of upgrading the production line, reorganized personnel, and began an effort to increase sales of the division so that it would return to profitability as quickly as possible. However, as 2015 progressed, it became obvious that changes in contracts negotiated prior to our acquisition were no longer profitable and we terminated the agreements with those customers. In mid-2017, the Company determined that

Xtreme was no longer an asset as an operating company and closed the facility and moved the operations to a new location in the state of Oregon.

Our primary objective now is to introduce, promote, aggressively market and establish channels of distribution to sell a variety of products to a wide range of consumers and business sectors, first in the United States, Canada and Mexico, and then globally. In addition, the Company is moving in the direction of bottling or “co-packing”. To that end, the Company, in 2017 moved to Oregon and started another subsidiary for the production of “hot pack” foods and beverages, and moved its water line to the same location from which it now operates.

We believe that holding the patents will enable us to enhance our position in the investment community, allow us to expand our reach in the distribution of products, and provide us access to other applications the water treatment technology can provide.

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Our Water Product

The public is becoming more aware of the benefits of a “living water”. The mild alkalinity of Alkame is recommended by numerous athletes and doctors because it’s formulated for more effective hydration by supporting an optimal pH balanced water. Alkame water is produced with a patented technology and patented formula that alters the structure of water, producing a combination of unique characteristics.

Today our water is pumped from wells that tap into the Columbia aquifer, the located in the heart of the Willamette Valley in Oregon. Our water is not treated with chlorine, fluorides, or any other harmful contaminants. This source water is then run through up to 14 different filters, reverse osmosis, and UV to remove any particulates and harmful contaminants, rendering a pure, clean, healthier water which can then be used as a base for multiple applications. We believe our water advances beyond other brands once we introduce the technology, which includes manipulation of the pH levels, structure size, ionization, as well as an increased bioavailable oxygen content. This proprietary system creates this unique micro-clustered alkaline water, providing additional benefits.

Alkame Water, our flagship brand and water product, was developed as a vehicle to get the word out about the technology, and that it can be applied across a diverse and wide-ranging spectrum of businesses and water-based applications. Alkame Water started with 3 phases of initial bottled water products and has currently completed 2 of these 3 Phases. 1 was to develop the initial move into the consumer market consisting half liter and one-liter bottles. Phase 2 was the development of new packaging configurations and an increased offering with a full range of sizes to boost the cross marketability, co-branding, and private label options for our products. In phase 2 we rounded out our product lines to now consist of 16.9oz, 20oz, 33.8oz, 50.7oz, 128oz, 135.25oz configurations. Phase 3 has been updated and corrected to reflect the true direction of this unique water brand, how it can be applied to a larger multitude of products and various business sectors. Today we are focused on the development and expansion of its utilization in multiple products through co-packing and private label business, as well as expanding the distribution footprint of the Alkame brand.

The Benefits of the Technology

The Alkame Technology has proven benefits that go way beyond just being “wet”, which is why we trademarked the tagline “The Ultimate Health & Wellness Water”. Our advanced hydration technology is advancing us into other market segments outside of the bottled water consumer markets. Our system will process, clean, and reduce water, lower its TDS (total dissolved solids), increase its pH, provide antioxidant protection, and increase the amount of bio-available oxygen. We believe Alkame is the only product of its kind and stands completely apart from other “waters”.

Alkame Water has an elevated level of dissolved oxygen and lower oxidation reduction potential (ORP) due to passage through an electrolytic cell and has a level of dissolved oxygen additionally elevated due to passage through a sparging unit comprising of 1) dissolved oxygen within the range of 20 to 60 parts per million and 2) an ORP between +100 to -350mV (micro-clustered), and a pH level averaging 8 to 8.5pH (alkaline).

The Alkame Technology helps support an optimum pH balance and reduce the negative impact of acid in the body, provide antioxidant protection from this energy-robbing oxidative damage, and effectively maximize blood oxygen levels with an efficient delivery mechanism to every part of your body allowing for a more complete hydration, especially when that is coupled with electrolyte and other form of enhancements. Maximized blood oxygen levels mean improved metabolic efficiency, which translates into more energy and improved vitality. If you wish to overcome fatigue and boost energy, it is essential that you achieve and maintain optimal hydration. By maximizing your blood oxygen saturation, and an alkaline pH, and antioxidant support, you can improve digestion, metabolic function, immune response, and healing. Supporting an efficient metabolism will help you maintain the level of

energy and vitality desired. When free radicals become too numerous they become very destructive, damaging cells and tissues of muscles and vital organs. If your body's processes are impaired, the first place you start to feel the effects is in your vitality and energy levels. Alkame is a powerful source, which boosts the immune system, improves aerobic capacity, is good for overall health, and enhances energy and overall vitality.

Today, this technology is being applied to multiple companies across a diverse spectrum of applications in the consumer market segment. To continue our cross-marketing efforts, there has been a wide array of products being released into the market by our manufacturing subsidiaries, co-branded with a "Powered by Alkame Technology" icon. This has helped us both further our reach, as well as enable more people to enjoy the benefits of our technology.

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The Market

With the massive influx of new eco-friendly products, consumers are going green, both externally as well as internally. The well-being generation and beyond has become increasingly aware of what they are consuming, and this new technology for water treatment is quite the prized possession for those looking to optimize their health. Our ability to incorporate other elements from electrolytes to supplements including hemp is where we believe we'll see the expansion over the next few years. We expect Alkame to be a significantly improved delivery mechanism due to its micro-clustered structure. The market for these types of products are gaining traction and becoming synonymous with good health and proper hydration, and we intend to be the first household technology name for superior products utilizing this type of water treatment technology.

The market for this technology is expansive since there are so many products and businesses that utilize water and water treatment technology in one form or another. We have driven into the human and household pet sectors, with brands we created, co-branded products, and private label business. The hemp space is huge, and we are one of the top production houses for manufacturing these types of products. We delved into the aquaculture market with a lot of scientific research on the efficacy of this application, which looks very promising. We recently received our aquaculture license from the state of Oregon and are looking to have a small active fish farm to be utilized as a proof of concept to show large format producers for the scalability of the technology and its introduction into the aquaculture sector. We are now exploring medical applications which are also looking very promising.

As of 2017 we began to make some very strategic moves behind the scenes to position ourselves as the wheel house and primary incubator for both new and emerging product and brand development. Our move to Oregon, and the added influx of capabilities and options, are really the driving factor in the success we are seeing now. As the manufacturer, our ability to create brands and products for both ourselves and others really creates an almost limitless amount of opportunities in a multitude of markets and sectors. We are seeing expansion on all fronts because of this strong move towards expanding the production capabilities. Our ability to get hemp-based products through both the state process authorities as well as the FDA makes us a force to be reckoned with in today's markets.

Competition and Feasibility

The Company competes on the basis of product quality and customer service. The Company believes that the products' Alkaline, Antioxidant and Oxygenated features, along with its superior taste, and attractive packaging options are significant factors in maintaining the Company's competitive position. We believe we have a superior product with more features and sell on the benefits and functions, not the price. We believe our ability to incorporate additional supplemental materials using this water as the base can provide a more efficient delivery mechanism, has enabled us to exploit this technology by offering it to others to be utilized in their products. Co-branding with the "Powered by Alkame Technology" enables us to continue to utilize all of these products as vehicles to get the word out about the technology, and not solely on our brand alone. Since we have repositioned ourselves as the production house, the competition dynamic changes dramatically in our favor.

Experiments on the Technology

The technology for alkaline bottled water has undergone separate double-blind placebo, peer backed research. One was with HIV patients and the other was on Exercise Tolerance. The feasibility of the product is clearly evident, and we believe there is no major competition to date.

Based on the study with HIV patients undergoing antiretroviral therapy have concluded that drinking sufficient quantities of Alkame improves important parameters of health in individuals infected with HIV. Drinking Alkame

provides a significant boost to the immune system as shown by an increase in CD4 T cells (which are the primary targets of HIV and are crucial for immune defense against infections) and a decrease in the total virus load of HIV patients.

Based on the Exercise Tolerance study, the amount and the type of water consumed during rehab revealed a difference in the patient's aerobic endurance. We found that drinking one liter of electrolyzed alkaline water is more beneficial than drinking three liters of plain water, which is great news for chronic obstructive pulmonary disease patients with congestive heart failure. In light of our study, Kern Rehab henceforth furnishes one liter of electrolyzed alkaline water for each patient participating in our comprehensive outpatient pulmonary rehab facility. The reason being, 3 liters of plain water per day exhibited 12.4% MET improvement in the exercise and fitness level per 6-minute walk /12-week program, whereas, 1-liter of electrolyzed alkaline water exhibited 17.8% MET improvement.

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Effects of Alkame Water on blood lactate following exercise in a recent double-blind study conducted by Athletic Lab in North Carolina, under the supervision of Mike Young provided scientific evidence that Alkame Water will lower lactic acid accumulation during repetitive sprints/ interval training. Blood lactate was taken before and after the conclusion of the sprints using a Lactate Plus monitor from Nova Biomedical under a standardized warm up and exercise protocol. Results of the T-tests showed that hydrating your workout with Alkame water lowers maximum exercise heart rate and lactic acid accumulation during repetitive sprints/ interval training. Less fatigue, quicker recovery between intervals and less soreness after your workouts means you'll be training hard, longer while staying hydrated.

Outside of the effects on consumers, the company also tested the water treatment technology in aquaculture fish farming by studying its effects on Tilapia specifically. The major advantage of Alkame technology is that it can completely or partially destroy organics in water by converting them into various harmless intermediates and end products. Alkame's advanced system and design ensures that high concentrations of dissolved oxidants are released to the water when circulated across the cells, reducing Nitrites by 50 %. Clarity and solids were also substantially reduced from 4 inches to over 20 inches after oxidation within 48 hours. Tannins and Lignin's from feed leaching were removed with the Alkame process along with organic solids creating clearer and healthier water conditions. These factors could substantially reduce the size and costs of bio-filtration design for intensive recirculation systems. Our studies show that the Alkame Technology aids in the overall health of the water, which in turn creates a healthier environment to raise the fish. The Tilapia benefit by lowering the mortality rate (less than 2% mortality), accelerating growth (1 gram to about 38 to 50 grams in less than 60 days), and by reducing the size and cost to the bottom line of bio-filtration efficiency. Producing a cleaner healthier water for the Tilapia is a game changer for Aquaculture systems, and the industry worldwide.

Sales and Marketing

Originally, our primary focus was on exposing the product and building brand name recognition and technology awareness through Alkame's utilization of celebrity and athletic ambassadors, cross-marketing and co-branding, and via sponsorships of key existing and potential clients (mostly in the health & wellness fields and athletic markets). A special and unique emphasis is placed on action sports to build on its cool factor. Although these techniques did not directly translate into sales and distribution, the utilization of mass media and celebrity endorsement provided our sales teams with the most essential marketing and sales tools and support needed to move product to distributors, as well as drive it through three main channels of on premise, off-premise, and special events.

Advertising, public relations and promotions are the life blood of any company and by far one of our strongest attributes. As we developed new product lines, the icons associated with our new products and brand trademarks was used consistently and accurately to achieve the goal we set. How we visually communicated our product to the world, the market, and our potential clients was an integral part of the success we are seeing now. Consistent usage of style and identity gave the world an impression that can be easily remembered through these various media and materials such as product placement, endorsements, sponsorships, advertorials and editorials, advertisements, marketing collateral, signage, the web, etc. Current trends and new marketing techniques utilizing out of the box thinking, and targeted promotional strategies to increase publicity and public relations awareness has been an essential tool for us, along with the high level of service we use in marketing our products and services to our customers. The combined concentration of expertise and experience of the Alkame team is the key to giving us a real shot at being able to compete with the biggest players in the industry. The other key component, and by far the most invaluable to our success, is our customers. With the rapidly growing awareness of health and longevity, Alkame is a perfect fit.

Governmental Regulation

The Federal Food and Drug Administration (FDA) regulates bottled water as a “food.” Accordingly, our bottled water must meet and we do meet FDA requirements of safety for human consumption, of processing and distribution under sanitary conditions and of production in accordance with the FDA “good manufacturing practices.” To assure the safety of bottled water, the FDA has established quality standards that address the substances that may be present in water which may be harmful to human health as well as substances that affect the smell, color and taste of water. These quality standards also require public notification whenever the microbiological, physical, chemical or radiological quality of bottled water falls below standard. The labels affixed to bottles and other packaging of the water is subject to FDA restrictions on health and nutritional claims for foods under the Fair Packaging and Labeling Act. In addition, all drinking water must meet Environmental Protection Agency standards established under the Safe Drinking Water Act for mineral and chemical concentration and drinking water quality and treatment that are enforced by the FDA.

We are subject to the food labeling regulations required by the Nutritional Labeling and Education Act of 1990. We believe we are in compliance with these regulations.

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We are subject to periodic, unannounced inspections by the FDA. Upon inspection, we must be in compliance with all aspects of the quality standards and good manufacturing practices for bottled water, the Fair Packaging and Labeling Act, and all other applicable regulations that are incorporated in the FDA quality standards. We believe that we meet the current regulations of the FDA. All of our plants and distribution locations are registered with the FDA under the "Public Health Security and Bioterrorism Preparedness and Response Act of 2002". Most recently, the FDA put into effect the Bottled Water Microbial Rule to monitor water sources for E. coli bacteria. We have been in compliance with the testing requirements for this rule prior to and since its inception in December 2009.

We also must meet state regulations in a variety of areas to comply with purity, safety, and labeling standards. From time to time, our facilities and sources are inspected by various state departments and authorities.

Our product labels are subject to state regulation (in addition to federal requirements) in each state where the water products are sold. These regulations set standards for the information that must be provided and the basis on which any therapeutic claims for water may be made.

In recent years, there has been an increasing amount of proposed legislative and executive action in state and local governments that would ban the use of bottled water in municipal buildings, enact local taxes on bottled water, and limit the sale by municipalities of water supplies to private companies for resale. Such regulation could adversely affect our business and financial results. For additional information, see "Risk Factors" below.

The laws that regulate our activities and properties are subject to change. As a result, there can be no assurance that additional or more stringent requirements will not be imposed on our operations in the future. Although we believe that our water supply, products and bottling facilities are in substantial compliance with all applicable governmental regulations, failure to comply with such laws and regulations could have a material adverse effect on our business.

Other Applications

We are exploring other uses of our water so that we can diversify our portfolio of products to include other specialty uses outside of the bottled water and health water markets.

Employees

We currently are working with various independent consultants and sales representatives, with a total infrastructure of approximately 25 people.

Item 1A. Risk Factors

The following are certain identifiable risk factors for our business operations.

Because our auditor has issued a going concern opinion regarding our company, there is an increased risk associated with an investment in our company.

We have earned nominal revenue since our inception, which makes it difficult to evaluate whether we will operate profitably. We have an accumulated deficit of \$12,978,256 and have incurred a net loss of \$4,506,906 for the year ended December 31, 2015. We have not attained profitable operations and are dependent upon obtaining financing or generating revenue from operations to continue operations for the next twelve months. As of December 31, 2015, we

had -\$0- cash on hand, which is insufficient for operations during the next 12 months. Our future is dependent upon our ability to obtain financing or upon future profitable operations. We reserve the right to seek additional funds through private placements of our common stock and/or through debt financing. Our ability to raise additional financing is unknown. We do not have any formal commitments or arrangements for the advancement or loan of funds. For these reasons, our auditors stated in their report that they have substantial doubt we will be able to continue as a going concern. As a result, there is an increased risk that you could lose the entire amount of your investment in our company.

We have substantial indebtedness. The amount of our outstanding indebtedness continues to increase and our ability to make payments towards such indebtedness could have adverse consequences on future operations.

Our outstanding indebtedness at December 31, 2015 was \$3,522,398, which was comprised of a variety of short-term and long-term borrowings; convertible debentures; accounts payable; accrued expenses and interest; and related party loans. The level of indebtedness we have affects our operations in a number of ways. We will need to use a portion of our cash flow to pay principal and interest and meet payables commitments, which will reduce the amount of funds we will have available to finance our operations. This lack of funds could limit our flexibility in planning for or reacting to changes in our business and the industry in which we operate and could limit our ability to make funds available for other purposes, such as inventory purchases, payroll, development or acquisition activities. Our ability to meet our debt service obligations and reduce our total indebtedness will depend upon our future performance. Our future performance, in turn, is dependent upon many factors that are beyond our control such as general economic, financial and business conditions. We cannot guarantee that our future performance will not be adversely affected by such economic conditions and financial, business and other factors.

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Our failure to raise additional capital or generate cash flows necessary to expand our operations could reduce our ability to compete successfully and adversely affect our results of operations.

We may need to raise additional funds to achieve our future strategic objectives, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our security holders may experience significant dilution of their ownership interests and the value of shares of our common stock could decline. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop and enhance our existing products and services;
- continue to expand our operations;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our inability to do any of the foregoing could reduce our ability to compete successfully and adversely affect our results of operations.

Because we have a limited operating history related to our current business strategy, we are subject to the risks of failure associated with any new business ventures.

We have a limited operating history related to our current business strategy on which potential investors can assess our performance and prospects. Potential investors should be aware that there is a substantial risk of failure associated with any new business strategy as a result of problems encountered in connection with their commencement of new operations. These include, but are not limited to, the entry of new competition, unknown or unexpected additional costs, and expenses that may exceed estimates.

Our failure to maintain adequate internal controls over our financial and management systems have caused errors in our financial reporting. These errors may cause a loss of investor confidence and result in a decline in the price of our common stock.

On December 11, 2013, we, in consultation with our independent registered public accounting firm, concluded that our unaudited financial statements for the period ended June 30, 2013, filed in a quarterly report on Form 10-Q with the Securities and Exchange Commission on August 19, 2013 contained material misstatements. The financial statements contained material misstatements pertaining to the accounting treatment with respect to the recording of common shares issued by us.

These misstatements were caused by material weaknesses in our internal controls. A material weakness is a significant deficiency, or a combination of significant deficiencies, in internal control over financial reporting such that it is reasonably possible that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Our public company reporting obligations and our anticipated growth will likely continue to strain our financial and management systems, internal controls and our employees. In addition, pursuant to Section 404 of SOX, and the Jumpstart Our Business Startups Act, or JOBS Act, we are required to provide annually an assessment of the effectiveness of our internal controls over financial reporting and, starting with the year after we are no longer an “emerging growth company” as defined in the JOBS Act, our independent registered public accounting firm will be required to provide an attestation on our assessment of our internal controls over financial reporting.

The process required to comply with Section 404 of SOX is time consuming and costly. If during this process we identify one or more material weaknesses in our internal controls, it is possible that our management may not be able to certify that our internal controls are effective by the certification deadline.

Moreover, if we identify any material weaknesses or significant deficiencies in our internal controls we will have to implement appropriate changes to these controls, which may require specific compliance training for our directors, officers and employees, require the hiring of additional finance, accounting, legal and other personnel, entail substantial costs to modify our existing accounting systems and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Effective internal controls are necessary for us to produce reliable financial reports and are important to prevent fraud. As a result, our failure to satisfy the requirements of Section 404 on a timely basis could result in us being subject to regulatory action and a loss of investor confidence in the reliability of our financial statements, both of which in turn could cause the market value of our common stock to decline.

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Because we have a claimant that believe he is entitled to millions of shares in our company, our shareholders may be subject to significant dilution.

In May 2014, we received notice that a complaint was filed in District Court, Clark County, NV alleging that our 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 our behalf prior to the reverse merger between Pinnacle Enterprises Inc. (now Alkame Holdings, Inc.) and Alkame Water, Inc. in September 2013. After initial review, we have filed for a dismissal of the case with the District Court, do not believe there is any validity to the claims of Mr. Wiggins, and intend to vigorously continue defending against these claims. To date, all but two claims have been dismissed, and we are in court mandated settlement talks to determine if the remaining counts can be dismissed or will require further litigation. On November 15, 2016, the Company entered into a stipulated settlement agreement to issue 200,000,000 common shares in full and final settlement of this matter and all legal complaints are withdrawn. In June 2018, the Company issued 92,780,388 shares of the agreed upon settlement.

We depend upon maintaining the integrity of our water sources and manufacturing process. If our water sources or bottling processes were contaminated for any reason, our business would be seriously harmed.

Our ability to retain customers and the goodwill associated with our brands is dependent upon our ability to maintain the integrity of our water resources and to guard against defects in, or tampering with, our manufacturing process. The loss of integrity in our water sources or manufacturing process could lead to product recalls and/or customer illnesses that could materially adversely affect our goodwill, market share and revenues. Because we rely upon natural spring sites for sourcing some of our water supply, acts of God, such as earthquakes, could alter the geologic formation of the spring sites, constricting or even contaminating water flow.

Because our business is dependent upon the performance of key employees, the loss of those employees would materially impact our business.

Our business is dependent upon the performance of certain key employees. Competition for these individuals is intense and many of our key employees are at-will employees who are under no legal obligation to remain with us. Our competitors may choose to extend offers to any of these individuals on terms which we may be unwilling to meet. In addition, any or all of our key employees may decide to leave for a variety of personal or other reasons beyond our control.

Also, our business depends upon the continued efforts, abilities and expertise of our officer and director, Robert Eakle. We believe that the unique combination of skills and experience he possesses would be difficult to replace, and his loss could have a material adverse effect on us, including impairing our ability to execute our business strategy. We have a one-year written employment agreement with Mr. Eakle. This furthers the risk that we will not be able to secure his services on a long-term basis. If we lose the services of Mr. Eakle our business will suffer.

We face competition from companies with far greater resources than we have. In addition, methods of competition in the distribution of home and office refreshment products continue to change and evolve. If we are unable to meet these changes, our business could be harmed.

We operate in highly competitive markets. The principal methods of competition in the markets in which we compete are distribution capabilities, brand recognition, quality, reputation, and price. We have a significant number of competitors in our traditional water market, some of which have far greater resources than us. Among our principal competitors are Nestlé Waters North America, large regional brands owned by private groups, and local competitors in the markets that we serve. Price reductions and the introduction of new products by our competitors can adversely affect our revenues, gross margins, and profits.

The bottled water industry is regulated at both the state and federal level. If we are unable to continue to comply with applicable regulations and standards in any jurisdiction, we might not be able to sell our products in that jurisdiction, and our business could be seriously harmed.

The FDA regulates bottled water as a food. Our bottled water must meet FDA requirements of safety for human consumption, labeling, processing and distribution under sanitary conditions and production in accordance with FDA “good manufacturing practices.” In addition, all drinking water must meet Environmental Protection Agency standards established under the Safe Drinking Water Act for mineral and chemical concentration and drinking water quality and treatment, which are enforced by the FDA. We also must meet state regulations in a variety of areas. These regulations set standards for approved water sources and the information that must be provided and the basis on which any therapeutic claims for water may be made. We have received approval for our drinking water in Idaho and Nevada. However, we can give no assurance that we will receive such approvals in the future.

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Changes in laws and regulations relating to beverage containers and packaging could increase our costs and reduce demand for our products.

We intend to offer non-refillable, recyclable containers in the United States. Legal requirements have been enacted in various jurisdictions in the United States and overseas requiring that deposits or certain ecotaxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. Other proposals relating to beverage container deposits, recycling, ecotax and/or product stewardship have been introduced in various jurisdictions in the United States and overseas, and we anticipate that similar legislation or regulations may be proposed in the future at local, state and federal levels, both in the United States and elsewhere. Consumers' increased concerns and changing attitudes about solid waste streams and environmental responsibility and related publicity could result in the adoption of such legislation or regulations. If these types of requirements are adopted and implemented on a large scale in any of the markets in which we operate, they could affect our costs or require changes in our distribution model, which could negatively impact our financial condition. In addition, container-deposit laws, or regulations that impose additional burdens on retailers, could cause a shift away from our products to retailer-proprietary brands, which could impact the demand for our products in the affected markets. Fluctuations in the cost of essential raw materials and commodities, including fuel costs, for the manufacture and delivery of our products could significantly impact our business.

Bottle manufacturers use plastic and other petroleum-based products for the manufacturing of our bottles. Increases in the cost of petroleum will likely have an impact on our bottle costs.

We rely on trucking to receive raw materials and transport and deliver our finished products. Consequently, the price of fuel significantly impacts the cost of our products. Limitations on the supply or availability of fuel could inhibit our ability to get raw materials and distribute our products, which in turn could have an adverse effect on our business.

If we are unable to succeed in marketing, making sales and increasing our customer base to support our business operations, we will be unable to achieve profitable operations, and our business may fail.

If we are unable to succeed in marketing, making sales and expanding our customer base to support our business operations, any adverse change by any of our larger volume customers could be detrimental to our profitability. Numerous factors beyond our control may affect the marketability of the products offered. These factors include, but are not limited to, consumer demand and emerging competition. The exact effect of these factors cannot be accurately predicted, but it is possible they may result in our not receiving an adequate return on our invested capital.

Because we are dependent on third parties, should those services be interrupted or become more costly, we may experience a material adverse effect on the acceptance of our brand and on our business, financial condition, and operating results.

There is risk of change in the types of products being manufactured, and our ability to acquire the best products from our suppliers. Because we are dependent on third parties, especially product manufacturers and distributors, we face potential losses if any of these products are interrupted or become more costly. Additionally, any failure on the part of these partners, upon whom we may rely to supply us with products and services, will reflect poorly upon our brand,

and therefore result in reduced revenue.

If we are unable to successfully manage growth, our operations could be adversely affected.

Our progress is expected to require the full utilization of our management, financial and other resources, which to date has occurred with limited working capital. Our ability to manage growth effectively will depend on our ability to improve and expand operations, including our financial and management information systems, and to recruit, train and manage sales personnel. There can be no absolute assurance that management will be able to manage growth effectively.

If we do not properly manage the growth of our business, we may experience significant strains on our management and operations and disruptions in our business. Various risks arise when companies and industries grow quickly. If our business or industry grows too quickly, our ability to meet customer demand in a timely and efficient manner could be challenged. We may also experience development delays as we seek to meet increased demand for our products. Our failure to properly manage the growth that we or our industry might experience could negatively impact our ability to execute on our operating plan and, accordingly, could have an adverse impact on our business, our cash flow and results of operations, and our reputation with our current or potential customers.

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If our products are found to cause injury, have defects, or fail to meet industry standards, we will incur substantial litigation, judgment, product liability, and product recall costs, which will increase our losses and negatively affect our brand name reputation and product sales.

Defects may be found in our products. Any such defects could cause us to incur significant return and exchange costs, re-engineering costs, divert the attention of our engineering personnel from product development efforts, and cause significant customer relations and business reputation problems. Any such defects could force us to undertake a product recall program, which could cause us to incur significant expenses and could harm our reputation and that of our products. If we deliver products with defects, our credibility and the market acceptance and sales of our products could be harmed.

Moreover, we may be subject to liability for any accidents or injury that may occur in connection with the use of our products. We believe we are adequately insured in the event such claims are brought. If we are unable to obtain such insurance, product liability claims could adversely affect our brand name reputation, revenues and ultimately lead to losses. The occurrence of any claims, judgments, or product recalls will negatively affect our brand name image and product sales, as well as lead to additional costs.

Our commercial success depends significantly on our ability to develop and commercialize our potential products without infringing the intellectual property rights of third parties.

Our commercial success will depend, in part, on operating our business without infringing the patents or proprietary rights of third parties. Third parties that believe we are infringing on their rights could bring actions against us claiming damages and seeking to enjoin the development, marketing and distribution of our products. If we become involved in any litigation, it could consume a substantial portion of our resources, regardless of the outcome of the litigation. If any of these actions are successful, we could be required to pay damages and/or to obtain a license to continue to develop or market our products, in which case we may be required to pay substantial royalties. However, any such license may not be available on terms acceptable to us or at all. Ultimately, we could be prevented from commercializing a product or forced to cease some aspect of our business operations as a result of patent infringement claims, which would harm our business.

Because the industry is dependent upon general economic conditions and uncertainties, future developments could result in a material adverse effect on our business.

US trade & industry is subject to economic changes and periodical fluctuations. Prolonged declines in the economy and/or a recession could have a material adverse effect on our business. The national economy is affected by numerous factors and conditions, all of which are beyond our control, including (a) Interest rates; (b) Inflation; (c) Employment levels; (d) Changes in disposable income; (e) Financing availability; (f) Federal and state income tax policies; and (g) Consumer confidence.

Because our articles of incorporation and bylaws and Nevada law limit the liability of our officers, directors, and others, shareholders may have no recourse for acts performed in good faith.

Under our articles of incorporation, bylaws and Nevada law, each of our officers, directors, employees, attorneys, accountants and agents are not liable to us or the shareholders for any acts they perform in good faith, or for any non-action or failure to act, except for acts of fraud, willful misconduct or gross negligence. Our articles and bylaws provide that we will indemnify each of our officers, directors, employees, attorneys, accountants and agents from any claim, loss, cost, damage liability and expense by reason of any act undertaken or omitted to be undertaken by them, unless the act performed or omitted to be performed constitutes fraud, willful misconduct or gross negligence.

New legislation, including the Sarbanes-Oxley Act of 2002, may make it more difficult for us to retain or attract officers and directors.

The Sarbanes-Oxley Act of 2002 was enacted in response to public concerns regarding corporate accountability in connection with recent accounting scandals. The stated goals of the Sarbanes-Oxley Act are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The Sarbanes-Oxley Act generally applies to all companies that file or are required to file periodic reports with the SEC, under the Securities Exchange Act of 1934. As a public company, we are required to comply with the Sarbanes-Oxley Act. The enactment of the Sarbanes-Oxley Act of 2002 has resulted in a series of rules and regulations by the SEC that increase responsibilities and liabilities of directors and executive officers. The perceived increased personal risk associated with these recent changes may deter qualified individuals from accepting these roles. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We continue to evaluate and monitor developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

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There is currently a limited public market for our common stock. Failure to develop or maintain a trading market could negatively affect its value and make it difficult or impossible for you to sell your shares.

There has been a limited public market for our common stock and an active public market for our common stock may not develop. Failure to develop or maintain an active trading market could make it difficult for you to sell your shares or recover any part of your investment in us should you decide to convert all or some of your investment. Even if a market for our common stock does develop, the market price of our common stock may be highly volatile. In addition to the uncertainties relating to future operating performance and the profitability of operations, factors such as variations in interim financial results or various, as yet unpredictable, factors, many of which are beyond our control, may have a negative effect on the market price of our common stock.

Because the payment of dividends is at the discretion of the Board of Directors, investors may not realize cash dividends at the frequency or in the amounts they anticipate.

We have never declared or paid any cash dividends on our Common Stock. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. Distributions to our stockholders are subordinate to the payment of our debts and obligations. If we have insufficient funds to pay our debts and obligations, distributions to stockholders will be suspended pending the payment of such debts and obligations. Accordingly, investors must rely on sales of their own Common Stock after price appreciation, which may never occur, as the only way to recover their initial investment.

We are an “emerging growth company” and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced financial disclosure obligations, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earliest to occur of: the last day of the fiscal year in which we have more than \$1.0 billion in annual revenue; the date we qualify as a large accelerated filer, with at least \$700 million of equity securities held by non-affiliates; the issuance, in any three-year period, by us of more than \$1.0 billion in non-convertible debt securities; and the last day of the fiscal year

ending after the fifth anniversary of our initial public offering. We may choose to take advantage of some but not all of these reduced reporting burdens. If we take advantage of any of these reduced reporting burdens in future filings, the information that we provide our security holders may be different than you might get from other public companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Rules of the Securities and Exchange Commission concerning low priced securities may limit the ability of shareholders to sell their shares

Our common stock is subject to Rule 15c-9 of the Securities and Exchange Commission which regulates broker/dealer practices in connection with transactions in "penny stocks". Penny stocks generally are equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in that security are provided by the exchange or system. The penny stock rules require a broker/dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson in the transaction, and if the broker/dealer is the sole market-maker, the broker/dealer must disclose this fact and the broker/dealer's presumed control over the market. This information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer. The bid and offer quotations, and the broker/dealer and its salesperson compensation information, must be given to the customer in writing before or with the customer's confirmation. The broker/dealer must make a special suitability determination for purchasers of the securities and receive the purchaser's written agreement to the transaction prior to sale. Monthly statements must be sent by the broker/dealer to the customer disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. These disclosure requirements may reduce the level of trading activity in the market for our common stock and may limit the ability of investors in this offering to sell our common stock in the secondary market.

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Item 1B. Unresolved Staff Comments

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