**UNITED STATES**

**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 June 30, 2020

or

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

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

**Commission File Number: 000-53450**

**REMSLEEP HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

|  |  |  |
| --- | --- | --- |
| **Nevada** |  | **47-5386867** |
| (State or other jurisdiction of  incorporation or organization) |  | (I.R.S. Employer  Identification No.) |

**2202 N. West Shore Blvd, Suite 200, Tampa. FL 33607**

(Address of principal executive offices) (Zip Code)

**813-367-3855**

(Registrant’s telephone number, including area code)

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth 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 ☐ |  |

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 provided 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 ☒

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Title of each class** |  | **Trading Symbol(s)** |  | **Name of each exchange on which registered** |
|  |  |  |  |  |

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of as of August 10, 2020, there were 244,132,800 shares of common stock outstanding.

**TABLE OF CONTENTS**

|  |  |  |
| --- | --- | --- |
|  |  | **Page No.** |
| [**PART I. - FINANCIAL INFORMATION**](#a_015) | |  |
|  | |  |
| Item 1. | [Financial Statements.](#a_016) | 1 |
|  |  |  |
| Item 2. | [Management’s Discussion and Analysis of Financial Condition and Plan of Operations.](#a_017) | 13 |
|  |  |  |
| Item 3. | [Quantitative and Qualitative Disclosures About Market Risk.](#a_018) | 16 |
|  |  |  |
| Item 4 | [Controls and Procedures.](#a_019) | 16 |
|  |  |  |
| [**PART II - OTHER INFORMATION**](#a_020) | |  |
|  | |  |
| Item 1. | [Legal Proceedings.](#a_021) | 17 |
|  |  |  |
| Item 1A. | [Risk Factors.](#a_022) | 17 |
|  |  |  |
| Item 2. | [Unregistered Sales of Equity Securities and Use of Proceeds.](#a_023) | 17 |
|  |  |  |
| Item 3. | [Defaults Upon Senior Securities.](#a_024) | 17 |
|  |  |  |
| Item 4. | [Mine Safety Disclosures](#a_025) | 17 |
|  |  |  |
| Item 5. | [Other Information.](#a_026) | 17 |
|  |  |  |
| Item 6. | [Exhibits.](#a_027) | 18 |
|  |  |  |
| [Signatures](#a_028) | | 19 |

i

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**REMSLEEP HOLDINGS, INC.**

|  |  |  |
| --- | --- | --- |
| [Condensed Balance Sheets as of June 30, 2020 (unaudited) and December 31, 2019](#f_01) |  | 2 |
|  |  |  |
| [Condensed Statements of Operations for the Three and Six Months Ended June 30, 2020 and 2019 (unaudited)](#f_02) |  | 3 |
|  |  |  |
| [Condensed Statements of Stockholders’ Deficit for the Six Months Ended June 30, 2020 and 2019 (unaudited)](#f_03) |  | 4 |
|  |  |  |
| [Condensed Statements of Cash Flows for the Six Months Ended June 30, 2020 and 2019 (unaudited)](#f_04) |  | 5 |
|  |  |  |
| [Notes to the Condensed Financial Statements (unaudited)](#f_05) |  | 6 |

1

|  |
| --- |
| **REMSLEEP HOLDINGS, INC.**  **CONDENSED BALANCE SHEETS** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,**  **2020** | |  |  | **December 31,**  **2019** | |  |
|  |  | (Unaudited) | |  |  | (Audited) | |  |
| **ASSETS** |  |  | |  |  |  | |  |
| Current assets: |  |  | |  |  |  | |  |
| Cash |  | $ | 47,740 |  |  | $ | 119,574 |  |
| Inventory deposit |  |  | - |  |  |  | 8,000 |  |
| Inventory |  |  | 2,400 |  |  |  | - |  |
| Prepaid expenses |  |  | - |  |  |  | 7,909 |  |
| Total current assets |  |  | 50,140 |  |  |  | 135,483 |  |
|  |  |  |  |  |  |  |  |  |
| Other asset |  |  | 10,000 |  |  |  | 10,000 |  |
| Property and equipment, net |  |  | 113,216 |  |  |  | 107,814 |  |
|  |  |  |  |  |  |  |  |  |
| Total Assets |  | $ | 173,356 |  |  | $ | 253,297 |  |
|  |  |  |  |  |  |  |  |  |
| **LIABILITIES AND STOCKHOLDERS’ DEFICIT** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Current Liabilities: |  |  |  |  |  |  |  |  |
| Accounts payable |  | $ | 243,236 |  |  | $ | 258,198 |  |
| Accrued compensation |  |  | 14,000 |  |  |  | 15,000 |  |
| Accrued interest |  |  | 31,103 |  |  |  | 27,953 |  |
| Accrued interest – related party |  |  | 33,629 |  |  |  | 22,399 |  |
| Convertible Notes, net of discount of $209,458 and $164,998, respectively |  |  | 108,442 |  |  |  | 76,996 |  |
| Derivative Liability |  |  | 379,631 |  |  |  | 626,831 |  |
| Loan payable – related party |  |  | 179,191 |  |  |  | 179,191 |  |
| Loans payable |  |  | 54,908 |  |  |  | 56,556 |  |
|  |  |  |  |  |  |  |  |  |
| Total Liabilities |  |  | 1,044,140 |  |  |  | 1,263,124 |  |
|  |  |  |  |  |  |  |  |  |
| Commitments and Contingencies |  |  | - |  |  |  | - |  |
|  |  |  |  |  |  |  |  |  |
| STOCKHOLDERS’ DEFICIT: |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Series A preferred stock, $0.001 par value, 5,000,000 shares authorized, 4,000,000 and issued and outstanding |  |  | 125,000 |  |  |  | 125,000 |  |
| Series B preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued |  |  | - |  |  |  | - |  |
| Series C preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued |  |  | - |  |  |  | - |  |
| Common stock, $0.001 par value, 1,000,000,000 shares authorized, 188,900,945 and 116,269,466 shares issued and outstanding, respectively |  |  | 188,899 |  |  |  | 116,268 |  |
| Common stock to be issued |  |  | - |  |  |  | - |  |
| Additional paid in capital |  |  | 4,443,845 |  |  |  | 4,139,395 |  |
| Accumulated Deficit |  |  | (5,628,528 | ) |  |  | (5,390,490 | ) |
| TOTAL STOCKHOLDERS’ DEFICIT |  |  | (870,784 | ) |  |  | (1,009,827 | ) |
|  |  |  |  |  |  |  |  |  |
| TOTAL LIABILITIES AND STOCKHOLDERS’ DEFICIT |  | $ | 173,356 |  |  | $ | 253,297 |  |

*The accompanying notes are an integral part of these unaudited condensed financial statements.*

2

**REMSLEEP HOLDINGS, INC.**

**CONDENSED STATEMENTS OF OPERATIONS**

**(UNAUDITED)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | For the Three Months Ended  June 30, | | | | | |  |  | For the Six Months Ended  June 30, | | | | | |  |
|  |  | 2020 | |  |  | 2019 | |  |  | 2020 | |  |  | 2019 | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Operating Expenses: |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Professional fees |  | $ | 12,000 |  |  | $ | 9,900 |  |  | $ | 21,725 |  |  | $ | 25,400 |  |
| Consulting |  |  | - |  |  |  | 17,720 |  |  |  | - |  |  |  | 17,720 |  |
| Compensation expense – related party |  |  | 21,000 |  |  |  | 2,044,000 |  |  |  | 42,000 |  |  |  | 2,062,000 |  |
| Development expense |  |  | 36,294 |  |  |  | - |  |  |  | 46,939 |  |  |  | 7,151 |  |
| General and administrative |  |  | 45,181 |  |  |  | 17,759 |  |  |  | 83,203 |  |  |  | 26,977 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total operating expenses |  |  | 114,475 |  |  |  | 2,089,379 |  |  |  | 193,867 |  |  |  | 2,139,248 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loss from operations |  |  | (114,475 | ) |  |  | (2,089,379 | ) |  |  | (193,867 | ) |  |  | (2,139,248 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest expense |  |  | (143,220 | ) |  |  | (69,784 | ) |  |  | (303,860 | ) |  |  | (124,224 | ) |
| Loss on issuance of convertible debt |  |  | (29,957 | ) |  |  | (925,498 | ) |  |  | (216,322 | ) |  |  | (1,051,207 | ) |
| Early payment penalty |  |  | (49,162 | ) |  |  | - |  |  |  | (49,162 | ) |  |  | - |  |
| Change in fair value of derivative |  |  | 375,647 |  |  |  | 737,905 |  |  |  | 528,522 |  |  |  | 376,191 |  |
| Total other expense |  |  | 153,308 |  |  |  | (257,377 | ) |  |  | (40,822 | ) |  |  | (799,240 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income (loss) before income taxes |  |  | 38,833 |  |  |  | (2,346,756 | ) |  |  | (234,689 | ) |  |  | (2,938,488 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Provision for income taxes |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Income (Loss) |  | $ | 38,833 |  |  | $ | (2,346,756 | ) |  | $ | (234,689 | ) |  | $ | (2,938,488 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income (loss) per share, basic and diluted |  | $ | 0.00 |  |  | $ | (0.11 | ) |  | $ | (0.00 | ) |  | $ | (0.22 | ) |
| Net income (loss) per share, diluted |  | $ | 0.00 |  |  | $ | (0.11 | ) |  | $ | (0.00 | ) |  | $ | (0.22 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average common shares outstanding, basic |  |  | 182,991,354 |  |  |  | 20,993,944 |  |  |  | 166,287,771 |  |  |  | 13,108,972 |  |
| Weighted average common shares outstanding, diluted |  |  | 307,932,047 |  |  |  | 20,993,944 |  |  |  | 166,287,771 |  |  |  | 13,108,972 |  |

*The accompanying notes are an integral part of these unaudited condensed financial statements.*

3

**REMSLEEP HOLDINGS, INC.**

**CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT**

**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020**

**(UNAUDITED)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Series A Preferred Shares | |  |  | Series A Preferred Stock Amount | |  |  | Common Shares | |  |  | Common Stock Amount | |  |  | Common stock to be issued | |  |  | Additional Paid-in Capital | |  |  | Accumulated Deficit | |  |  | Total | |  |
| Balance, December 31, 2018 |  |  | 3,500,000 |  |  | $ | 105,000 |  |  |  | 4,315,894 |  |  | $ | 4,316 |  |  | $ | 228,604 |  |  | $ | 584,017 |  |  | $ | (1,502,022 | ) |  | $ | (580,085 | ) |
| Common stock issued for conversion of debt |  |  | - |  |  |  | - |  |  |  | 1,523,291 |  |  |  | 1,523 |  |  |  | - |  |  |  | 49,604 |  |  |  | - |  |  |  | 51,127 |  |
| Net loss |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (591,732 | ) |  |  | (591,732 | ) |
| Balance, March 31, 2019 |  |  | 3,500,000 |  |  |  | 105,000 |  |  |  | 5,839,185 |  |  |  | 5,839 |  |  |  | 228,604 |  |  |  | 633,621 |  |  |  | (2,093,754 | ) |  |  | (1,120,690 | ) |
| Common stock issued for services – related party |  |  | - |  |  |  | - |  |  |  | 50,000,000 |  |  |  | 50,000 |  |  |  | - |  |  |  | 1,950,000 |  |  |  | - |  |  |  | 2,000,000 |  |
| Preferred stock issued for services - related party |  |  | 500,000 |  |  |  | 20,000 |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 20,000 |  |
| Common stock issued for services |  |  | - |  |  |  | - |  |  |  | 1,309,260 |  |  |  | 1,309 |  |  |  | (228,604 | ) |  |  | 244,615 |  |  |  | - |  |  |  | 17,320 |  |
| Common stock issued for conversion of debt |  |  | - |  |  |  | - |  |  |  | 8,881,974 |  |  |  | 8,882 |  |  |  | - |  |  |  | 307,768 |  |  |  | - |  |  |  | 316,650 |  |
| Warrants issued with convertible debt |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 41,853 |  |  |  | - |  |  |  | 41,853 |  |
| Net loss |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  |  |  |  |  | (2,346,756 | ) |  |  | (2,346,756 | ) |
| Balance, June 30, 2019 |  |  | 4,000,000 |  |  | $ | 125,000 |  |  |  | 66,030,419 |  |  | $ | 66,030 |  |  | $ | - |  |  | $ | 3,177,857 |  |  | $ | (4,440,510 | ) |  | $ | (1,071,623 | ) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Series A Preferred Shares | |  |  | Series A Preferred Stock Amount | |  |  | Common Shares | |  |  | Common Stock Amount | |  |  | Additional Paid-in Capital | |  |  | Accumulated Deficit | |  |  | Total | |  |
| Balance, December 31, 2019 |  |  | 4,000,000 |  |  | $ | 125,000 |  |  |  | 116,269,466 |  |  | $ | 116,268 |  |  | $ | 4,139,395 |  |  | $ | (5,390,490 | ) |  | $ | (1,009,827 | ) |
| Common stock issued for conversion of debt |  |  | - |  |  |  | - |  |  |  | 19,741,098 |  |  |  | 19,741 |  |  |  | 278,991 |  |  |  | - |  |  |  | 298,732 |  |
| Warrants converted to common stock |  |  | - |  |  |  | - |  |  |  | 36,769,439 |  |  |  | 36,769 |  |  |  | (36,769 | ) |  |  | - |  |  |  | - |  |
| Warrant down round protection |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 3,349 |  |  |  | (3,349 | ) |  |  | - |  |
| Net loss |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (273,522 | ) |  |  | (273,522 | ) |
| Balance, March 31, 2020 |  |  | 4,000,000 |  |  |  | 125,000 |  |  |  | 172,780,003 |  |  |  | 172,778 |  |  |  | 4,384,966 |  |  |  | (5,667,361 | ) |  |  | (984,617 | ) |
| Common stock issued for cash |  |  | - |  |  |  | - |  |  |  | 15,000,000 |  |  |  | 15,000 |  |  |  | 60,000 |  |  |  | - |  |  |  | 75,000 |  |
| Warrants converted to common stock |  |  | - |  |  |  | - |  |  |  | 1,120,942 |  |  |  | 1,121 |  |  |  | (1,121 | ) |  |  | - |  |  |  | - |  |
| Net income |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 38,833 |  |  |  | 38,833 |  |
| Balance, June 30, 2020 |  |  | 4,000,000 |  |  | $ | 125,000 |  |  |  | 188,900,945 |  |  | $ | 188,899 |  |  | $ | 4,443,845 |  |  | $ | (5,628,528 | ) |  | $ | (870,784 | ) |

*The accompanying notes are an integral part of these unaudited condensed financial statements.*

4

**REMSLEEP HOLDINGS, INC.**

**CONDENSED STATEMENTS OF CASH FLOWS**

**(UNAUDITED)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | For the Six Months Ended  June 30, | | | | | |  |
|  |  | 2020 | |  |  | 2019 | |  |
| Cash Flows from Operating Activities: |  |  | |  |  |  | |  |
| Net loss |  | $ | (234,689 | ) |  | $ | (2,938,488 | ) |
| Adjustments to reconcile net loss to net cash used in operations: |  |  |  |  |  |  |  |  |
| Depreciation expense |  |  | 22,598 |  |  |  | 2,804 |  |
| Stock compensation expense |  |  | - |  |  |  | 17,320 |  |
| Stock compensation expense – related party |  |  | - |  |  |  | 2,020,000 |  |
| Change in fair value of derivative |  |  | (528,522 | ) |  |  | (376,191 | ) |
| Discount amortization |  |  | 273,439 |  |  |  | 102,059 |  |
| Loss on issuance of convertible debt |  |  | 216,322 |  |  |  | 1,051,207 |  |
| Changes in Operating Assets and Liabilities |  |  |  |  |  |  |  |  |
| Prepaid expenses |  |  | 7,909 |  |  |  | (3,914 | ) |
| Other asset |  |  | - |  |  |  | (10,000 | ) |
| Inventory |  |  | 5,600 |  |  |  | - |  |
| Accounts payable |  |  | (14,962 | ) |  |  | 359 |  |
| Accrued officer compensation |  |  | (1,000 | ) |  |  | 14,500 |  |
| Accrued interest |  |  | 9,889 |  |  |  | 10,845 |  |
| Accrued interest – related party |  |  | 11,230 |  |  |  | 11,107 |  |
| Net cash used in operating activities |  |  | (232,186 | ) |  |  | (98,395 | ) |
|  |  |  |  |  |  |  |  |  |
| Cash Flows from Investing Activities: |  |  |  |  |  |  |  |  |
| Purchase of equipment |  |  | (28,000 | ) |  |  | (26,927 | ) |
| Net Cash used in investing activities |  |  | (28,000 | ) |  |  | (26,927 | ) |
|  |  |  |  |  |  |  |  |  |
| Cash Flows from Financing Activities: |  |  |  |  |  |  |  |  |
| Repayment of loans |  |  | (1,648 | ) |  |  | (1,555 | ) |
| Proceeds from convertible notes payable |  |  | 280,000 |  |  |  | 292,000 |  |
| Repayment of convertible notes payable |  |  | (165,000 | ) |  |  | - |  |
| Common stock sold for cash |  |  | 75,000 |  |  |  | - |  |
| Net cash provided by financing activities |  |  | 188,352 |  |  |  | 290,445 |  |
|  |  |  |  |  |  |  |  |  |
| Net change in cash |  |  | (71,834 | ) |  |  | 165,123 |  |
| Cash at beginning of the period |  |  | 119,574 |  |  |  | 16,640 |  |
| Cash at end of the period |  | $ | 47,740 |  |  | $ | 181,763 |  |
|  |  |  |  |  |  |  |  |  |
| Supplemental cash flow information: |  |  |  |  |  |  |  |  |
| Interest paid in cash |  | $ | 314 |  |  | $ | - |  |
| Taxes paid |  | $ | - |  |  | $ | - |  |
| Supplemental non-cash disclosure: |  |  |  |  |  |  |  |  |
| Common stock issued for conversion of debt |  | $ | 82,233 |  |  | $ | 80,395 |  |

*The accompanying notes are an integral part of these unaudited condensed financial statements.*

5

**REMSLEEP HOLDINGS, INC.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**June 30, 2020**

**(Unaudited)**

**NOTE 1 - BACKGROUND**

*Business Activity*

REMSleep Holdings, Inc. (the “Company”) was incorporated in the State of Nevada on June 6, 2007. On January 5, 2015 the name of the Company was changed to REMSleep Holdings, Inc. and the business model was changed to reflect the new direction of the Company – to develop and distribute products to help people affected by sleep apnea. Effective January 1, 2015, we completed an exchange agreement to purchase 100% of the outstanding interests of REMSleep LLC in exchange for 50,000,000 common shares of REMSleep Holdings, Inc.’s stock, at which time REMSleep LLC became our wholly-owned subsidiary and adopted their business of developing and distributing our sleep apnea products. On January 5, 2015, we changed our name to REMSleep Holdings, Inc. to reflect our new business model.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

These unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). These financial statements and the notes attached hereto should be read in conjunction with the financial statements and notes included in the Company’s 10-K for its fiscal year ended December 31, 2019. In the opinion of the Company, all adjustments, including normal recurring adjustments necessary to present fairly the financial position of the Company, as of June 30, 2020 and the results of its operations and cash flows for the six months then ended have been included. The results of operations for the interim period are not necessarily indicative of the results for the full year ending December 31, 2020.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Fair Value of Financial Instruments*

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.  The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

|  |  |
| --- | --- |
| Level 1: | Quoted market prices available in active markets for identical assets or liabilities as of the reporting date. |
|  |  |
| Level 2: | Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. |
|  |  |
| Level 3: | Pricing inputs that are generally unobservable inputs and not corroborated by market data. |

The carrying amount of the Company’s financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments. The Company’s notes payable approximates the fair value of such instruments as the notes bear interest rates that are consistent with current market rates.

6

The following table classifies the Company’s liabilities measured at fair value on a recurring basis into the fair value hierarchy as of June 30, 2020:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Description |  | Level 1 | |  |  | Level 2 | |  |  | Level 3 | |  |  | Total Gains and (Losses) | |  |
| Derivative |  |  | - |  |  |  | - |  |  |  | 379,631 |  |  |  | 528,522 |  |
| Total |  | $ | - |  |  | $ | - |  |  | $ | 379,631 |  |  | $ | 528,522 |  |

December 31, 2019:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Description |  | Level 1 | |  |  | Level 2 | |  |  | Level 3 | |  |  | Total Gains and (Losses) | |  |
| Derivative |  |  | - |  |  |  | - |  |  |  | 626,831 |  |  |  | 445,318 |  |
| Total |  | $ | - |  |  | $ | - |  |  | $ | 626,831 |  |  | $ | 445,318 |  |

*Basic and Diluted Earnings Per Share*

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification.  Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period. The weighted average number of common shares outstanding and potentially outstanding common shares assumes that the Company incorporated as of the beginning of the first period presented.

As of June 30, 2020, the Company had approximately 105,966,667 of potentially dilutive shares of common stock from convertible debt and 18,974,026 potentially dilutive shares of common stock warrants The Company’s diluted loss per share is the same as the basic loss per share for all periods except for the three months ended June 30, 2020, as the inclusion of any potential shares would have had an anti-dilutive effect due to the Company generating a loss in those periods.

*Recently Adopted 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.

**NOTE 3 - GOING CONCERN**

The accompanying unaudited financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of $5,628,528 at June 30, 2020, had a net loss of $234,689 and net cash used in operating activities of $232,185 for the six months ended June 30, 2020. The Company’s ability to raise additional capital through the future issuances of common stock and/or debt financing is unknown. The obtainment of additional financing, the successful development of the Company’s contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. These conditions and the ability to successfully resolve these factors over the next twelve months raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

The Company is in the final stages of product development and plans to begin selling its product by 2021. The Company will continue to finance its operations through debt and/or equity financing as needed.

The industry in which we operate depends heavily upon our ability to obtain raw material and manufacture our product as well as the overall level of consumer and business spending. A sustained deterioration in general economic conditions (including distress in financial markets, turmoil in specific economies around the world, public health crises, and additional government intervention), particularly in the United States, may have a negative financial impact to our Company. Adverse conditions as a result of the global COVID-19 outbreak, will and may continue to impact our manufacturing processes and ultimately our ability to sell our product.

7

**NOTE 4 - PROPERTY & EQUIPMENT**

Long lived assets, including property and equipment and certain intangible assets to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows of the related assets are less than their carrying values. Measurement of an impairment loss is based on the fair value of the asset. Long-lived assets and certain identifiable intangibles to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Property and Equipment and intangible assets are first recorded at cost. Depreciation and/or amortization is computed using the straight-line method over the estimated useful lives of the various classes of assets as follows between three and five years.

Maintenance and repair expenses, as incurred, are charged to expense. Betterments and renewals are capitalized in plant and equipment accounts. Cost and accumulated depreciation applicable to items replaced or retired are eliminated from the related accounts with any gain or loss on the disposition included as income.

Assets stated at cost, less accumulated depreciation consisted of the following:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | June 30,  2020 | |  |  | December 31, 2019 | |  |
| Furniture/fixtures |  | $ | 14,904 |  |  | $ | 14,904 |  |
| Office equipment |  |  | 7,136 |  |  |  | 7,136 |  |
| Automobile |  |  | 16,979 |  |  |  | 16,963 |  |
| Tooling/Molds |  |  | 133,285 |  |  |  | 105,301 |  |
| Less: accumulated depreciation |  |  | (59,088 | ) |  |  | (36,490 | ) |
| Fixed assets, net |  | $ | 113,216 |  |  | $ | 107,814 |  |

*Depreciation expense*

Depreciation expense for the six months ended June 30, 2020 and 2019 was $22,598 and $2,804, respectively.

**NOTE 5 - LOANS PAYABLE**

On October 24, 2017, the Company was notified that a petition had been filed in the Iowa District Court for Polk County by a Mr. John M. Wesson for failure to repay a loan. Mr. Wesson had loaned the Company $30,000 and $20,000 on October 24, 2012 and June 12, 2013, respectively. The loans were to accrue interest at 5%. On April 26, 2018, the Company agreed to repay the loan in full including accrued interest and $5,000 for legal fees. As of June 30, 2020, there is $45,000 and $18,213 of principal and interest due on this loan. As of December 31, 2019, there was $45,000 and $17,901 of principal and interest due on this loan.

On March 23, 2018, the Company purchased an automobile. The purchase price was $16,963 The interest rate on the loan is 5.8% and matures on April 7, 2023. Payments on the loan, consisting of principal and interest, are $327 per month. As of June 30, 2020, the balance on this loan is $9,907.

8

**NOTE 6 - CONVERTIBLE NOTES**

The following table summarizes the convertible notes and related activity as of June 30, 2020:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Note Holder |  | Date |  | Maturity Date |  | Interest | |  |  | Balance December 31, 2019 | |  |  | Additions | |  |  | Conversions/  Repayments | |  |  | Balance June 30, 2020 | |  |
| Odyssey Capital Funding, LLC |  | 5/3/2019 |  | 5/3/2020 |  |  | 12 | % |  |  | 35,000 |  |  |  | - |  |  |  | (35,000 | ) |  |  | - |  |
| Armada Investment Fund LLC |  | 5/30/2019 |  | 2/29/2020 |  |  | 12 | % |  |  | 20,850 |  |  |  | - |  |  |  | (20,850 | ) |  |  | - |  |
| BHP Capital NY Inc. |  | 5/30/2019 |  | 2/29/2020 |  |  | 12 | % |  |  | 7,394 |  |  |  | - |  |  |  | (7,394 | ) |  |  | - |  |
| Jefferson Street Capital LLC |  | 5/30/2019 |  | 2/29/2020 |  |  | 12 | % |  |  | 13,750 |  |  |  | - |  |  |  | (13,750 | ) |  |  | - |  |
| Armada Investment Fund LLC |  | 10/4/2019 |  | 7/4/2020 |  |  | 12 | % |  |  | 55,000 |  |  |  | - |  |  |  | (55,000 | ) |  |  | - |  |
| BHP Capital NY Inc. |  | 10/4/2019 |  | 7/4/2020 |  |  | 12 | % |  |  | 55,000 |  |  |  | - |  |  |  | (55,000 | ) |  |  | - |  |
| Jefferson Street Capital LLC |  | 10/4/2019 |  | 7/4/2020 |  |  | 12 | % |  |  | 55,000 |  |  |  | - |  |  |  | (55,000 | ) |  |  | - |  |
| Power Up Lending Group LTD |  | 1/27/2020 |  | 1/27/2021 |  |  | 12 | % |  |  | - |  |  |  | 168,300 |  |  |  | - |  |  |  | 168,300 |  |
| Power Up Lending Group LTD |  | 3/2/2020 |  | 3/2/3021 |  |  | 12 | % |  |  | - |  |  |  | 80,300 |  |  |  | - |  |  |  | 80,300 |  |
| Power Up Lending Group LTD |  | 5/6/2020 |  | 5/6/2021 |  |  | 10 | % |  |  | - |  |  |  | 69,300 |  |  |  | - |  |  |  | 69,300 |  |
|  |  |  |  |  |  |  | Total |  |  | $ | 241,994 |  |  | $ | 317,900 |  |  | $ | (241,994 | ) |  | $ | 317,900 |  |
|  |  |  |  | Less debt discount | | | |  |  |  | (164,998 | ) |  |  |  |  |  |  |  |  |  |  | (209,458 | ) |
|  |  |  |  |  |  |  |  |  |  | $ | 76,996 |  |  |  |  |  |  |  |  |  |  | $ | 108,442 |  |

A summary of the activity of the derivative liability for the notes above is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Balance at December 31, 2018 |  |  | 96,110 |  |
| Increase to derivative due to new issuances |  |  | 1,955,295 |  |
| Decrease to derivative due to conversion |  |  | (979,290 | ) |
| Derivative loss due to mark to market adjustment |  |  | (445,284 | ) |
| Balance at December 31, 2019 |  | $ | 626,831 |  |
| Increase to derivative due to new issuances |  |  | 496,322 |  |
| Decrease to derivative due to conversion/repayments |  |  | (497,332 | ) |
| Derivative loss due to mark to market adjustment |  |  | (246,190 | ) |
| Balance at June 30, 2020 |  | $ | 379,631 |  |

A summary of quantitative information about significant unobservable inputs (Level 3 inputs) used in measuring the Company’s derivative liability that are categorized within Level 3 of the fair value hierarchy for the three months ended June 30, 2020 is as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Inputs |  | June 30,  2020 | |  |  | Initial  Valuation | |  |
| Stock price |  | $ | .0045 |  |  | $ | .0094 - .55 |  |
| Conversion price |  | $ | .003 |  |  | $ | .003 - .244 |  |
| Volatility (annual) |  |  | 274.8 - 289.5 | % |  |  | 261.04% - 410.61 | % |
| Risk-free rate |  |  | .16% - .18 | % |  |  | .89% - 2.58 | % |
| Dividend rate |  |  | - |  |  |  | - |  |
| Years to maturity |  |  | .58 - .85 |  |  |  | .75 - 1 |  |

A summary of quantitative information about significant unobservable inputs (Level 3 inputs) used in measuring the Company’s derivative liability that are categorized within Level 3 of the fair value hierarchy at the time of conversion is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Inputs |  |  |  |  |
| Stock price |  | $ | .0106 - .0296 |  |
| Conversion price |  | $ | .0034 - .0046 |  |
| Volatility (annual) |  |  | 312.5 - 363.9 |  |
| Risk-free rate |  |  | 1.54% - 1.56 | % |
| Dividend rate |  |  | - |  |
| Years to maturity |  |  | .13 - .35 |  |

The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations ar1e the responsibility of the Company’s management

9

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The Company has received support from parties related through common ownership and directorship. These loans are unsecured, and due on demand. As of June 30, 2020 and December 31, 2019, the balance due on these loans is $179,191 and $179,191, respectively. Beginning on January 1, 2019, the balance due accrues interest at 12.5%. As of June 30, 2020, total accrued interest is $33,629.

The Company executed a new employment agreement with Mr. Wood on April 1, 2019. Per the terms of the agreement Mr. Wood is to be compensated $4,000 per month. The agreement expired on April 1, 2020 and has been renewed for another year.

The Company executed an employment agreement with its Chairman, Russell Bird, on January 1, 2019. Per the terms of the agreement, which is effective for one year, Mr. Bird is to be compensated $3,000 per month. As of June 30, 2020, there is $14,000 of accrued compensation due to Mr. Bird. Mr. Bird’s employment agreement has been renewed in 2020.

**NOTE 8 - COMMON STOCK**

During the six months ended June 30, 2020, Armada Capital Partners LLC converted $20,850 and $110 of principal and interest, respectively, into 5,202,346 shares of common stock.

During the six months ended June 30, 2020, BHP Capital NY Inc converted $7,394 and $35 of principal and interest, respectively, into 1,919,620 shares of common stock.

During the six months ended June 30, 2020, Jefferson Street Capital LLC converted $13,750 of principal and $2,205 of interest, respectively, into 3,989,090 shares of common stock.

During the six months ended June 30, 2020, Odyssey Capital Funding LLC converted $35,000 of principal and $2,890 of interest, respectively, into 8,630,042 shares of common stock.

During the six months ended June 30, 2020, 37,890,381 shares of common stock were issued in conversion of 50,262,343 warrants.

During the six months ended June 30, 2020, the Company sold 15,000,000 shares of common stock pursuant to the terms of its Form 1-A, Regulation A Offering Statement, for total cash proceeds of $75,000. On July 27,2020, the Company filed a Form 1- and withdrew its Offering Statement on Form 1-A originally qualified on December 16, 2019 and the Post-Qualification Amendment to such Form 1-A qualified on March 31, 2020.

**NOTE 9 - PREFERRED STOCK**

The Company is currently authorized to issue 5,000,000 shares of Series A Preferred Stock, par value $0.001 per share value with 1:25 voting rights. The Series A Preferred Stock ranks equal to the common stock on liquidation, pays no dividend and is convertible to common stock for one share of common for one share of Series A Preferred Stock.

The Company is currently authorized to issue 5,000,000 shares of Series B Preferred Stock, par value $0.001 per share. Each share of Series B Preferred Stock has a 1:100 voting right and is convertible into 100 shares of common stock. No dividends will be paid and in the event of liquidation all shares of Series B will automatically convert into common stock. There are no shares of Series B Preferred Stock issued and outstanding.

The Company is currently authorized to issue 5,000,000 shares of Series C Preferred Stock, par value $0.001 per share value. Each share of Series C Preferred Stock has a 1:50 voting right and is convertible into 50 shares of common stock. No dividends will be paid and in the event of liquidation all shares of Series C will automatically convert into common stock. There are no shares of Series C Preferred Stock issued and outstanding.

10

**NOTE 10 - WARRANTS**

On May 30, 2019, the Company issued 1,500,000 warrants in conjunction with convertible debt. The warrants are exercisable for 3 years at $.10 per share. The warrants were evaluated for purposes of classification between liability and equity. The warrants do not contain features that would require a liability classification and are therefore considered equity. The Black Scholes pricing model was used to estimate the fair value of the Warrants issued with the following inputs:

Using the fair value calculation, the relative fair value between the debt issued and the warrants was calculated to determine the warrants recorded equity amount of $41,853, accounted for in additional paid in capital.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Warrants |  |  | 1,500,000 |  |
| Share price |  | $ | 0.045 |  |
| Exercise Price |  | $ | 0.07 |  |
| Term |  |  | 3 years |  |
| Volatility |  |  | 406 | % |
| Risk Free Interest Rate |  |  | 2.0 | % |
| Dividend rate |  |  | - |  |

On October 4, 2019, the Company issued 1,500,000 warrants in conjunction with convertible debt. The warrants are exercisable for 3 years at $0.10 per share. The warrants were evaluated for purposes of classification between liability and equity. The warrants do not contain features that would require a liability classification and are therefore considered equity. The Black Scholes pricing model was used to estimate the fair value of the Warrants issued with the following inputs:

Using the fair value calculation, the relative fair value between the debt issued and the warrants was calculated to determine the warrants recorded equity amount of $36,606, accounted for in additional paid in capital.

The Black Scholes pricing model was used to estimate the fair value of the Warrants issued with the following inputs:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Warrants |  |  | 1,500,000 |  |
| Share price |  | $ | 0.0245 |  |
| Exercise Price |  | $ | 0.10 |  |
| Term |  |  | 3 years |  |
| Volatility |  |  | 356.53 | % |
| Risk Free Interest Rate |  |  | 1.35 | % |
| Dividend rate |  |  | - |  |

On January 22, 2020, the Company issued 63,236,369 additional warrants as part of the down round protection provisions. The adjusted exercise price was $0.00385. The warrants were evaluated for purposes of classification between liability and equity. The warrants do not contain features that would require a liability classification and are therefore considered equity.

The Black Scholes pricing model was used to estimate the fair value of the Warrants issued with the following inputs:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Warrants |  |  | 63,236,369 |  |
| Share price |  | $ | 0.0249 |  |
| Exercise Price |  | $ | 0.00385 |  |
| Term |  |  | 2.35 - 2.70 years |  |
| Volatility |  |  | 392.73 - 410.10 | % |
| Risk Free Interest Rate |  |  | 1.52 - 1.53 | % |
| Dividend rate |  |  | - |  |

11

A summary of the status of the Company’s outstanding stock warrants and changes during the year is presented below:

Activity for the six months ended June 30, 2020 is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Number of Warrants | |  |  | Weighted Average Exercise Price | |  |  | Weighted Average Remaining Contract Term | |  |  | Aggregate Intrinsic Value | |  |
| Outstanding at December 31, 2018 |  |  | - |  |  | $ | - |  |  |  | - |  |  |  |  |  |
| Granted |  |  | 3,000,000 |  |  |  | 0.07 |  |  |  | 2.59 |  |  |  |  |  |
| Expired |  |  | - |  |  |  | - |  |  |  | - |  |  |  |  |  |
| Exercised |  |  | - |  |  |  | - |  |  |  | - |  |  |  |  |  |
| Outstanding at December 31, 2019 |  |  | 3,000,000 |  |  |  | 0.07 |  |  |  | 2.59 |  |  |  |  |  |
| Granted |  |  | 63,236,369 |  |  |  | 0.00385 |  |  |  | 2.56 |  |  |  |  |  |
| Expired |  |  | - |  |  |  | - |  |  |  | - |  |  |  |  |  |
| Exercised |  |  | (50,262,343 | ) |  |  | - |  |  |  | - |  |  |  |  |  |
| Exercisable at June 30, 2020 |  |  | 15,974,026 |  |  | $ | 0.00385 |  |  |  | 2.09 |  |  | $ | - |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Range of Exercise  Prices** | |  |  | **Number Outstanding 6/30/2020** | |  |  | **Weighted Average Remaining  Contractual Life** | |  |  | **Weighted Average  Exercise Price** | |  |
| $ | 0.00385 |  |  |  | 15,974,026 |  |  |  | 2.09 years |  |  | $ | 0.00385 |  |

The aggregate intrinsic value represents the total pretax intrinsic value, based on warrants with an exercise price less than the Company’s stock price as of June 30, 2020, which would have been received by the warrant holder had the warrant holder exercised their warrants as of that date.

**NOTE 11 - SUBSEQUENT EVENTS**

In accordance with SFAS 165 (ASC 855-10) management has performed an evaluation of subsequent events through the date that the financial statements were available to be issued and has determined that it does not have any material subsequent events to disclose in these financial statements other than the following.

Subsequent to June 30, 2020, PowerUp Lending converted $168,300 and $7,650 of principal and interest, respectively, into 55,231,855 shares of common stock. These conversations satisfied the convertible note payable dated January 27, 2020 in full.

On July 27,2020, the Company filed a Form 1-Z and withdrew its Offering Statement on Form 1-A originally qualified on December 16, 2019 and the Post-Qualification Amendment to such Form 1-A qualified on March 31, 2020.

12

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS.**

**Forward-looking Statements**

There are “forward-looking statements” contained in this quarterly report. All statements that express expectations, estimates, forecasts or projections are forward-looking statements. In addition, other written or oral statements which constitute forward-looking statements may be made by us or on our behalf. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” “project,” “forecast,” “may,” “should,” and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in or suggested by such forward-looking statements. We undertake no obligation to update or revise any of the forward-looking statements after the date of this quarterly report to conform forward-looking statements to actual results. Important factors on which such statements are based are assumptions concerning uncertainties, including but not limited to, uncertainties associated with the following:

|  |  |  |
| --- | --- | --- |
|  | ● | Inadequate capital and barriers to raising the additional capital or to obtaining the financing needed to implement our business plans; |

|  |  |  |
| --- | --- | --- |
|  | ● | Our failure to earn revenues or profits; |

|  |  |  |
| --- | --- | --- |
|  | ● | Inadequate capital to continue business; |

|  |  |  |
| --- | --- | --- |
|  | ● | Volatility or decline of our stock price; |

|  |  |  |
| --- | --- | --- |
|  | ● | Potential fluctuation in quarterly results; |

|  |  |  |
| --- | --- | --- |
|  | ● | Rapid and significant changes in markets; |

|  |  |  |
| --- | --- | --- |
|  | ● | Litigation with or legal claims and allegations by outside parties; and |

|  |  |  |
| --- | --- | --- |
|  | ● | Insufficient revenues to cover operating costs. |

The following discussion should be read in conjunction with the financial statements and the notes thereto which are included in this quarterly report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ substantially from those anticipated in any forward-looking statements included in this discussion as a result of various factors.

**Overview**

We were incorporated in the State of Nevada on June 6, 2007. On August 26, 2010, we changed our name from Bella Viaggio, Inc. to Kat Gold Holdings Corp. Effective January 1, 2015, we completed an exchange agreement to purchase 100% of the outstanding interests of RemSleep LLC in exchange for 50,000,000 shares of common stock of RemSleep Holdings, Inc. at which time RemSleep LLC became our wholly-owned subsidiary and we adopted their business of developing and distributing sleep apnea products. On January 5, 2015, we changed our name to REMSleep Holdings, Inc. to reflect our new business model.

Our officers have 35 years of sleep-industry experience, including having been employed at sleep industry companies. Our officers invented our DeltaWave CPAP interface (the “DeltaWave”) as an innovative new device to treat patients with sleep apnea. The patent-pending DeltaWave product is a nasal-pillows type interface that will result in better comfort and, therefore, better compliance since it was specifically designed with unique airflow characteristics to enable patients with sleep apnea to breathe normally. A survey that appeared in DME Business found that 89% of patients stated that mask-interface comfort was their primary concern. The primary issue that we have addressed with the DeltaWave is the “work of breathing” component. We believe that our DeltaWave is designed to effectively address the stubborn issues that continue to affect a patient’s ability to comply with treatment, as follows:

|  |  |  |
| --- | --- | --- |
|  | ● | Does not disrupt normal breathing mechanics; |

|  |  |  |
| --- | --- | --- |
|  | ● | Is not claustrophobic; |

|  |  |  |
| --- | --- | --- |
|  | ● | Causes zero work of breathing (WOB); |

|  |  |  |
| --- | --- | --- |
|  | ● | Minimizes or eliminates drying of the sinuses; |

|  |  |  |
| --- | --- | --- |
|  | ● | Uses less driving pressure; and |

|  |  |  |
| --- | --- | --- |
|  | ● | Allows users to feel safe and secure while sleeping. |

13

Pending adequate financing, we plan to conduct clinical trials to test product effectiveness.

On June 28, 2016, we applied for a patent for a new, innovative sleep apnea product that serves as an interface for the delivery of CPAP therapy and other respiratory needs. Our goal is to develop sleep products that achieve optimum compliance and comfort for CPAP patients.

Our website is located at: http://www.remsleeptech.com. The contents of our website are not incorporated by reference into this report.

On January 30, 2020, the World Health Organization declared the COVID-19 (coronavirus) outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The virus and actions taken to mitigate its spread have had and are expected to continue to have a broad adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Company operates. The Company continues to execute its business plan. At the present time, the Company can not predict the full impact of the COVID-19 virus on its business. Our projections on spending, product development and milestone achievements are likely to be further revised as new information is obtained.

**Results of Operations**

***The three months ended June 30, 2020 compared to the three months ended June 30, 2019***

We have not generated revenue in the three months ended June 30, 2020 and 2019.

Professional fees were $12,000 compared to $9,900 for the three months ended June 30, 2020 and 2019, respectively, an increase of $2,100, or 21.2%. Professional fees consist mostly of accounting, audit and legal fees.

Consulting expense was $0 compared to $17,720 for the three months ended June 30, 2020 and 2019, respectively, a decrease of $17,720. In the prior period we had a hired a consultant for investor relation and related services. We are no longer using those services in the current period.

Compensation expense was $21,000 and $2,044,000 for the three months ended June 30, 2020 and 2019, respectively, an increase of $2,023,000. During the prior period we issued stock to our CEO and Chairman for total non-cash expense of $2,020,000.

General and administrative expense was $81,475 and $17,759 for the three months ended June 30, 2020 and 2019, respectively, an increase of $63,716, or 358.%. The increase in the current period can be largely attributed to an increase in depreciation of $10,079, development expense of $31,294 and web design expense of $6,000, all related to increased efforts to fully develop our product and bring it to market. We also had an increase in investor relation expense of $17,500, for assistance with our Offering Statement.

Total other income for the three months ended June 30, 2020, was $153,308. Other income includes $127,700 of debt discount amortization, a gain in the change of fair value of $375,647, a loss on the issuance of convertible debt of $29,957, an early payment penalty of $49,162 (expenses related to our convertible debt) and interest expense of $15,520. In the prior period we had total other expense of $257,377 which included $58,106 of debt discount amortization, a loss on the issuance of convertible debt of $925,498, a gain in the change of fair value of $737,905 and $11,678 of interest expense.

*Net Loss*

For the three months ended June 30, 2020, we had net income of $38,833 as compared to a net loss of $2,346,756 for the three months ended June 30, 2019. Our large net loss in the prior period was mainly due to the stock compensation expense discussed above. In the current period we had net income as a result of the gain in the change of the value of our derivatives.

***The six months ended June 30, 2020 compared to the six months ended June 30, 2019***

We have not generated revenue in the six months ended June 30, 2020 and 2019.

Professional fees were $21,725 compared to $25,400 for the six months ended June 30, 2020 and 2019, respectively, a decrease of $3,675, or 14,5%. Professional fees consist mostly of accounting, audit and legal fees.

Consulting expense was $0 compared to $17,720 for the six months ended June 30, 2020 and 2019, respectively, a decrease of $17,720. In the prior period we had a hired a consultant for investor relation and related services. We are no longer using those services in the current period.

Compensation expense was $42,000 and $2,062,000 for the six months ended June 30, 2020 and 2019, respectively, an increase of $2,020,000. During the prior period we issued stock to our CEO and Chairman for total non-cash expense of $2,020,000.

14

General and administrative expense was $130,142 and $34,128 for the six months ended June 30, 2020 and 2019, respectively, an increase of $96,017, or 281.3%. The increase in the current period can be largely attributed to an increase in depreciation of $19,794, development expense of $38,823, web design expense of $10,800, all related to increased efforts to fully develop our product and bring it to market. We also had an increase in investor relation expense of $20,390, for assistance with our Offering Statement.

Total other expense for the six months ended June 30, 2020, was $40,822. Other expense includes $273,440 of debt discount amortization, a gain in the change of fair value of $528,522, a loss on the issuance of convertible debt of $216,322, an early payment penalty of $49,162 (expenses related to our convertible debt) and interest expense of $30,420. In the prior period we had total other expense of $799,240 which included $102,059 of debt discount amortization, a loss on the issuance of convertible debt of $1,051,207, a gain in the change of fair value of $376,191 and $22,165 of interest expense.

*Net Loss*

For the six months ended June 30, 2020, we had a net loss of $234,689 as compared to a net loss of $2,938,488 for the six months ended June 30, 2019. Our large net loss in the prior period was mainly due to the stock compensation expense discussed above.

**Liquidity and Capital Resources**

*Cash flow from operations*

Cash used in operating activities for the six months ended June 30, 2020 was $232,186 as compared to $98,395 of cash used in operating activities for the six months ended June 30, 2019.

*Cash Flows from Investing*

Cash used in investing activities for the purchase of equipment and tooling for the six months ended June 30, 2020 was $28,000 as compared to $26,927 of cash used in investing activities for the six months ended June 30, 2019.

*Cash Flows from Financing*

For the six months ended June 30, 2020, we received $280,000 from the issuance of convertible debt and repaid other convertible debt of $165,000. We also repaid $1,648 on our auto loan and received $75,000 from the sale of common stock. For the six months ended June 30, 2019, we received $292,000 from convertible debt loans and repaid $1,555 on our auto loan.

As of June 30, 2020, we owe $317,900 to Power Up Lending Group LTD, $168,300 of which was converted into common stock subsequent to June 30, 2020.

**Going Concern**

As of June 30, 2020, there is substantial doubt regarding our ability to continue as a going concern as we have not generated sufficient cash flow to fund our proposed business.

We have suffered recurring losses from operations since our inception. In addition, we have yet to generate an internal cash flow from our business operations or successfully raised the financing required to develop our proposed business. As a result of these and other factors, our independent auditor has expressed substantial doubt about our ability to continue as a going concern. Our future success and viability, therefore, are dependent upon our ability to generate capital financing. The failure to generate sufficient revenues or raise additional capital may have a material and adverse effect upon us and our shareholders.

Management’s plans with regard to these matters encompass the following actions: (i) obtaining funding from new investors to alleviate our working capital deficiency, and (ii) implementing a plan to generate sales. Our continued existence is dependent upon our ability to resolve our liquidity problems and increase profitability in our current business operations. However, the outcome of management’s plans cannot be ascertained with any degree of certainty. Our financial statements do not include any adjustments that might result from the outcome of these risks and uncertainties.

The industry in which we operate depends heavily upon our ability to obtain raw material and manufacture our product as well as the overall level of consumer and business spending. A sustained deterioration in general economic conditions (including distress in financial markets, turmoil in specific economies around the world, public health crises, and additional government intervention), particularly in the United States, may have a negative financial impact to our Company. Adverse conditions as a result of the global COVID-19 outbreak, will and may continue to impact our manufacturing processes and ultimately our ability to sell our product.

15

**Off Balance Sheet Arrangements**

We have no 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 investors.

**Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.  Note 2 to the Financial Statements describes the significant accounting policies and methods used in the preparation of the Financial Statements. Estimates are used for, but not limited to, contingencies and taxes.  Actual results could differ materially from those estimates. The following critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Financial Statements.

We are subject to various loss contingencies arising in the ordinary course of business.  We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss in determining loss contingencies.  An estimated loss contingency is accrued when management concludes that it is probable that an asset has been impaired, or a liability has been incurred and the amount of the loss can be reasonably estimated.  We regularly evaluate current information available to us to determine whether such accruals should be adjusted.

We recognize deferred tax assets (future tax benefits) and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities.  The deferred tax assets and liabilities represent the expected future tax return consequences of those differences, which are expected to be either deductible or taxable when the assets and liabilities are recovered or settled.  Future tax benefits have been fully offset by a 100% valuation allowance as management is unable to determine that it is more likely than not that this deferred tax asset will be realized.

**Recent Accounting Pronouncements**

We have reviewed other recently issued accounting pronouncements and plan to adopt those that are applicable to us. We do not expect the adoption of any other pronouncements to have an impact on our results of operations or financial position.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and, as such, are not required to provide the information under this Item.

**ITEM 4. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures*

Each of our principal executive and principal financial officer has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a - 15(e) and 15d - 15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this quarterly report. Based on their evaluation, each such person concluded that our disclosure controls and procedures were not effective as of June 30, 2020 due to a lack of segregation of duties.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs.

*Changes in Internal Control over Financial Reporting.*

Our management has evaluated whether any change in our internal control over financial reporting occurred during the last fiscal quarter. Based on that evaluation, management concluded that there has been no change in our internal control over financial reporting during the relevant period that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

16

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None

**ITEM 1A. RISK FACTORS**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and, as such, are not required to provide the information under this Item.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the six months ended June 30, 2020, Armada Capital Partners LLC converted $20,850 and $110 of principal and interest, respectively, into 5,202,346 shares of common stock.

During the six months ended June 30, 2020, BHP Capital NY Inc converted $7,394 and $35 of principal and interest, respectively, into 1,919,620 shares of common stock.

During the six months ended June 30, 2020, Jefferson Street Capital LLC converted $13,750 of principal and $2,205 of interest, respectively, into 3,989,090 shares of common stock.

During the six months ended June 30, 2020, Odyssey Capital Funding LLC converted $35,000 of principal and $2,890 of interest, respectively, into 8,630,042 shares of common stock.

During the six months ended June 30, 2020, 36,769,439 shares of common stock were issued in conversion of 50,262,343 warrants.

For each of the above-referenced issuances, the Company relied upon the exemption from the registration requirements of the Securities Act of 1933, as amended, provided by Section 4(a)(2) promulgated thereunder due to the fact that each was an isolated issuance to an accredited investor and did not involve a public offering of securities.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

**ITEM 5. OTHER INFORMATION**

None

17

**ITEM 6. EXHIBITS**

(a) Documents furnished as exhibits hereto:

|  |  |  |
| --- | --- | --- |
| **Exhibit No.** |  | **Description** |
|  |  |  |
| 31.1 |  | [Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](f10q0620ex31-1_remsleep.htm) |
| 32.1 |  | [Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](f10q0620ex32-1_remsleep.htm) |
| 101.INS |  | XBRL Instance Document |
| 101.SCH |  | XBRL Taxonomy Extension Schema Document |
| 101.CAL |  | XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF |  | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB |  | XBRL Taxonomy Label Linkbase Document |
| 101.PRE |  | XBRL Taxonomy Presentation Linkbase Document |

18

**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.

|  |  |  |
| --- | --- | --- |
|  | **REMSLEEP HOLDINGS, INC.** | |
|  |  |  |
| Date: August 12, 2020 | By: | */s/ Thomas J. Wood* |
|  |  | Thomas J. Wood |
|  |  | Chief Executive Officer and Director (Principal Executive Officer)  (Principal Financial and Accounting Officer) |

19