

**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 **September 30, 2018**

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 **001-10346**



**GALENFEHA, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**46-2283393**

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

**420 Throckmorton Street, Suite 200**

**Fort Worth, Texas 76102**

(Address of principal executive offices) (Zip code)

**(800) 280-2404**

(Registrant's telephone number, including area code)

**N/A**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that 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 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 (section 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 the 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

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 7(a)(2)(B) of the Securities Act. [  ]

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

Yes [  ] No [X]

As of November 14, 2018, there were 72,300,000 shares of the registrant's common stock outstanding, each with a par value of \$0.001.

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**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018**

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**Galenfeha, Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
*(Unaudited)*

	<b>September 30, 2018</b> <b>(Successor)</b>	<b>December 31, 2017</b> <b>(Predecessor)</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 17,799	\$ 348
Accounts receivable	1,333,683	537,337
Due from related parties	19,000	12,000
Inventory asset	172,517	30,000
Marketable securities	134,615	-
Total current assets	<u>1,677,614</u>	<u>579,685</u>
Property and equipment, net of accumulated depreciation	841,571	887,340
Goodwill	212,279	-
<b>TOTAL ASSETS</b>	<u><u>\$ 2,731,464</u></u>	<u><u>\$ 1,467,025</u></u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY(DEFICIT)</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 438,752	\$ 237,613
Lines of credit payable	619,841	173,561
Note payable	375,759	482,983
Convertible notes payable	180,995	-
Short-term non-secured debt	334,467	404,509
Due to officer and related parties	208,367	36,867
Total current liabilities	<u>2,158,181</u>	<u>1,335,533</u>
Long term notes payable	338,953	471,924
Total liabilities	<u>2,497,134</u>	<u>1,807,457</u>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock		
Preferred A shares: Authorized: 20,000,000 shares, \$0.001 par value, 7,300,000 issued and outstanding	7,300	-
Preferred B shares: Authorized: 30,000,000 shares, \$0.001 Par value, 27,347,563 issued and outstanding	27,348	-
Common stock		
Authorized: 150,000,000 common shares, \$0.001 par value, 72,300,000 issued and outstanding	72,300	-
Additional paid-in capital	3,709,081	-
Member contributions (draws)	-	(70,040)
Accumulated deficit	(3,581,699)	(270,392)
Total stockholders' equity (deficit)	<u>234,330</u>	<u>(340,432)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u><u>\$ 2,731,464</u></u>	<u><u>\$ 1,467,025</u></u>

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

**Galenfeha, Inc.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(Unaudited)*

	Three Month Periods		Nine Month Periods		
	Three Months Ended September 30, 2018 (Successor)	Three Months Ended September 30, 2017 (Predecessor)	January 29, 2018- September 30, 2018 (Successor)	January 1, 2018- January 28, 2018 (Predecessor)	Nine Months Ended September 30, 2017 (Predecessor)
Revenues	\$ 1,109,667	\$ 582,560	\$ 2,439,608	\$ 412,416	\$ 1,260,277
Less: Cost of Sales	202,169	148,698	725,670	45,626	261,259
Operating Expenses:					
General and administrative	171,103	162,417	438,313	146,273	514,020
Payroll expenses	306,359	263,436	735,699	66,910	411,169
Professional fees	53,560	42,365	132,850	375	111,433
Depreciation and amortization expense	26,710	92,383	93,876	20,355	241,286
Total operating expenses	<u>557,732</u>	<u>560,601</u>	<u>1,400,738</u>	<u>233,913</u>	<u>1,277,908</u>
Income (Loss) from operations	349,766	(126,739)	313,200	132,877	(278,890)
Other (expense) income:					
Miscellaneous income	17,564	-	32,600	-	32,511
Rental income-related party	9,000	-	24,000	3,000	-
Realized gain (loss) on sale of investments	(15,648)	-	(13,321)	-	-
Unrealized gain (loss) on trading securities	(13,915)	-	(14,945)	-	-
Interest expense	(2,535)	(11,369)	(103,130)	(7,725)	(20,468)
Loss on derivative instruments	-	-	(105,284)	-	-
Total other (expense)	<u>(5,534)</u>	<u>(11,369)</u>	<u>(180,080)</u>	<u>(4,725)</u>	<u>12,043</u>
Net income (loss)	<u>\$ 344,232</u>	<u>\$ (138,108)</u>	<u>\$ 133,120</u>	<u>\$ 128,152</u>	<u>\$ (266,847)</u>
Net loss per share, basis and diluted	<u>\$ 0.00</u>		<u>\$ 0.00</u>		
Weighted average number of common shares outstanding, basic and diluted	<u>72,300,000</u>		<u>72,005,448</u>		

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

**Galenfeha, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited)*

	<b>January 29, 2018- September 30, 2018 (Successor)</b>	<b>January 1, 2018- January 28, 2018 (Predecessor)</b>	<b>Nine Months Ended September 30, 2017 (Predecessor)</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net income (loss )	\$ 133,120	\$ 128,152	\$ (266,847)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	93,876	20,355	241,286
Loss on derivative instruments	105,284	-	-
Amortization of debt discounts on convertible notes	31,920	-	-
Realized gains on investments	13,321	-	-
Unrealized losses on investments	14,945	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(516,754)	(284,592)	(416,784)
Accounts receivable from related party	(19,000)	17,000	-
Inventory	(142,517)	-	-
Accounts payable	33,053	78,565	232,465
<i>Net cash (used in) operating activities</i>	<u>(252,752)</u>	<u>(40,520)</u>	<u>(209,880)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Repurchase and cancellation of shares	(913)	-	-
Net purchases of marketable securities	(96,164)	-	-
Purchase of property and equipment	(16,610)	-	(215,397)
Cash assumed in acquisition of subsidiary	171,703	-	-
<i>Net cash (used in) investing activities</i>	<u>58,016</u>	<u>-</u>	<u>(215,397)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Proceeds from lines of credit	198,030	627,147	373,928
Payments on lines of credit	-	(378,897)	(237,340)
Proceeds from other loans payable	300,000	-	315,000
Payments on non-secured debt	(331,481)	-	-
Proceeds from notes payable	-	-	110,552
Payments on notes payable	(207,381)	(32,814)	(158,412)
Proceeds on liabilities due to officer and related parties	295,000	35,000	54,693
Payments on liabilities due to officer and related parties	(203,500)	(38,561)	(29,158)
Proceeds on convertible notes payable	180,000	-	-
Principal payments on convertible debenture contracts	(21,840)	-	-
Payments on margin loan	(18,455)	-	-
Member draws	-	-	(77,540)
<i>Net cash provided by financing activities</i>	<u>190,373</u>	<u>211,875</u>	<u>351,723</u>
INCREASE (DECREASE) IN CASH	(4,363)	171,355	(73,554)
<i>Cash at beginning of period</i>	22,162	348	88,321
<i>Cash at end of period</i>	<u>\$ 17,799</u>	<u>\$ 171,703</u>	<u>\$ 14,767</u>
<b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u></b>			
Cash paid for :			
Interest	\$ 95,405	\$ 7,725	\$ 20,468
Income Taxes	\$ -	\$ -	\$ -

## Non-Cash Transactions

Common stock issued for debt conversion	\$ 12,420	\$ -	\$ -
Derivative liability extinguished on conversion	\$ 55,938	\$ -	\$ -
Fixed assets purchased through accounts payable	\$ -	\$ 51,853	\$ -
Fixed assets purchased through notes payable	\$ -	\$ -	\$ 908,887

The accompanying notes are an integral part of these consolidated financial statements

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**Galenfeha, Inc.**  
**Notes to Unaudited Consolidated Financial Statements**  
**September 30, 2018**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at September 30, 2018, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. It is suggested that these unaudited interim financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2017 audited financial statements included in its Form 10-K filed with the Securities and Exchange Commission. The results of operations for the period ended September 30, 2018 and the same period last year are not necessarily indicative of the operating results for the full years.

On January 29, 2018, the Company acquired substantially all of the operating assets of Fleaux Solutions, LLC, a Louisiana Limited Liability Company (the "Acquisition") a Company with common officers and directors. There was no common majority ownership between the Company and Fleaux Solutions, LLC. Fleaux Solutions, LLC is engaged in the business of water, utility, and sewage construction. Upon the closing of the Acquisition, the Company received substantially all of the operating assets of Fleaux Solutions, LLC, consisting of cash on hand, inventory, accounts receivable, and fixed assets. There are common directors/officers of Fleaux Solutions, LLC with Galenfeha, Inc. and no common majority control.

The purchase price of the operating assets of Fleaux Solutions, LLC was a cash payment of \$1.00. In addition, the Company assumed \$2,149,749 of scheduled liabilities.

The Company accounted for its acquisition of the operating assets of Fleaux Solutions, LLC using the acquisition method of accounting. Fleaux Solutions cash on hand, inventories, accounts receivable, and fixed assets acquired and liabilities assumed were recorded based upon their estimated fair values as of the closing date of the Acquisition. The excess of purchase price over the value of the net assets acquired was recorded as goodwill. (See Note 4)

The basis of presentation is not consistent between the successor and predecessor entities and the financial statements are not presented on a comparable basis. As a result, the accompanying consolidated statements of operations, cash flows and comprehensive income (loss) are presented for two different reporting entities:

Successor — relates to the combined entities financial periods and balance sheets succeeding the Acquisition; and Predecessor — relates to the financial of Fleaux Solutions, LLC periods preceding the Acquisition (prior to January 29, 2018).

Unless otherwise indicated, the "Company" as used throughout the remainder of the notes, refers to both the Successor and Predecessor.

**NOTE 2 - GOING CONCERN**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has negative working capital, negative cash flows from operations and has an accumulated deficit. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to achieve a level of profitability. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****BASIS OF PRESENTATION**

The Financial Statements and related disclosures have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Financial Statements have been prepared using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ("GAAP") of the United States (See Note 2 regarding the assumption that the Company is a "going concern"). Certain prior period amounts have been reclassified to conform to current period presentation.

The accompanying financial statements have been presented on a comparative basis. For periods after the acquisition of Fleaux Solutions, LLC (see Note 4), the Company is referred to as the Successor and its results of operations combines the operations of Fleaux Solutions, LLC and those of Galenefeha, Inc. For periods prior to the acquisition of Fleaux Solutions, the Company is referred to as the Predecessor and its results of operations include only the Fleaux Solutions, LLC operations. A black line separates the Predecessor and Successor financial statements to highlight the lack of comparability between these two periods.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Fleaux Solutions, LLC. All significant inter-company accounts and transactions have been eliminated.

### 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 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. These estimates and assumptions also affect the reported amounts of revenues, costs, and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

### REVENUE RECOGNITION

Revenues are recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services, pursuant to the guidance provided by Accounting Standards Codification ("ASC") Topic 606.

Services revenues are generated from sub-contractor services provided to contractors for infrastructure water-line repair. The Company recognizes revenue for these services at a point in time as the customer receives and consumes the benefits of the service as they are being performed and the Company has a right to payment for performance completed to date. The Company recognizes revenue upon invoicing and completion of service for the contractor and recognizes expenses as incurred.

Successor: For the period from January 29, 2018 through September 30, 2018; \$1,900,271 or 78% of our total revenue came from one customer and \$479,691 or 20% came from one other customer.

Predecessor: For the period from January 1, 2018 through January 29, 2018; \$256,334 or 62% of our total revenue came from one customer and \$136,937 or 33% came from one other customer.

Predecessor- For the nine months ending September 30, 2017; \$468,840 or 37% of our total revenue came from one customer, \$347,622 or 28% came from one other customer and \$325,895 or 26% came from one other customer.

The following table presents our revenues disaggregated by revenue source.

	Three Month Periods		Nine Month Periods		
	Three Months Ended September 30, 2018 (Successor)	Three Months Ended September 30, 2017 (Predecessor)	January 29, 2018- September 30, 2018 (Successor)	January 1, 2018- January 28, 2018 (Predecessor)	Nine Months Ended September 30, 2017 (Predecessor)
<b>Pre and Post CCTV</b>	293,512	26,875	578,297	26,816	98,026
<b>Point Repairs</b>	9,223	88,436	51,074	-	88,436
<b>Manhole Rehabilitation</b>	123,542	122,316	327,265	256,300	251,938
<b>Service Lateral</b>	97,250	133,665	355,939	31,700	542,584
<b>Reconnect</b>					
<b>Cosmic Service Lateral</b>	586,140	211,268	1,127,033	97,600	279,293
<b>Lining</b>					

Pre and Post CCTV consists of cleaning wastewater lines.

Point Repairs consists of an excavator used to find a marked deviated in existing wastewater pipe and repairs and then made to the line.

Manhole Rehabilitation consists of lining the manhole interiors, internal sealing of the joint area, and reconstructing manhole benches and channels.

Service Lateral Reconnect consists of an excavator used to dig where a service needs reconnecting to the main pipe and the repairs are then made to that line.

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Cosmic Service Lateral Lining uses our exclusive material to robotically insert into an existing service line where UV light then cures the material creating a bonded connection between the mainline and the service line.

### CASH AND CASH EQUIVALENTS

All cash, other than held in escrow, is maintained with a major financial institution in the United States. Deposits with this bank may exceed the amount of insurance provided on such deposits. Temporary cash investments with an original maturity of three months or less are considered to be cash equivalents. Cash at September 30, 2018 (Successor) and December 31, 2017 (Predecessor) was \$17,799 and \$348, respectively.

### ACCOUNTS RECEIVABLE

Accounts receivable represents the uncollected portion of amounts recorded as revenues. Management performs periodic analyses to evaluate all outstanding accounts receivable to estimate an allowance for doubtful accounts that may not be collectible, based on the best facts available to management. Management considers historical collection patterns, accounts receivable aging trends and specific identification of disputed invoices in its analyses. After all reasonable attempts to collect a receivable have failed, the receivable is directly written off. As of September 30, 2018 (Successor) and December 31, 2017 (Predecessor), the balance of the allowance for doubtful accounts was \$0.

As of December 31, 2017; \$119,201 or 22% of our Accounts Receivable was from one customer and another \$359,474 or 67% was from another single customer. As of September 30, 2018; \$924,081 or 69% of our total accounts receivable was from one customer and another \$370,532 or 28% was from another single customer.

### GOODWILL

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the identifiable net assets acquired. In accordance with ASC 350, *Goodwill and Other Intangible Assets*, goodwill and other intangibles with indefinite useful lives are not amortized but tested for impairment annually or more frequently when events or circumstances indicates that the carrying value of a reporting unit more likely than not exceeds its fair value. The goodwill impairment test is applied by performing a qualitative assessment before calculating the fair value of the reporting unit. If, on the basis of qualitative factors, it is considered not more likely than not that the fair value of the reporting unit is less than the carrying amount, further testing of goodwill for impairment would not be required. Otherwise, goodwill impairment is tested using a two-step approach.

The first step involves comparing the fair value of a company's reporting units to their carrying amount. If the fair value of the reporting unit is determined to be greater than its carrying amount, there is no impairment. If the reporting unit's carrying amount is determined to be greater than the fair value, the second step must be completed to measure the amount of impairment, if any. The second step involves calculating the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit from the fair value of the reporting unit as determined in step one. The implied fair value of the goodwill in this step is compared to the carrying value of goodwill. If the implied fair value of the goodwill is less than the carrying value of the goodwill, an impairment loss equivalent to the difference is recorded. The Company performed a qualitative assessment and determined there was no impairment of goodwill recognized during 2018.

The Company recognizes an acquired intangible asset apart from goodwill whenever the intangible asset arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. Such intangibles are amortized over their useful lives. Impairment losses are recognized is the carrying amount of an intangible asset subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value.

### LONG-LIVED ASSETS

The Company's long-lived assets consisted of property and equipment and customer relationships and are reviewed for impairment in accordance with the guidance of the FASB Topic ASC 360, Property, Plant, and Equipment. The Company tests for impairment losses on long-lived assets used in operations whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Through September 30, 2018, the Company had not experienced impairment losses on its long-lived assets as management determined that there were no indicators that a carrying amount of the asset may not be recoverable.

### COST OF SALES

Cost of services mainly consisted of raw material costs, direct labor and certain overhead allocated costs. Costs are recognized when the related revenue is recorded.

### ADVERTISING EXPENSES

Advertising, promotional and selling expenses consisted of sales salaries, tap handles, media advertising costs, sales and marketing expenses, and promotional activity expenses and are recognized when incurred in the accompanying statement of operations.

#### GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consisted of office supplies, rent and utility expenses, meals, travel and entertainment expenses, and other general and administrative overhead costs. Expenses are recognized when incurred.

#### FAIR VALUE ACCOUNTING

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC 820, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company utilized level 3 inputs to estimate the fair value of its derivative instruments using the Black-Scholes Option Pricing Model. There were no outstanding assets or liabilities measured on a recurring basis at September 30, 2018 (Successor).

#### **NOTE 4 – ACQUISITION OF FLEAUX SOLUTIONS, LLC- RELATED PARTY**

On January 29, 2018, the Company acquired substantially all of the operating assets of Fleaux Solutions, LLC, a Louisiana Limited Liability Company (the "Acquisition"), a Company with common officers and directors. There was no common majority ownership between the Company and Fleaux Solutions, LLC. Fleaux Solutions, LLC is engaged in the business of water, utility, and sewage construction. Upon the closing of the Acquisition, the Company received substantially all of the operating assets of Fleaux Solutions, LLC, consisting of cash on hand, inventory, accounts receivable, and fixed assets. There are common directors/officers with Galenfeha, Inc. and no common "majority" control.

The purchase price of the operating assets of Fleaux Solutions, LLC was a cash payment of \$1.00. In addition, the Company assumed \$2,149,749 of scheduled liabilities.

The Company accounted for its acquisition of the operating assets of Fleaux Solutions, LLC using the acquisition method of accounting. Fleaux Solutions cash on hand, inventories, accountants receivable, and fixed assets acquired and liabilities assumed were recorded based upon their estimated fair values as of the closing date of the Acquisition. The excess of purchase price over the value of the net assets acquired was recorded as goodwill.

The following table summarizes the estimated fair values of the tangible and intangible assets acquired as of the date of acquisition:

Net Assets Acquired	<u>January 29, 2018</u>
Cash on hand	\$ 171,703
Inventories	30,000
Accounts receivable	816,929
Property and equipment	918,838
Assumption of scheduled liabilities	<u>(2,149,749)</u>
Goodwill	<u>\$ (212,279)</u>

Goodwill is the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets. In accordance with applicable accounting standards, goodwill is not amortized but instead is tested for impairment at least annually or more frequently if certain indicators are present. The Company performed a qualitative assessment and determined there was no impairment of goodwill.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, ranging from one to forty years. A summary is as follows:

	<b>September 30, 2018 (Successor)</b>	<b>December 31, 2017 (Predecessor)</b>
Manufacturing assets	\$ 354,278	\$ 285,815
Vehicles and trailers	271,686	271,686
Computer software	3,885	3,885
Capitalized leased equipment	598,119	598,119
	<u>1,227,968</u>	<u>1,159,505</u>
Less accumulated depreciation	<u>(386,397)</u>	<u>(272,165)</u>
Property and equipment, net	<u>\$ 841,571</u>	<u>\$ 887,340</u>

Depreciation expense related to property and equipment was \$93,876, \$20,355 and \$241,286 for the period January 29, 2018 through September 30, 2018 (Successor), January 1, 2018 through January 28, 2018 (Predecessor), and the nine months ended September 30, 2017 (Predecessor), respectively.

**NOTE 6 – INVESTMENTS**

Marketable securities are accounted for on a specific identification basis. As of September 30, 2018, the Company held \$134,615 of available for sale securities. Marketable securities were classified as current based on the percentage of the equity controlled by the Company as well as our intended use of the assets. The Company recognized unrealized losses of \$14,945 for the period from January 29, 2018 through September 30, 2018 (Successor). The Company recognized realized loss of \$13,321 for the period from January 29, 2018 through September 30, 2018 (Successor).

***Margin loans- (Predecessor)***

During the twelve months ended December 31, 2017, the Company raised a total of \$49,805 from margin loan associate with its brokerage account and repaid \$49,805 during the same period. As of December 31, 2017, the company has a \$0 balance in this margin loan account.

***Margin loans- (Successor)***

From January 29, 2018 through September 30, 2018, the Company raised a total of \$18,455 from margin loan associate with its brokerage account and repaid \$18,455 during the same period. As of September 30, 2018, the company has a \$0 balance in this margin loan account.

**NOTE 7 – NOTES PAYABLE AND CAPITAL LEASES**

The Company secured a line of credit with Gibsland Bank & Trust on March 22, 2017. The line of credit was secured with fixed assets financed. This line of credit was paid in full as of January 29, 2018.

The Company secured a line of credit (LOC #0221) of \$500,000 on January 29, 2018 which is payable on demand. The line of credit is secured by all present and future inventory, all present and future accounts receivable, other receivables, contract rights, instruments, documents, notes, and all other similar obligation and indebtedness that may now and in the future be owed to the Company, and all general intangibles. The loan is also secured by a personal guarantee executed by the members of Fleaux Solutions, LLC including Michael Trey Moore, Christopher Ryan Marlowe, Ray S. Moore, Jr., and Frank Neal Richard. The Company withdrew \$168,521 in funds from the line of credit on January 29, 2018 and paid loan origination and documentation of fees of \$2,540 to bring the total outstanding line of credit balance to \$171,061 on January 29, 2018. On January 31, 2018, the Company withdrew an additional \$250,000 in funds from the line of credit and made payments of \$100,000 on the line of credit bringing the balance due under the line of credit to \$321,061. On March 22, 2018, May 4, 2018 and September 25, 2018, the Company withdrew an additional \$60,000, \$50,000 and \$40,000, respectively, in funds from the line of credit bringing the balance due under the line of credit to \$471,061 as of September 30, 2018 (Successor).

The Company secured a second line of credit (LOC #0248) of \$150,000 on January 29, 2018 which is payable and due on February 1, 2019. The line of credit is secured by all present and future inventory, all present and future accounts receivable, other receivables, contract rights, instruments, documents, notes, and all other similar obligation and indebtedness that may now and in the future be owed to the Company, and all general intangibles. The interest rate under this loan is the "Prime Rate" designated in the "Money Rates" section of the Wall Street Journal (the "Index"). The index currently is 4.500% per annum. Interest on the unpaid principal balance of this line will be calculated using a rate of 1.000 percentage points over the Index, resulting in an initial rate of 5.500% per annum. The Company withdrew \$100,000 in funds from the line of credit on January 29, 2018 and paid loan origination and documentation of fees of \$750 to bring the total outstanding line of credit balance to \$100,750 on January 29, 2018. The Company withdrew an additional \$33,031 and \$15,000 from the line of credit on February 22, 2018 and March 2, 2018, respectively, bringing the total balance due under the line of credit to \$148,781 as of September 30, 2018 (Successor).

Additionally, both lines of credit are secured by deposit accounts held at the Grantor's institution which had cash balances of \$780 and \$0 as of September 30, 2018 (Successor) and December 31, 2017 (Predecessor), respectively.

During the nine months ended September 30, 2018 a shareholder advanced the Company \$300,000 on an unsecured, interest free basis which is due on demand. The Company repaid \$50,000 on these advances during the nine months ended September 30, 2018 bringing the balance to \$250,000.

#### ***Notes Payable (Predecessor)***

The Company assumed the debt of a loan payable executed between Fleaux Solutions, LLC and Gerald W. Norder on May 2, 2017. The proceeds received under the loan totaled \$197,500. The loan is unsecured and doesn't carry an interest rate but does charge the Company an initial loan fee of \$17,500, bringing the initial balance due under the loan to equal \$215,000. The Company made principal repayments of \$135,000 to this loan during the nine months ending September 30, 2018, bringing the total balance due of the loan to \$80,000 and \$215,000 as of September 30, 2018 and December 31, 2017, respectively.

The Company assumed the debt of a Payment Rights Purchase and Sale Agreement executed between Fleaux Solutions, LLC & Everest Business Funding on October 12, 2017. The proceeds received under the loan totaled \$200,000. This loan doesn't carry an interest rate but does charge the Company an initial loan fee of \$46,000. The loan is secured by credit card sales. Payments are drafted each business banking day from the Company's bank account in the amount of \$807 until the entire principal balance of \$246,000 is paid in full. The outstanding balance on this note was \$4,467 and \$189,509 as of September 30, 2018 and December 31, 2017, respectively.

The Company assumed the debt of a Cosmic Equipment loan in the amount of \$142,598 between Fleaux Solutions, LLC and Business First Bank. The loan has an interest rate of 5.50% payable in thirty-six payments of \$4,311 with the first payment due on January 20, 2018 and the final payment due December 20, 2020. This loan is secured with the 2016 Chevrolet DRW Express asset owned by the Company. The loan is also secured by a personal guarantee executed by the members of Fleaux Solutions, LLC including Michael Trey Moore, Christopher Ryan Marlowe, and Ray S. Moore, Jr. The outstanding balance on this loan was \$109,172 and \$142,598 as of September 30, 2018 and December 31, 2017.

The Company assumed the debt of a loan in the amount of \$65,000 between Fleaux Solutions, LLC and KDC Pipeline. The loan is unsecured, non-interest bearing, and payable on demand. The outstanding balance on this loan was \$65,000 as of September 30, 2018 and December 31, 2017.

The Company assumed the debt of two secured automobile loans of \$53,311 a piece relating to the purchase of two Chevrolet Trucks executed between Fleaux Solutions, LLC & General Motors Financial on March 29, 2017. Both notes carry an interest rate of 7.75%, payable in payments of \$928 for 72 months. The outstanding balance on each note was \$42,855 and \$47,918 as of September 30, 2018 and December 31, 2017, respectively.

The Company assumed the debt of a secured automobile loan in the amount of \$53,075 between Fleaux Solutions, LLC & TD Auto Finance executed on September 28, 2017. The note has an interest rate of 5.69%, payable in payments of \$1,021 for 60 months. The outstanding balance on this note was \$44,598 and \$50,864 as of September 30, 2018 and December 31, 2017, respectively.

The Company assumed the debt of a secured JET trailer loan in the amount of \$43,618 between Fleaux Solutions, LLC & Western Equipment Finance executed on May 4, 2017. The note has an interest rate of 0.00%, payable in payments of \$1,105 for 36 months, with \$3,838 payable in advance. The outstanding balance on this note was \$22,100 and \$32,045 as of September 30, 2018 and December 31, 2017, respectively.

The Company assumed the debt of a secured excavator equipment loan in the amount of \$66,788 between Fleaux Solutions, LLC & Takeuchi Financial Services executed on August 23, 2017. The note has an interest rate of 0.00%, payable in payments of \$1,113 for 60 months. The outstanding balance on this note was \$53,431 and \$63,449 as of September 30, 2018 and December 31, 2017, respectively.





***Obligations under Capital Leases (Predecessor)***

In October of 2016, the Predecessor entered into a lease agreement for the purchase of a 1997 Ford Van, used in the day to day operation of Fleaux Solutions, LLC. The lease is for 48 months and requires monthly payments of \$1,063, plus sales tax. The Predecessor paid an advance payment on the equipment lease of \$15,250. The lease is secured by the underlying leased asset. This arrangement was accounted for as a capital lease and capitalized the asset at \$63,487. As of September 30, 2018 and December 31, 2017, the outstanding balance under this capital lease was \$48,621 and \$50,523, respectively.

In October of 2016, the Predecessor entered into a lease agreement for the purchase of a 1998 Ford Van, used in the day to day operation of Fleaux Solutions, LLC. The lease is for 48 months and requires monthly payments of \$2,118, plus sales tax. The Predecessor paid an advance payment on the equipment lease of \$15,250. The lease is secured by the underlying leased asset. This arrangement was accounted for as a capital lease and capitalized the asset at \$124,702. As of September 30, 2018 and December 31, 2017, the outstanding balance under this capital lease was \$96,981 and \$106,376, respectively.

In February of 2017, the Predecessor entered into a lease agreement for the purchase of a 2001 Sterling Tractor Truck, used in the day to day operation of Fleaux Solutions, LLC. The lease is for 36 months and requires monthly payments of \$888, plus sales tax. The Predecessor paid an advance payment on the equipment lease of \$250. The lease is secured by the underlying leased asset. This arrangement was accounted for as a capital lease and capitalized the asset at \$35,134. As of September 30, 2018 and December 31, 2017, the outstanding balance under this capital lease was \$25,506 and \$28,758, respectively.

In February of 2017, the Predecessor entered into a lease agreement for the purchase of a 2014 Chevy Truck, used in the day to day operation of Fleaux Solutions, LLC. The lease is for 24 months and requires monthly payments of \$986, plus sales tax. The Predecessor paid an advance payment on the equipment lease of \$250. The lease is secured by the underlying leased asset. This arrangement was accounted for as a capital lease and capitalized the asset at \$28,258. As of September 30, 2018 and December 31, 2017, the outstanding balance under this capital lease was \$16,881 and \$21,571, respectively.

In March of 2017, the Predecessor entered into a lease agreement for the purchase of a 1997 Ford E350, used in the day to day operation of Fleaux Solutions, LLC. The lease is for 12 months and requires monthly payments of \$17,770, plus sales tax. The Predecessor paid an advance payment on the equipment lease of \$250. The lease is secured by the underlying leased asset. This arrangement was accounted for as a capital lease and capitalized the asset at \$240,433. As of September 30, 2018 and December 31, 2017, the outstanding balance under this capital lease was \$66,852 and \$205,977, respectively.

In March of 2017, the Predecessor entered into a lease agreement for the purchase of a Dozer, Excavator, Tractor, and Backhoe, used in the day to day operation of Fleaux Solutions, LLC. The lease is for 36 months and requires monthly payments of 2,645, plus sales tax. The Predecessor paid an advance payment on the equipment lease of \$3,190. The lease is secured by the underlying leased asset. This arrangement was accounted for as a capital lease and capitalized the asset at \$106,105. The equipment purchased under this capital lease was acquired from Osprey Oil & Gas, a related party Company with common ownership between the owners of Fleaux Solutions, LLC. As of September 30, 2018 and December 31, 2017, the outstanding balance under this capital lease was \$79,860 and \$91,909, respectively.

The current maturities and five year debt schedule for the notes is as follows and includes all lines of credit payable, notes payable, convertible notes payable, short-term non-secured debt and amounts due to officer and related parties:

<b>2018</b>	\$	1,399,179
<b>2019</b>		365,520
<b>2020</b>		203,792
<b>2021</b>		44,028
<b>2022 and thereafter</b>		45,863
<b>Total current notes payable</b>	<u>\$</u>	<u>2,058,382</u>

**NOTE 8 – CONVERTIBLE LOANS**

As of February 8, 2018, the Company had terminated and extinguished all of the convertible notes the Company entered into during the second and third quarters of 2017 prior to the acquisition of Fleaux Solutions, LLC. (see Note #10)

Prior to the Acquisition date of January 29, 2018, Galenfeha had the below unsecured convertible notes.

June 2017 Note

Effective June 8, 2017 the Company entered into a Convertible Promissory Note ("Power Up Note One") with Power Up Lending Group, Ltd. pursuant to which the Company issued Power Up Lending Group, Ltd. a convertible note in the amount of \$43,000. The maturity date is March 20, 2018.

On June 8, 2017 the Company received consideration of \$40,000. In addition, the Company paid legal fees of \$3,000 associated with the entering into this agreement and thus recognized a liability of \$43,000 associated with the Power Up Note One. The Company recognized a discount of \$3,000 on fees paid upon entering into this agreement. There were no additional borrowings under the Power Up Note One during the twelve months ended December 31, 2017 or nine months ending September 30, 2018. The Power Up Note carries an interest rate of 12% per annum from the Issue Date until the principal amount becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. Any amount of principal or interest on the Power Up Note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid. Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. Since no payments were made on this note on or before 180 days from the effective date of the note, accrued interest due was recorded in the amount of \$4,029 on December 10, 2017. Interest paid under the Power Up Note One totaled \$0 at December 31, 2017. The note was declared in default on November 20, 2017 with a default penalty of \$21,500 added onto the principal. The default penalty has been accounted for as interest expense as of December 31, 2017.

The Power Up Note provides Power Up Lending Group, Ltd. the right, to convert the outstanding balance (including accrued and unpaid interest) into shares of the Company's common stock at 60% of the lowest trade price in the 15 trading days previous to the conversion, additional discounts may apply in the case that conversion shares are not deliverable or if the shares are ineligible. Power Up Lending Group, Ltd. shall have the right to convert at any time during the period beginning on the date which is one hundred eighty days following the date of this Note and ending on the later of: (i) the Maturity Date and (ii) the date of payment of the Default Amount, each in respect of the remaining outstanding principal amount of this Note. As a result of the derivatives calculation (see Note 9) an additional discount of \$53,471 was recorded. On December 13, 2017, Power Up Lending converted \$8,000 of the Power Up Note One into a total of 740,741 shares of Common Stock at a fair value of \$0.0108 per share. On December 20, 2017, Power Up Lending converted \$13,000 of the Power Lending Note One into a total of 2,166,667 shares of Common Stock at a fair value of \$0.006 per share. On January 16, 2018, Power Up Lending converted \$15,000 of the Power Up Note One into a total of 2,500,000 shares of Common Stock at a fair value of \$0.006 per share. On January 29, 2018, Power Up Lending converted \$15,000 of the Power Lending Note One into a total of 1,923,077 shares of Common Stock at a fair value of \$0.0078 per share. On January 31, 2018, Power Up Lending converted \$12,240 of the Power Up Note One into a total of 1,569,231 shares of Common Stock at a fair value of \$0.0078 per share. On February 5, 2018, Power Up Lending converted \$2,580 of the Power Lending Note One into a total of 492,308 shares of Common Stock at a fair value of \$0.0078 per share.

Amortization of the debt discount totaled \$47,351 for the nine months ended September 30, 2018 and \$17,149 for the twelve months ended December 31, 2017. The principal balance due under the Power Up Lending Note One was \$0 and \$43,500 at September 30, 2018 (Successor) and December 31, 2017, respectively.

#### July 2017 Note

Effective July 5, 2017 the Company entered into a Convertible Promissory Note ("Power Up Note Two") with Power Up Lending Group, Ltd. pursuant to which the Company issued Power Up Lending Group, Ltd. a convertible note in the amount of \$33,000. The maturity date is March 20, 2018.

On July 5, 2017 the Company received consideration of \$30,000. In addition, the Company paid legal fees of \$3,000 associated with the entering into this agreement and thus recognized a liability of \$33,000 associated with the Power Up Note Two. The Company recognized a discount of \$3,000 on fees paid upon entering into this agreement. There were no additional borrowings under the Power Up Note Two during the twelve months ended December 31, 2017 or nine months ended September 30, 2018. The Power Up Note Two carries an interest rate of 12% per annum from the Issue Date until the principal amount becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. Any amount of principal or interest on the Power Up Note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid. Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. The Company recognized accrued interest due under the Power Up Note Two totaling \$2,800.

The Power Up Note Two provides Power Up Lending Group, Ltd. the right, to convert the outstanding balance (including accrued and unpaid interest) into shares of the Company's common stock at 60% of the lowest trade price in the 15 trading days previous to the conversion, additional discounts may apply in the case that conversion shares are not deliverable or if the shares are ineligible. Power Up Lending Group, Ltd. shall have the right to convert at any time during the period beginning on the date which is one hundred eighty days following the date of this Note and ending on the later of: (i) the Maturity Date and (ii) the date of payment of the Default Amount, each in respect of the remaining outstanding principal amount of this Note. As a result of the derivatives calculation (see Note 8) an additional discount of \$27,200 was recorded. On February 5, 2018, Power Up Lending converted \$11,160 of the Power Lending Note One into a total of 1,430,769 shares of Common Stock at a fair value of \$0.0078 per share. On February 8, 2018, the Company paid Power Up Lending \$40,000 which extinguished any remaining balance due under the July 2017 note.



Amortization of the interest expense and costs associated with this note totaled \$28,976 for the nine months ended September 30, 2018 and \$4,024 for the twelve months ended December 31, 2017. The principal balance due under the Power Up Note Two was \$0 and \$33,000 at September 30, 2018 (Successor) and December 31, 2017, respectively.

### Third quarter 2018

On July 10, 2018, the company wrote a convertible promissory note for \$133,000, of which the company received proceeds of \$130,000. The note is due on July 10, 2019 with an interest rate of 12% per annum, and with a conversion option into common stock after 180 days following the date of funding. The conversion discount is 35% determined on the basis of the lowest closing bid price for the common stock during the prior ten trading day period. The original issuance discount of \$3,000 was recorded as a debt discount and is being amortized over the life of the note.

On August 22, 2018, the company wrote a convertible promissory note for \$53,000, of which the company received proceeds of \$50,000. The note is due on August 22, 2019 with an interest rate of 12% per annum, and with a conversion option into common stock after 180 days following the date of funding. The conversion discount is 35% determined on the basis of the lowest closing bid price for the common stock during the prior ten trading day period. The original issuance discount of \$3,000 was recorded as a debt discount and is being amortized over the life of the note.

The July and August 2018 notes were considered for derivative liability treatment. The Company concluded that no derivatives existed as of the issuance date or September 30, 2018.

Amortization of the costs associated with these Third Quarter 2018 notes totaled \$995 for the nine months ended September 30, 2018.

### **NOTE 9 – DERIVATIVE LIABILITY**

During the period from January 29, 2018 through September 30, 2018 (Successor), the Company identified conversion features embedded within its convertible debt. The Company has determined that the conversion feature of the Notes represents an embedded derivative since the Notes are convertible into a variable number of shares upon conversion. Accordingly, the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. Therefore, the fair value of the derivative instruments have been recorded as liabilities on the balance sheet with the corresponding amount recorded as discounts to the Notes. Such discounts will be accreted from the issuance date to the maturity date of the Notes. The change in the fair value of the derivative liabilities will be recorded in other income or expenses in the statement of operations at the end of each period, with the offset to the derivative liabilities on the balance sheet. The fair values of the embedded derivative liabilities were determined using the Black-Scholes valuation model on the issuance dates with the assumptions in the table below.

The change in fair value of the Company's derivative liabilities for the period from January 29, 2018 through September 30, 2018 is as follows:

January 29, 2018	\$ 49,346
Derivative liability extinguished on conversion	(55,938)
Loss on change in fair value of derivative	105,284
September 30, 2018 (Successor)	<u>\$ -</u>

The gain (loss) on the change in fair value of derivative liabilities for the period from January 29, 2019 through September 30, 2018 and totaled \$(105,284).

The fair value at the issuance and re-measurement dates for the convertible debt treated as derivative liabilities are based upon the following estimates and assumptions made by management for the nine months ended September 30, 2018 and the year ended December 31, 2017:

Exercise prices	See Note 8
Expected dividends	0%
Expected volatility	87%-463%
Expected term	See Note 8
Discount rate	.29%-1.51%

### **NOTE 10 - SHAREHOLDERS' EQUITY**

#### *PREFERRED STOCK*

The authorized stock of the Company consists of 20,000,000 preferred A shares and 30,000,000 preferred B Shares with a par value of \$0.001.

As of September 30, 2018 and December 31, 2017; 7,300,000 shares of the Company's preferred stock Series A was issued and outstanding.

As of September 30, 2018 and December 31, 2017; 27,347,563 shares of the Company's preferred stock Series B was issued and outstanding.

#### *COMMON STOCK*

The authorized stock of the Company consists of 150,000,000 common shares with a par value of \$0.001. As of September 30, 2018 72,300,000 shares of the Company's common stock were issued and outstanding.

Prior to the Acquisition date of January 29, 2018, Galenfeha had issued the below shares during the period January 1, 2018 through January 29, 2018.

On January 16, 2018, Power Up Lending converted \$15,000 of the June 2017 Power Up Lending Note One into a total of 2,500,000 shares of Common Stock at a fair value of \$0.006 per share. See Note 8.

On January 29, 2018, Power Up Lending converted \$15,000 of the June 2017 Power Up Lending Note One into a total of 1,923,077 shares of Common Stock at a fair value of \$0.0078 per share. See Note 8.

The Company (Successor) issued the below shares during the period from January 29, 2018 through September 30, 2018.

On January 31, 2018, Power Up Lending converted \$12,240 of the June 2017 Power Up Lending Note One into a total of 1,569,231 shares of Common Stock at a fair value of \$0.0078 per share. See Note 8.

On February 5, 2018, Power Up Lending converted \$2,580 of the June 2017 Power Up Lending Note One into a total of 492,308 shares of Common Stock at a fair value of \$0.0078 per share. See Note 8.

On February 5, 2018, Power Up Lending converted \$11,160 of the July 2017 Power Up Lending Note One into a total of 1,430,769 shares of Common Stock at a fair value of \$0.0078 per share See Note 8.

On February 15, 2018, the Company bought back 22,793 shares of common stock through a brokerage account for a total price of \$913. These shares have been cancelled and are available to be issued.

#### **NOTE 11 - COMMITMENTS AND CONTINGENCIES**

The Company assumed two lease agreements with respect to the acquisition of Fleaux Solutions, LLC for office/warehouse facilities and yard storage in Louisiana. The office/warehouse lease is for 36 months beginning August 1, 2017. The rent due under the office/warehouse facility lease is as follows:

August 2017 – January 2018 (Months One Through Six)	\$5,000 per month
February 2018 – July 2018 (Months Seven Through Twelve)	\$6,000 per month
August 2018 – January 2019 (Months Thirteen Through Eighteen)	\$7,000 per month
February 2019 – July 2020 (Months Nineteen Through Thirty-Six)	\$8,000 per month

The yard storage lease is \$1,000 per month or \$12,000 per year beginning on March 1, 2017. The terms of the yard storage lease are month to month.

The Company leases space in Fort Worth, Texas for corporate facilities for \$99 monthly or \$1,188 per year. The terms of this lease are month to month.

Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 21,000
2019	95,000
2020	56,000
2021	-
2022	-
	<u>\$ 172,000</u>

From time to time the Company may be a party to litigation matters involving claims against the Company. Management believes that there are no current matters that would have a material effect on the Company's financial position or results of operations.

#### **NOTE 12 – RELATED PARTY TRANSACTIONS**

On November 4, 2016, Mr. James Ketner, Galenfeha's Chairman and CEO made a cash contribution to the Company in the amount of \$100,000 in exchange for a note that has a fixed repayment of \$110,000. The note bears no interest, and can be repaid by the Company when the funds become available. The note can be renegotiated between Galenfeha and Mr. Ketner if both parties agree to the terms. Principal repayments made under the note for the twelve months ending December 31, 2017 totaled \$84,000, and the principal balance due under the note as of December 31, 2017 (Predecessor) was \$26,000. On January 29, 2018, Mr. Ketner advanced the Company an additional \$20,000 under the terms of this note for a fixed repayment of \$21,000, bringing the total balance due under the terms of this note to \$47,000 as of January 29, 2018. Principal repayments made under the note for the nine months ending September 30, 2018 totaled \$47,000, and the principal balance due under the note as of September 30, 2018 (Successor) was \$0.

On March 9, 2017, the Company entered into an agreement with Fleaux Services, LLC for the sale of the Company's Daylight Pumps division, which includes, but is not limited to, all inventory located at 9204 Linwood Avenue, Suite 104 and 105, Shreveport, LA 7116, as well as all usage rights for the name "Daylight Pump." The sale is for cash consideration of \$25,000, and Fleaux Services, LLC will assume the responsibility of a promissory note held by Kevin L. Wilson in the amount of \$350,000 and all accrued interest due since the date of issuance on August 23, 2016. The sale will include all future pump sales, future purchase orders resulting from previous negotiations, and all intellectual property related to Daylight Pumps. A gain on the sale of the Daylight Pumps division of \$52,291 was recognized as a capital transaction during 2017.

During the twelve months ending December 31, 2017 the Company received royalty payment of \$10,000 from Fleaux Services, LLC relating to the sale of Galenfeha-style batteries. The Company received \$15,000 in royalty income from Fleaux Services, LLC relating to the sale of Galenfeha-style batteries during the nine months ending September 30, 2018. Mr. Trey Moore is the President/CEO of Fleaux Services, and also is a Director of Galenfeha, Inc.

On August 4, 2017, David Leimbrook, the Chief Financial Officer of Fleaux Services, LLC, had 550,000 shares of common stock originally purchased in the open market transferred from common stock to preferred stock Series A.

On January 29, 2018, the CEO in a private transaction, sold 1,000,000 shares of preferred stock Series B to David Leimbrook, the Chief Financial Officer of Fleaux Services, LLC and an additional 2,000,000 shares of preferred stock Series B to Christopher Ryan Marlowe, the Chief Operating Officer of Fleaux Services, LLC and an affiliate of Fleaux Solutions, LLC. The private shares were sold for cash consideration of \$30,000.

On January 29, 2018, the Company entered into a Definitive Agreement to acquire Fleaux Solutions, LLC, a Company with common director and shareholders for a cash purchase of \$1.00. Fleaux Solutions at the time of acquisition was owned by Director Trey Moore, President/CEO of Fleaux Services, LLC, Christopher Ryan Marlowe, Chief Operating Officer of Fleaux Services, LLC, and Ray Moore Jr., brother of Trey Moore. (See Note 4)

The Company assumed a lease agreement executed on July 1, 2017 between Fleaux Solutions, LLC and Fleaux Services, LLC. The lease agreement provides for Fleaux Services, LLC to pay Fleaux Solutions, LLC rent income of \$2,000 per month commencing on July 1, 2017 and ending on June 30, 2018 (month to month after that) for use of equipment and supplies owned by Fleaux Solutions, LLC. In addition, the Company assumed a month to month lease agreement executed on February 23, 2017 by Fleaux Solutions for use of land in Louisiana for \$1,000 per month. This agreement has been subleased to Fleaux Services, LLC on a month to month basis. Fleaux Services, LLC paid the Company rental income of \$20,000 on January 2, 2018 relating to \$12,000 of rent owed from 2017 and \$8,000 as a prepayment towards rental income due for the nine months ending September 30, 2018. The remaining \$19,000 due under the lease agreement for the nine months ended September 30, 2018 is shown as a receivable, "Due from Related Parties." Mr. Trey Moore is the President/CEO of Fleaux Services, and also is a Director of Galenfeha, Inc.

From time to time, Trey Moore, Ray Moore Jr. and Christopher Ryan Marlowe, management and members of Fleaux Solutions, LLC will loan Fleaux Solutions, LLC money and/or pay for expenses with respect to Fleaux Solutions, LLC out of their personal funds and the Company will reimburse them for such. These loans don't carry an interest rate and are payable on demand. The total outstanding amount due to Trey Moore, Ray Moore Jr. and Christopher Ryan Marlowe was \$158,367 as of September 30, 2018.

During the nine months ending September 30, 2018 the Company received loan proceeds from Fleaux Services, LLC of \$170,000. During the same period \$120,000 was repaid leaving a balance of \$50,000 as of September 30, 2018. The loans are unsecured, due on demand and have no stated interest rate.

#### **NOTE 13 – UNCERTAIN TAX POSITIONS**

Prior to the Acquisition date of January 29, 2018, Galenfeha had the following uncertain tax positions:

The Company received a letter on May 17, 2016 from the Caddo-Shreveport Sales and Use Tax Commission informing them of a parish sales and use tax audit scheduled to begin on June 28, 2016. The audit period covered is January 1, 2013 through May 31, 2016. The audit is currently under way and no judgments or assessments have been issued. Management is of the opinion that this audit will not result in any material change in the Company's financial results.

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## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in this report and those in our Form 10-K filed with the Securities and Exchange Commission on March 26, 2018. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including but not limited to, those described under "Risk Factors" included in Part II, Item 1A of this report.*

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. It is suggested that these unaudited interim financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2017 audited financial statements included in its Form 10-K filed with the Securities and Exchange Commission. The results of operations for the period ended September 30, 2018 and the same period last year are not necessarily indicative of the operating results for the full years.

### Background Overview

Galenfeha was incorporated on March 14, 2013 in the state of Nevada. Our corporate office is located at 420 Throckmorton Street, Suite 200, Ft. Worth Texas 76102, and our telephone number is 1-817-945-6448. Our website is [www.galenfeha.com](http://www.galenfeha.com).

The company generates revenue by receiving royalties from products we developed, providing engineering, regulatory, and business consulting services across numerous disciplines, such as energy, aerospace, automotive, and medical, and by making investments in companies that our management team feels to be undervalued. With the recent acquisition of Fleaux Solutions, LLC, the company also generates revenues and earnings through government contracts.

A condensed version of our 2018 Statement of Work is as follows:

1. Acquire Private Companies with Positive Cash Flow
2. Explore investments both private and public (Ongoing)
3. Develop new technologies (Ongoing)
4. Formulate applications for new technologies
5. Commercialize new technology and products

Although information for this item is not required, the company chooses to provide the following disclosures:

**CAUTIONARY NOTE TO INVESTORS:** Investing in our securities, whether open market purchases or private transactions, comes with the high risk that you could lose your entire investment. Our independent registered public accountant has issued an audit opinion which includes a statement expressing substantial doubt as to our ability to continue as a going concern. We have a limited history of operations, and have to date incurred losses since the company's inception. We recently sold all divisions of our commercialized products, but retain royalties from some of these product lines.

For the year ending December 31, 2017, the company had limited revenues, and limited operations.

On January 21, 2017 Galenfeha entered into a non-binding Letter of Intent to purchase Additive Manufacturing, LLC for a cash purchase of \$14,000,000. This acquisition attempt was terminated during the second quarter of 2017.

On January 23, 2017, the Company announced on Form 8-K filed with the commission that the company entered into an agreement to sell its entire Daylight Pump inventory to SouthVestBDC, LLC for a cash selling price of \$400,000. A majority of the proceeds of this sale were to be used to repay a note secured by the pump inventory with Kevin L. Wilson on August 23, 2016 for \$350,000 plus accrued interest.

On March 9, 2017, the Company sold its entire Daylight Pump inventory to Fleaux Services, LLC. The sale was for a cash consideration of \$25,000 USD; and Fleaux Services, LLC will assume responsibility of a promissory note held by Kevin L. Wilson in the amount of \$350,000 and all accrued interest this note had accumulated since issuance on August 23, 2016.

In June and July of 2017, the Company entered into two Convertible Promissory Notes with Power Up Lending Group, Ltd. At the time of this report, both of these notes have been paid in full and extinguished, and there is no common stock remaining to be converted.

On January 29, 2018, the Company entered into a Definitive Agreement to acquire Fleaux Solutions, LLC for a cash purchase of \$1.00. On January 29, 2018, Galenfeha's President and CEO filed with the commission on Form 4, disclosing the sale of 3,000,000 shares of preferred Series B stock to an affiliate of Fleaux Solutions, LLC, and to an affiliate of Fleaux Services of Louisiana, LLC. These shares



will be moved into the Series A preferred stock. Series A votes 1:1; converts back to common 1:1; is not subject to splits in order to facilitate mergers, acquisitions, or meeting the requirements of a listed exchange; and cannot be converted back to common for resale in the open market until a 30 day VWAP of \$3.50 per share has been met in Galenfeha's public trading market. All future sales of company securities by affiliates will adhere to rules and regulations of the Commission.

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On February 1, 2018; the Company announced that the Fleaux Solutions Division secured a \$650,000 bank line of credit, as well as an additional \$500,000 from a private investor. Fleaux Solutions is engaged in the business of sewer rehabilitation with local government and municipality contracts.

On May 1, 2018, the Company signed a letter of intent to acquire all of the membership interest in Fleaux Services of Louisiana, LLC, a leading oil and gas measurement company, for \$18,000,000. The acquisition is contingent on Galenfeha's ability to raise the funds, and the Company has engaged Wall Street firm Paulson Investment Company, LLC as the lead placement agent for financing the transaction. The Company was unable to secure funding for this transaction in the proscribed amount of time, and therefore this transaction is no longer pending.

On May 3, 2018, the Company's President and CEO, Mr. James Ketner, resigned his position as President and CEO.

On May 3, 2018, Mr. Trey Moore assumed the position of President/CEO of Galenfeha, Inc.

On May 3, 2018, the Company decided to eliminate the preferred stock structure in order to make the Company's capital structure less complicated for potential investors funding the Fleaux Services transaction. All preferred shares will move 1:1 into the common. After further review, the company changed its position on this move, and will keep all preferred stock in place until otherwise disclosed.

On July 10, 2018, the company wrote a convertible promissory note for \$133,000, of which the company received proceeds of \$130,000. The note is due on July 10, 2019 with an interest rate of 12% per annum, and with a conversion option into common stock after 180 days following the date of funding. The conversion discount is 35% determined on the basis of the lowest closing bid price for the common stock during the prior ten trading day period. The original issuance discount of \$3,000 was recorded as a debt discount and is being amortized over the life of the note.

On August 22, 2018, the company wrote a convertible promissory note for \$53,000, of which the company received proceeds of \$50,000. The note is due on August 22, 2019 with an interest rate of 12% per annum, and with a conversion option into common stock after 180 days following the date of funding. The conversion discount is 35% determined on the basis of the lowest closing bid price for the common stock during the prior ten trading day period. The original issuance discount of \$3,000 was recorded as a debt discount and is being amortized over the life of the note.

## **Liquidity**

### Assets

At September 30, 2018 (Successor), we had total assets of \$2,731,464, of which \$17,799 was in cash.

The following discussion represents a comparison of our results of operations for the three months ended September 30, 2018 and 2017. For periods after the acquisition of Fleaux Solutions, LLC (since January 29, 2018), the Company is referred to as the "Successor" and our results of operations combines the operations of Galenfeha, Inc. and Fleaux Solutions, LLC. For periods prior to the acquisition of Fleaux Solutions, LLC, the Company is referred to as the "Predecessor" and our results of operations include that of Fleaux Solutions, LLC.

## **Results of Operations for the Three Months ending September 30, 2018 and 2017**

### Revenues

Revenues for the three months ended September 30, 2018 and 2017 were \$1,109,667 and \$582,560 respectively, a 90% increase from the previous year's same quarter. The Company's increase in revenue is due to the most recent acquisition of Fleaux Solutions, LLC, and the continued expansion of operational activities.

### Cost of Revenues

Cost of Revenues for the three months ended September 30, 2018 and 2017 were \$202,169 and \$148,698 respectively. Increased costs were associated with increases in material cost of goods sold, and additional labor to perform Company operations.

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### Operating Expenses

Total operating expenses for the three months ended September 30, 2018 and 2017 were \$557,732 and \$560,601 respectively, which was near flat for the previous year's same quarter.

### Net Operating Income (Loss) and Net Loss

Net operating income (loss) for the three months ended September 30, 2018 and 2017 was \$349,766 and \$(126,739) respectively, a more than 300% increase from the previous year's same quarter. Net income (loss) for the three months ended September 30, 2018 and 2017 was \$334,232 and \$(138,108) respectively, a more than 300% increase from the previous year's same quarter.

### **Results of Operations for the Nine Months ending September 30, 2018 and 2017**

To provide a meaningful presentation and comparison of our results of operations, our discussion combines the period of January 1, 2018 through January 28, 2018 (Predecessor) with the period of January 29, 2018 through September 30, 2018 (Successor). In the accompanying unaudited interim consolidated financial statements, a black line separates the Predecessor and Successor financial statements to highlight the lack of comparability between these two periods.

The results of operations for the interim periods shown in the accompanying unaudited interim consolidated financial statements, including the periods shown as Predecessor and Successor, are not necessarily indicative of operating results for the entire period.

### Revenues

Revenues for the nine months ended September 30, 2018 and 2017 were \$2,852,024 and \$1,260,277 (Predecessor) respectively, a 125% increase from the previous year's same period. The Company's increase in revenue year over year is due to the most recent acquisition of Fleaux Solutions, LLC.

### Cost of Revenues

Cost of Revenues for the nine months ended September 30, 2018 and 2017 were \$771,296 and \$261,259 respectively. Increased costs were associated with increases in material cost of goods sold, and additional labor to perform Company operations. As a percentage of sales, cost of goods sold increased by 6%.

### Operating Expenses

Total operating expenses for the nine months ended September 30, 2018 and 2017 were \$1,634,651 and \$1,277,908, respectively. The Company's increase in Operating Expenses is due to the most recent acquisition of Fleaux Solutions, LLC, and the continued expansion of operational activities.

### Net Operating Income (Loss) and Net Loss

Net operating income (loss) for the nine months ended September 30, 2018 and 2017 was \$446,078 and \$(278,890) respectively, a 260% increase from the previous year's same period.

Net income for the nine months ended September 30, 2018 and 2017 was \$261,273 and \$(266,847) respectively, a 200% increase from the previous year's same period.

### **Equity Distribution**

Since our incorporation, we have raised capital through private sales of our common equity. As of September 30, 2018 we have issued 72,300,000 shares of our common stock to various shareholders.

### ***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 is material to investors.

### **Item 3. Quantitative & Qualitative Disclosures about Market Risks**

Not applicable.

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**Item 4. CONTROLS AND PROCEDURES****(a) Evaluation of Disclosure Controls and Procedures**

As of the end of period covered by this report, the Company carried out an evaluation, with the participation of the Company's Chief Executive Officer and Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, the Company's Chief Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were not effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

**(b) Changes in internal controls over financial reporting.**

No changes were made to the Company's internal controls in the quarterly period covered by this report that have materially affected, or are reasonably likely materially to affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

None

**Item 1A. Risk Factors**

We are a smaller reporting company and, therefore, we are not required to provide information required by this item.

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

None

**Item 3. DEFAULTS UPON SENIOR SECURITEIES**

None

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable

**Item 5. OTHER INFORMATION**

None

**Item 6. EXHIBITS****(a) Exhibits:**

<b>Number</b>	<b>Description</b>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive and Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive and Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)</a>

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

**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.

**Galeneha, Inc.**

Date: November 14, 2018

By: /s/ Trey Moore

Name: Trey Moore

President and Chief Executive Officer  
(Principal Financial Officer, Principal  
Accounting Officer)

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