

Pinacle Enterprise, Inc.  
Form 10-Q  
December 13, 2013

**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 **September 30, 2013**

☐ 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**

**Pinacle Enterprise, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation organization)

**98-0661455**

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

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

(Address of principal executive offices) (Zip Code)

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

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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

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

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 399,979,885 as of December 13, 2013.

## **PART 1 - FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

#### ***Forward Looking Statements***

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

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

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

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

Our financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2013 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 “Pinnacle” mean Pinnacle Enterprise, Inc., unless otherwise stated.

PINACLE ENTERPRISE, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2013 (unaudited)	December 31, 2012
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash	\$249,230	\$145
Accounts receivable	16,013	—
Prepaid expenses	630,563	—
Inventory	46,089	—
Exclusivity agreement, Net	8,113	—
<b>TOTAL CURRENT ASSETS</b>	<b>950,008</b>	<b>—</b>
<b>INTANGIBLE ASSETS:</b>		
Prepaid expenses - long term	424,583	—
Total other assets	424,583	—
<b>TOTAL ASSETS</b>	<b>\$1,374,591</b>	<b>\$145</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	10,972	\$10,759
Accrued interest	17,597	—
Loans from officer	3,489	17,162
Notes payable	807,490	7,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>839,548</b>	<b>34,921</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>		
Preferred A stock, \$.001 par value; authorized shares - 12,000,000 shares; 10,000,000 and 0 shares issued and outstanding	10,000	—
Common stock, \$.001 par value; authorized shares - 900,000,000 shares; 399,979,885 and 630,000,000 shares issued and outstanding	399,980	630,000
Additional paid-in capital	4,032,108	(630,000)
Deficit accumulated	(3,907,045)	(34,776 )
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>535,043</b>	<b>(34,776 )</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>	<b>\$1,374,591</b>	<b>\$145</b>

See accompanying notes to the condensed consolidated financial statements

## PINACLE ENTERPRISE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	Period from March 1, 2012 (date of inception) to September 30, 2012
	2013	2012	2013	
Revenues	17,274	—	17,274	—
<b>COST OF SALES</b>				
Cost of goods sold	73,529	—	73,529	—
<b>TOTAL COST OF SALES</b>	73,529	—	73,529	—
Gross Loss	(56,255	) —	(56,255	) —
<b>OPERATING EXPENSES:</b>				
Sales and advertising	136,793	1,419	234,647	1,419
Consulting fees	11,834	—	3,480,214	—
General and administrative	42,826	600	63,920	1,388
Professional fees	8,730	—	19,230	—
Depreciation and amortization	425	—	425	—
<b>TOTAL OPERATING EXPENSES</b>	200,608	2,019	3,798,436	2,807
<b>OPERATING LOSS</b>	(256,863	) (2,019	) (3,854,691	) (2,807
<b>MISC. INCOME</b>	(19	) —	(19	) —
<b>INTEREST EXPENSE</b>	8,123	—	17,597	—
<b>TOTAL OTHER (INCOME) EXPENSES</b>	8,104	—	17,578	—
<b>NET LOSS</b>	(264,967	) (2,019	) (3,872,269	) (2,807
<b>BASIC AND DILUTED - LOSS PER SHARE</b>	0.00	(0.00	) (0.01	) \$(0.00
<b>WEIGHTED AVERAGE COMMON SHARES</b>				
<b>OUTSTANDING Basic and Diluted</b>	515,132,150	630,000,000	602,118,516	630,000,000

See accompanying notes to the condensed consolidated financial statements

## PINACLE ENTERPRISE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the nine months ended September 30, 2013	Period from March 1, 2012 to September 30, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	(3,872,269)	(2,807 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of prepaid assets	85,354	
Stock issued for services	3,305,550	—
Expenses paid on behalf of company	63,000	
Depreciation	425	—
Changes in assets and liabilities:		
Accounts receivable	(16,013 )	—
Inventory	(46,089 )	—
Prepaid Assets	(7,500 )	—
Accrued interest	17,597	
Accounts payable and accrued expenses	213	—
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(469,732 )</b>	<b>(2,807 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of exclusivity agreement	(5,000 )	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,000 )</b>	<b>—</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from related parties	7,985	2,826
Payments to related parties	(21,658 )	
Proceeds from notes payable	760,000	—
Payments of notes payable	(22,510 )	
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>723,817</b>	<b>2,826</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$249,085</b>	<b>\$ 20</b>
<b>CASH - BEGINNING OF PERIOD</b>	<b>145</b>	<b>—</b>
<b>CASH - END OF PERIOD</b>	<b>\$249,230</b>	<b>\$ 20</b>
<b>Supplemental Schedules of Noncash Investing and Financing Activities</b>		
Issuance of founders shares	\$—	\$ 1,000
Common stock converted to Preferred A	\$250,000	\$—
Common stock issued for license agreement	\$3,538	—
Common stock issued for prepaid services	\$1,133,000	—
Recapitalization	\$7,000	—

See accompanying notes to the condensed consolidated financial statements



**Pinnacle Enterprise, Inc.**

**Notes to the Unaudited Financial Statements**

**For the nine months ended September 30, 2013 and 2012**

**1. Nature of Operations and Going Concern**

Pinnacle Enterprise Inc. (the "Company") was incorporated under the laws of the State of Nevada on April 19, 2010. The Company is a development stage company as defined by FASB guidelines. The Company is in the business of manufacturing bottled/canned alkaline, antioxidant and oxygenated water.

These 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 September 30, 2013, the Company has recognized only \$17,274 in revenue and an accumulated deficit of \$3,907,045. 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 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.

**2. 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 and nine months ended September 30, 2013 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, 2012 included in the Company's filing on Form 8K.

**3. Summary of Significant Accounting Policies**

**a) Basis of Presentation**

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.

**b) Use of Estimates**

The preparation of 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.

**c) 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.

**d) 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. As at September 30, 2013, the Company had no potentially dilutive shares.

**e) 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.

**f) 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.

**g) 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.

**h) Consolidated Financial Statements**

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries. Intercompany balances and transactions have been eliminated upon consolidation.

**4.**

**Reverse Merger**

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 merger, 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 merger, our board of directors decided to change our fiscal year end from January 31 to December 31.

**5. Notes Payable**

At December 31, 2012, the Company owed \$7,000 to a shareholder and former director.

During the nine months ended September 30, 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, carries no interest during the first 12 months, and accrues interest at 5% per annum on the unpaid principal thereafter.

During the nine months ended September 30, 2013, the Company repaid \$22,510 of the Note.

On March 29, 2013, the Company entered into a 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 is due on March 30, 2015. As at September 30, 2013, the Company has accrued interest of \$17,597.

**6. Related Party Transactions**

During the nine months ended September 30, 2013, the Company received \$7,985 (December 31, 2012 - \$6,215) in cash loans, and made cash payments on these amounts owing totaling \$21,658 (December 31, 2012 - \$3,968).

As of September 30, 2013, the Company owes \$3,489 (December 31, 2012 - \$17,162) to its President. The amounts owing are unsecured, non-interest bearing and due on demand.

**7. Common Shares**

On March 1, 2012, the Company issued 100,000 founders' share with a fair value of \$1,000 to officers and directors of the Company.

**8.**

**Capital Stock**

**a) Authorized**

Authorized capital stock consists of:

- 900,000,000 common shares with a par value of \$0.001 per share; and
- 20,000,000 preferred shares with a par value of \$0.001 per share
- ° The Company has designated 12,000,000 shares as Preferred A Series Stock

**b) Share Issuances**

On July 8, 2013, the Company issued 10,000,000 of Series A Preferred Stock to the President of the Company, in exchange for the cancellation and return to treasury of 250,000,000 shares of his common stock in the Company.

In July 2013, a shareholder cancelled 7,000,000 common shares in connection with the merger.

In August 2013, the Company issued 23,332,500 common shares to correct share allocation in connection with the merger. The shares are valued at \$0.14 per share and recorded at June 25, 2013 as they were supposed to be issued contemporaneously with the closing of the reverse merger. The Company is filing an Amended 10Q for the period ended June 30, 2013 to reflect this change.

In August 2013, the Company issued 32,000 common shares in connection with professional services. The shares were issued at a price of \$0.25 per share.

In August 2013, the Company issued 15,385 common shares in connection with an exclusivity agreement. The shares were issued at a price of \$0.23 per share.

In August 2013, the Company issued 1,500,000 and 2,000,000 common shares to two analyst services for professional services. The shares were issued at a price of \$0.23 and \$0.39 per share, respectively.



In August 2013, the Company issued 25,000 common shares to each of 4 consultants' as compensation services. The shares were issued at a price of \$0.39 per share.

**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) In November, the Company issued 4,500,000 shares in connection with the termination of a consultant.

b) In December, the Company recognized that a share issuance in August 2013, in which we issued 23,332,500 shares were not properly reflected in the Company's financial statements for the period ending June 30, 2013. The shares are valued and recorded at June 25, 2013 as they were supposed to be issue contemporaneously with the closing of the reverse merger. The Company is filing an Amended 10Q for the period ended June 30, 2013 to reflect this change (See Note 8), and advises non-reliance on the previously filed Form 10-Q for the period ending June 30, 2013.

## **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**

Pinnacle was incorporated in the State of Nevada on April 19, 2010. Until recently, we were a development stage company engaged in the business of architectural design, architectural animation, 3D modeling as well as Computer-Aided Design (CAD) drafting and conversion services.

On June 25, 2013, we entered into an Agreement of Merger and Plan of Reorganization with Alkame Water, Inc., a privately held Nevada corporation ("Alkame Water"), and Alkame Acquisition Corp., our wholly-owned Nevada subsidiary. In connection with the closing of this merger transaction, Alkame Sub merged with and into Alkame Water (the "Merger") on June 26, 2013, with the filing of Articles of Merger with the Nevada Secretary of State.

As a result of the Merger, we are now in the business of pursuing the sale and distribution of the Alkame brand of bottled waters, as well as other various applications for water treatment technology. Our principal executive offices are located at 3651 Lindell Road, Suite D # 356, Las Vegas, Nevada 89103, and our telephone number is now (702) 273-9714.

We currently hold a three year limited exclusive distribution agreement for the consumer market. We are permitted to distribute our technologically enhanced bottled water in the consumer market in the United States, Canada and Mexico.

Aside from holding the aforementioned distribution rights, we signed a non-binding Letter of Intent with Xtreme Technologies, Inc. ("Xtreme") to purchase all of the outstanding shares of Xtreme, which would effectively acquire the patents on the proprietary process that we believe is the most technologically advanced in water treatment systems for complete hydration. The proposed consideration for the potential acquisition will be payable as approximately \$575,000 in cash or assumed debt and approximately \$1,425,000 in our common stock.

This potential acquisition remains subject to, among other things, completing customary pre-closing due diligence, Xtreme's shareholder approval and entering into a definitive agreement. The definitive agreement is expected to be signed by all parties on or before the end of January 31, 2014. There can be no assurance that any transaction will be completed as proposed or at all.

Our primary objective is to acquire the patented technology underlying our brand, and then to introduce, promote, aggressively market and establish channels of distribution to sell our product to a wide range of consumers, first in the United States, Canada and Mexico, and then globally. If we are able to acquire the rights to the technology, we believe that all the prime characteristics of the hottest premium bottled waters in the market will be taken and rolled up into our product.

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 product, and provide us access to other applications the water treatment technology has available. There is no assurance, however, that we will be able to finalize an agreement with Xtreme, the owner of the patents. We hope to have more information in subsequent filings.

## *Results of Operations*

**Results of Operations for the three months ended September 30, 2013 and 2012, and nine months ended September 30, 2013 and for the Period from March 1, 2012 (Date of Inception) until September 30, 2013 and 2012.**

## *Liquidity and Capital Resources*

### *Working Capital*

	September 30, 2013 (unaudited)	December 31, 2012 (unaudited)	Percentage Increase (Decrease)
Current Assets	\$950,008	\$145	6,500.8 %
Current Liabilities	\$839,548	\$34,921	(23.0 %)
Working Capital Surplus (Deficiency)	\$110,460	\$(34,776 )	4.2 %

### *Cash Flows*

	Nine Months Ended		Percentage
	September 30, 2013 (unaudited)	September 30, 2012 (unaudited)	Increase/ (Decrease)
Cash Used in Operating Activities	\$(469,732 )	\$(2,807 )	(167.3 %)
Cash Used in Investing Activities	\$(5,000 )	\$—	-%
Cash Provided by Financing Activities	\$723,817	\$2,826	255.1 %
Net Increase in Cash	\$249,085	\$20	12,453.2 %

### *Operating Revenues*

In the three and nine months ended September 30, 2013, we earned \$17,274 from the sales of our water products, compared with \$0 for the same periods ended September 30, 2012. We expect that over the coming months, our sales and marketing efforts will result in significantly increasing sales.

### *Operating Expenses and Net Loss*

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Our operating expenses for the three and nine month periods ended September 30, 2013 and 2012 are outlined in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and advertising	\$136,793	\$1,419	\$234,647	\$1,419
Consulting fees	11,834	—	3,480,214	—
General and administrative	42,826	600	63,920	1,388
Professional fees	8,730	—	19,230	—
Depreciation and amortization	425	—	425	—
Total	\$200,608	\$2,019	\$3,798,436	\$2,807

Three Months ended September 30, 2013 and 2012

Operating expenses for the three months ended September 30, 2013 were \$200,608 compared with \$2,019 for the three months ended September 30, 2012. The increase in operating expense is attributed to an increase in operating activity compared to the prior year, including \$136,793 in consulting fees and travel related expenses connected with our sales efforts, and \$8,730 in professional fees for legal, accounting, and audit services required for SEC filing requirements.

*Nine Months Ended September 30, 2013 and 2012*

Operating expenses for the nine months ended September 30, 2013 were \$3,798,436 compared with \$2,807 for the nine months ended September 30, 2012. The increase in operating expense is attributed to an increase in operating activity compared to prior year, including \$234,647 in sales, advertising and marketing costs, \$3,480,214 in consulting fees to various consultants, and \$19,230 in professional fees for legal, accounting, and audit services required for SEC filing requirements.

In addition to operating expenses, we incurred interest expenses of \$17,597 during the nine months ended September 30, 2013 for accrued interest on \$807,490 of notes payable, which are unsecured, bear interest at either 0% or 10% per annum, and are due on demand.

We incurred a net loss of \$264,967 for the three months ended September 30, 2013, compared with a net loss of \$2,019 for the same period ended 2012. We incurred a net loss of \$3,872,269 for the nine months ended September 30, 2013, compared to \$2,807 for the same period ended 2012.

***Liquidity and Capital Resources***

As at September 30, 2013, our cash balance was \$249,230 compared to \$145 as at December 31, 2012. The increase in cash is attributed to proceeds of \$760,000 from the issuance of notes payable which were used to repay outstanding operating costs, payment by a shareholder of \$63,000 in Company expenses recorded as Notes, with the remaining amounts unspent.

As at September 30, 2013, we had total liabilities of \$839,548 compared with total liabilities of \$34,921 as at December 31, 2012. The increase in total liabilities is attributed to increases in accrued interest of \$17,597. We also received proceeds of \$760,000 from the issuance of notes payable during the year, \$7,985 for notes payable issued to related parties during the year, and offset by repayments of \$22,510 in notes and \$21,658 to related parties.

As at September 30, 2013, we had a working capital surplus of \$110,460 compared with a working capital deficit of \$34,776 at December 31, 2012 and the increase in the working capital is attributed to the prepayment of various services paid by the issuance of restricted stock.

***Cashflow from Operating Activities***

During the nine months ended September 30, 2013, we used \$469,732 of cash for operating activities compared to the use of \$2,807 of cash for operating activities during the period ended September 30, 2012. The increase in the use of cash for operating activities was mainly attributed to funding our net loss of \$3,872,269, offset mainly by \$3,305,550 for stock issued for services.

***Cashflow from Investing Activities***

During the nine months ended September 30, 2013, we used \$5,000 in investing activities for the purchase of our exclusivity agreement with a bottle manufacturer to license their biodegradable bottle for our product, compared with \$0 in investing activities in the prior year.

***Cashflow from Financing Activities***

During the nine months ended September 30, 2013, we received net proceeds of \$723,817 from financing activities compared to \$2,826 during the period ended September 30, 2012. The increase in proceeds from financing activities were attributed to \$760,000 from the issuance of notes payable which are unsecured, bear interest at 10% per annum, and are due on demand less \$21,658 repaid to related parties, and \$22,510 repayment for an outstanding note payable.

***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 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 nine months ended September 30, 2013, we made several changes that have materially affected our internal control over financial reporting. Specifically, we have engaged the ongoing services of a consulting Chief Financial Advisor with over 12 years of experience in developing public companies to manage the ongoing accounting and financial reporting. In addition, we implemented a new accounting system to provide increased day to day reporting.

## **PART II-OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

### **Item 1A. Risk Factors.**

Not Applicable.

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

On July 8, 2013, we issued a total of 10,000,000 shares of our newly designated Series A Preferred Stock to our officer and director, Robert Eakle, in exchange for the cancellation and return to treasury of 250,000,000 shares of his common stock in our company.

In August 2013, we issued 23,332,500 and 32,000 in connection with professional services. The shares are valued and recorded at June 25, 2013 as they were supposed to be issue contemporaneously with the closing of the reverse merger. The Company is filing an Amended 10Q for the period ended June 30, 2013 to reflect this change.

In August 2013, we issued 15,385 common shares in connection with an exclusivity agreement.

In August 2013, we issued 1,500,000 and 2,000,000 common shares to two analyst services for professional services. .

In August 2013, we issued 25,000 common shares to each of 4 consultants' as compensation services.

In November, we issued 4,500,000 shares in connection with the termination of a consultant.

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 pursuant Section 906 Certifications under Sarbanes-Oxley Act of 2002</u> |

\* Filed herewith.

**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.

**PINACLE ENTERPRISE, INC.**

By /s/ Robert Eakle

Robert Eakle

Chief Executive Officer, President, and Director

(Principal Executive Officer and Principal Accounting Officer)

Date: December 13, 2013

