

# Fisher Wallace Laboratories Inc



## ANNUAL REPORT

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This Annual Report is dated December 31, 2019.

### THE COMPANY AND ITS BUSINESS

***This discussion should be read in conjunction with the other sections of this offering Circular, including "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Financial Statements attached and the related exhibits. The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this Offering Circular.***

Over the past three years, we have manufactured and marketed transcranial alternating current stimulation ("tACS") medical devices for the treatment of depression, anxiety and insomnia, as well as tACS wellness devices for sleep and stress management. Our flagship medical device, the Fisher Wallace Stimulator®, is cleared by the FDA in the United States and is approved for sale over-the-counter in Europe (CE-ISO) for the treatment of depression, anxiety and insomnia. *See "Risk Factors – As a result of government regulation, we may be unable to market our devices in the United States in the future for the designations of depression, anxiety and/or insomnia."*

Our technology has been shown in published clinical studies to stimulate neurochemical production and lower cortisol, as well as reduce the symptoms of depression, anxiety and insomnia. Patients use the device at home for 20 minutes a day and, in clinical trials and practice, the majority of patients experience durable symptom reduction within the first week of use. The device may be safely used in conjunction with drug therapy. We are currently developing new versions of our technology to lower the cost of manufacturing which may also feature a new industrial design and packaging, as well as a mobile app to enhance the patient experience and improve data analytics. .

We believe that the stress, mood and sleep therapy markets are inadequately served by drug therapy and behavioral therapy which provide low to modest efficacy at high cost and side effect rate and require significant provider administration and patient engagement. We compete with these standards of care by offering an easy-to-use, low-risk, effective and affordable treatment option that causes no known serious side effects and may be used at home.

The customer base for our devices is large and consistently growing, and we believe that the demand for treatment alternatives to drug therapy and behavioral therapy will remain high for the foreseeable future. We sell our product primarily through our website, to which we drive customers through paid digital advertising and email marketing.

The mental health treatment demands resulting from a pandemic are well served by our technology and distribution method – specifically, an affordable, low risk treatment option that may be prescribed via telemedicine and shipped directly to a patient's home. As a result, we believe that our product will continue to be in demand, and may experience increased demand, during the Covid-19 crisis and during any future pandemics.

We have engaged a new overseas contract manufacturer that is scheduled to start delivering devices by the end of Q2 2020 at approximately 40% of our current manufacturing cost.

### **Government Regulation**

Our device has been legally marketed in the United States since 1990 when it obtained 510k clearance from the United States Food & Drug Administration (the "FDA") for the treatment of depression, anxiety and insomnia. On December 20, 2019, FDA published a Final Order on the Federal Register regarding the approval process for our device, which would transition the marketing status of the device from "FDA-Cleared" to "FDA-Approved." To obtain approval for our device for use in treating anxiety and/or insomnia, we must submit an amendment(s) to our 510k that includes clinical testing data by December 19, 2020. To obtain approval for our device for use in treating depression, we must submit a premarket approval ("PMA") application by May 19, 2020, that includes clinical data. We intend to petition the FDA to extend the above submission deadlines in consideration of the Covid-19 pandemic.

If our 510k amendments for the treatment of anxiety and/or insomnia are rejected by FDA, and/or our PMA application for depression is rejected, we may not continue to market our device for such indications in the United States, however, we may continue to market and sell our product in the US as a general wellness device for the management of sleep and stress. In order to appeal one or more such rejections, we may be required to obtain additional clinical data and resubmit 510(k) amendments and/or a PMA application with the FDA, which we estimate will cost up to \$150,000 for each indication, and could take up to six to twelve months to obtain. If we are unable to market and sell our products in the United States with respect to any of the indications, it could have a material adverse effect on our business, however, in such case, we would dedicate more resources to marketing our product in Europe where we have the required regulatory approvals.

### **Intellectual Property**

Our flagship product, the Fisher Wallace Stimulator®, uses technology that was protected by a patent which has expired. We are developing new intellectual property, specifically, a new wearable embodiment of our technology for which we filed a provisional patent application in December 2019. We intend to submit a final patent

application by December 2020; however, a final patent may never be issued or certain claims may be rejected or may need to be narrowed, which may limit the protection we are attempting to obtain. We may seek additional intellectual property protection in the course of our development of new products and subsequent versions of our products. We currently own trademarks for our brands, including, Fisher Wallace Stimulator®, Circadia® and Kortex®, and their respective domain names. See “Risk Factors - Our intellectual property could be unenforceable or ineffective.”

### **Competitors and Industry**

Our product primarily competes with drug therapy and behavioral therapy, but may be used in conjunction with these standards of care. Additional competitive technologies include transcranial magnetic stimulation, vagal nerve stimulation, other forms of cranial electrotherapy stimulation. See “Risk Factors - We face significant market competition”.

### **Employees**

We currently have 4 full-time employees and 4 part-time employees. We work with various consultants and freelancers on a retainer or project basis.

### **Property**

Our corporate headquarters is located at 325 Rutledge Street, Brooklyn, New York, where we lease 460 square feet of office space, on a month-to-month basis, in exchange for \$1,975 per month.

### **Legal Proceedings**

We are currently not a party to or involved in any litigation, and our management is not aware of any pending or threatened legal actions.

### **Previous Offerings**

Between January 1, 2019 and December 31, 2019, we sold 174,960 shares of common stock in exchange for \$2.50 per share under Regulation Crowdfunding.

## **RISK FACTORS**

***Our financial statements include a going concern note.***

Our ability to continue as a going concern for the next twelve months is dependent upon our ability to generate sufficient cash flows from operations to meet our obligations, and/or to obtain additional capital financing from investors and/or third parties. No assurance can be given that we will be successful in these efforts. These factors, among others, raise substantial doubt about our ability to continue as a going concern for a reasonable period of time.

***We depend on certain key personnel and must attract and retain additional talent.***

Our future success depends on the efforts of key personnel and consultants, especially our co-founder, chief executive officer and director, Kelly Roman and our co-founder, chief financial officer, secretary and director, Charles A. Fisher. As we grow, we may need to attract and hire additional employees in sales, marketing, design, development, operations, finance, legal, human resources and other areas. Depending on the economic environment and our performance, we may not be able to locate or attract qualified individuals for such positions when we need them. We may also make hiring mistakes, which can be costly in terms of resources spent in recruiting, hiring and investing in the incorrect individual and in the time delay in locating the right employee fit. If we are unable to attract, hire and retain the right talent or make too many hiring mistakes, it is likely that our business will suffer from not having the right employees in the right positions at the right time. This would likely adversely impact the value of your investment.

***As a result of government regulation, we may be unable to market our devices in the United States in the future for the designations of depression, anxiety and/or insomnia.***

Our device has been legally marketed in the United States since 1990 when it obtained 510k clearance from the United States Food & Drug Administration (the "FDA") for the treatment of depression, anxiety and insomnia. On December 20, 2019, the FDA published a Final Order on the Federal Register regarding the approval process for our device, which would transition the marketing status of the device from "FDA-Cleared" to "FDA-Approved." To obtain approval for our device for use in treating anxiety and/or insomnia, we must submit an amendment(s) to our 510k that includes clinical testing data by December 19, 2020. To obtain approval for our device for use in treating depression, we must submit a premarket approval ("PMA") application by May 19, 2020, that includes clinical data. We intend to petition the FDA to extend the above submission deadlines in consideration of the Covid-19 pandemic.

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***Our failure to comply with government regulations could adversely affect our business.***

Our ability to market and sell our products is dependent on our compliance with governmental regulations such as FDA regulations, Federal Trade Commission regulations and health and safety codes, both domestically and abroad. While we believe we operate in substantial compliance with these laws, they are complex and subject to change. Our failure to comply with any of these laws could result in required changes in the design of the products, the manner in which we market our products, fines, penalties, judgments or other sanctions, including the temporary suspension of operations or a delay in the marketing and sales of our products, any of which could adversely affect our business, operations and our reputation.

***A new version of our Simulator is still in prototype phase and might never be commercialized.***

While we have sold the Fisher Wallace Stimulator® commercially for more than a decade, we are currently developing new versions of our technology to lower the cost of manufacturing which may also feature a new industrial design and packaging, as well as a mobile app to enhance the patient experience and improve data analytics. We believe that with improved design and lower manufacturing costs, combined with an increased advertising and marketing budget and more aggressive pricing, our new products will be able to gain traction in the marketplace faster than our current products. If we do not have sufficient capital, or for other reasons, are unable to complete the development of or commercialize the new stimulator, it could have a material and adverse effect on our future operations. Even if we complete its commercial development, it may fail to gain market acceptance for any number of reasons, which could materially and adversely impact the value of your investment.

***If our products fail to perform as expected, we may have to recall them and our ability to develop, market and sell our products could be harmed.***

Our products may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. There can be no assurances that we will not be required to recall any products in the future. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale. Any product defects or any other failure of our products to perform as expected could harm our reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to our brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

***We face significant market competition.***

Our products primarily compete with drug therapy and behavioral therapy, however, our products may be used in conjunction with these standards of care. Additional competitive technologies include transcranial magnetic stimulation, vagal nerve stimulation, and other forms of cranial electrotherapy stimulation. Many of our competitors have more access to capital and marketing/sales channels and human resources than we do. They may succeed in developing and marketing competing products earlier than us, or products that are superior to ours. There can be no assurance that our competitors will not render our technology or product obsolete or that the products developed by us will be preferred to any existing or newly developed technologies. It should further be assumed that competition will intensify.

***Risks of borrowing.***

Charles A. Fisher, our chairman, chief financial officer and secretary, made \$576,525 in loans to Fisher-Wallace Laboratories, LLC, our predecessor-in-interest, which loans were assumed by us as of January 1, 2020. Interest at a rate of 5% per annum commenced accruing on the loans on January 1, 2020. The loans have no set maturity dates, however, we have agreed to use 10% of the proceeds of any financings, up to a maximum required to pay this loan, including the proceeds of this offering, to pay down such loans. In addition, we may have to seek loans from financial institutions. Typical loan agreements might contain restrictive covenants which may impair our operating flexibility. A default under any loan agreement could result in a charging order that would have a material adverse effect on our business, results of operations or financial condition. In addition, we currently finance our online marketing efforts using various lines of credit. If we were unable to maintain such credit, it would reduce our ability to market our product online and could have a material adverse impact on our business, financial condition, operating results and prospects.

***Our intellectual property could be unenforceable or ineffective.***

The current version of the Fisher Wallace Stimulator® uses technology that was protected by a patent that has expired. As a result, the current version may be considered analogous to a generic medication, and is therefore vulnerable to competition from products that provide similar safety and effectiveness. We have filed a provisional patent application covering the new version of the stimulator; however, a patent may never be issued or certain claims may be rejected or may need to be narrowed, which may limit the protection we are attempting to obtain. We also own several trademarks and domain names. Companies, organizations, or individuals, including competitors, may hold or obtain patents, trademarks, or other proprietary rights that would prevent, limit, or interfere with our ability to market or sell our products, which would make it more difficult for us to operate our business. These third parties may have applied for, been granted, or obtained patents that relate to intellectual property, which competes with our intellectual property or technology. This may require us to develop or obtain alternative technology, or obtain appropriate licenses under these patents, which may not be available on acceptable terms or at all. Such a circumstance may result in us having to significantly increase development efforts and resources to redesign our technology. There is a risk that our means of protecting our intellectual property rights may not be adequate, and weaknesses or failures in this area could adversely affect our business or reputation, financial condition, and/or operating results.

From time to time, we may receive communications from holders of patents or trademarks regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights. If we are determined to have infringed upon a third party's intellectual property rights, we may be required to cease selling one or more of our products, pay substantial damages, seek a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all, and/or establish and maintain alternative branding for our business. We may also need to file lawsuits to protect our intellectual property rights from infringement from third parties, which could be expensive, time consuming, and distract management's attention from our core operations.

***We depend on technology and advanced information systems, which may fail or be subject to disruption.***

There are no assurances that our software and website will be uninterrupted or fully secure, or that users will be willing to access, adopt, and use our website and software. Further, our software systems may be the target of malicious attacks seeking to identify and exploit weaknesses in our software. Cyber-attacks may target vendors, customers or other third parties, or the communication infrastructure on which they depend. Despite good faith efforts by us to mitigate the risks associated with cyber-attacks through various security protocols, an attack or a breach of security could result in a loss and theft of private data, violation of applicable privacy and other laws, significant legal and financial exposure, damage to reputation, and a loss of confidence in security measures, any of which could have a materially adverse effect on our business.

The integrity, reliability, and operational performance of our information technology ("IT") infrastructure are critical to our operations. Our IT infrastructure may be damaged or interrupted by increases in usage, human error, unauthorized access, natural hazards or disasters, or similarly disruptive events. Furthermore, our systems may be unable to support a significant increase in traffic or increase in user numbers, whether as a result of organic or inorganic growth of the business. While we have taken several measures to safeguard against a failure of our IT infrastructure, or the telecommunications and/or other third-party infrastructure on which such infrastructure relies, could lead to significant costs and disruptions that could reduce revenue, damage our reputation, and have a materially adverse effect on our operations, financial performance, and prospects.

We intend to institute business continuity procedures and security measures to protect against network or IT failure or disruption. However, these procedures and measures may not be effective against all forms of disruptions and may not ensure that we are able to carry on our business. Should these measures and protections fail to operate as intended or at all, they may not prevent a material disruption to our operations, and the consequence of such would have a materially adverse effect on our financial performance and prospects.

We do not guarantee that the use of applications and systems designed for system security will effectively counter evolving security risks or address the security concerns of existing and potential users. Any failures in our security measures could have a materially adverse effect on our business, financial condition, and results of operations. In addition, our controls may not be effective in detecting or preventing any intrusion or other security breaches, or safeguarding against sabotage, hackers, viruses, and other forms of cybercrime. Any failure in these protections could harm our reputation and have a materially adverse effect on our operations, financial performance, and prospects.

We store investor, customer and vendor personal and other sensitive information/digital data. Any accidental or willful security breaches or other unauthorized access could cause the theft and criminal use of this data and/or theft and criminal use of our information. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation, and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our software are exposed and exploited, and, as a result, a third party obtains unauthorized access to any of our investor, customer or vendor data, our relationships with our investors, customers, vendors, and/or other third parties will be severely damaged, and we could incur significant liability.

Since techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we and any third-party hosting facility that we may use, may be unable to anticipate these techniques or to implement adequate preventative measures.

***We rely on third parties to provide services essential to the success of our business.***

We rely on third parties to provide a variety of essential business functions for us, including manufacturing, shipping, advertising, retailing, and distribution. It is possible that some of these third parties will fail to perform their services or will perform them in an unacceptable manner. Any significant delays or other complications in maintaining our third party manufacturers, or manufacturing our products, including, but not limited to, complications associated with production or supply chain, or regulatory approvals, or any disruptions or failures to maintain our relationships, could materially damage our brand, business, prospects, financial condition and operating results. There is currently a risk that the coronavirus outbreak in China may disrupt parts supply. We intend to mitigate this risk through inventory and supply chain management practices.

***Manufacturing and selling our products internationally may present risks.***

Certain components of our products are manufactured internationally, and specifically in China. There are many risks associated with international business. These risks include, but are not limited to, language barriers, fluctuations in currency exchange rates, political and economic instability, regulatory compliance difficulties, problems enforcing agreements, and greater exposure of our intellectual property to markets where a high probability of unlawful appropriation may occur. Failure to successfully mitigate any of these potential risks could damage our business. In addition, there is currently a risk that the coronavirus

outbreak in China may disrupt parts supply. We intend to mitigate this risk through inventory and supply chain management practices. There are many potential contract manufacturers that can produce our products both in the US and abroad.

In addition, we are required to comply with all applicable domestic and foreign export control laws, including the International Traffic in Arms Regulations and the Export Administration Regulations. In addition, we may be subject to the Foreign Corrupt Practices Act and international counterparts that generally bar bribes or unreasonable gifts for foreign governments and officials. Violation of any of these laws or regulations could result in significant sanctions, which could reduce our future revenue and net income.

***We are subject to changes in foreign currency exchange rates.***

Some of our products are manufactured in China and some are sold in other countries throughout the world. As a result, the price we pay for our products and what they may be sold for depends on the exchange rates between the U.S. dollar and other currencies. Over the past several years, these exchange rates have had material fluctuations and we expect they will continue to fluctuate. If the U.S. dollar becomes significantly weaker, our products will likely cost us more to purchase and we may receive less than expected when they are sold, adversely impact the economics of our business and your investment.

***Natural disasters and other events beyond our control could materially adversely affect us.***

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers and could decrease demand for our services. In December 2019, a novel strain of coronavirus, COVID-19, was reported in Wuhan, China. The World Health Organization has since declared the outbreak to constitute a pandemic. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers and our sales cycles, impact on our customer, employee or industry events, and effect on our vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. Due to our subscription-based business model, the effect of COVID-19 may not be fully reflected in our results of operations until future periods, if at all. If the COVID-19 outbreak continues to spread, we may need to limit operations or implement limitations, including work from home policies. There is a risk that other countries or regions may be less effective at containing COVID-19, or it may be more difficult to contain if the outbreak reaches a larger population or broader geography, in which case the risks described herein could be elevated significantly.

***We store personally identifiable information of consumers which is subject to vast regulation.***

Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Evolving regulations regarding personal data and personal information, in the European Union and elsewhere, including, but not limited to, the General Data Protection Regulation, which we refer to as GDPR, the California Consumer Privacy Act of 2018 and

similar privacy laws in other states and jurisdictions, may limit or inhibit our ability to operate or expand our business, or market our products. Such laws and regulations require or may require us to implement privacy and security policies, permit consumers to access, correct or delete personal information stored or maintained by us, inform individuals of security incidents that affect their personal information, and, in some cases, obtain consent to use personal information for specified purposes. Such laws and regulations could restrict our ability and our customers' ability to collect and use personal information, which may reduce demand for our solutions.

Changing industry standards and industry self-regulation regarding the collection, use and disclosure of data may have similar effects. Existing and future privacy and data protection laws and increasing sensitivity of consumers to unauthorized disclosures and use of personal information may also negatively affect the public's perception of our kiosks and software. If our solutions are perceived to cause, or are otherwise unfavorably associated with, invasions of privacy, whether or not illegal, we or our customers may be subject to public criticism.

Any failure on our part to comply with applicable privacy and data protection laws, regulations, policies and standards or any inability to adequately address privacy concerns associated with our solutions, even if unfounded, could subject us to liability, damage our reputation, impair our sales and harm our business. Furthermore, the costs of compliance with, and other burdens imposed by, such laws, regulations, policies and standards may result in a decrease in our profitability and/or limit adoption of and demand for our products.

If we are unable to adequately control the costs associated with operating our business, our business, financial condition, operating results and prospects will suffer.

If we are unable to maintain a sufficiently low level of costs for manufacturing, marketing, selling and distributing our products relative to their selling prices, our operating results, gross margins, business and prospects could be materially and adversely impacted. Many of the factors that impact our operating costs are beyond our control. If we are unable to keep our operating costs aligned with the level of revenues we generate, our operating results, business and prospects will be harmed.

***Terms of subsequent financings may adversely impact your investment.***

We are preparing to file a Regulation A+ Offering in which we would sell up to 1,610,305 shares of our Class B Common Stock at a price of \$6.21 per share, for an aggregate purchase price of \$10,000,000, which will result in dilution to our existing shareholders. We may also, in the future, engage in other common equity, debt or preferred stock financings which could result in additional dilution. Interest on debt securities could increase costs and negatively impact operating results. Preferred stock could be issued in series from time to time with such designations, rights, preferences, and limitations as needed to raise capital. The terms of preferred stock could be more advantageous to those investors than to the holders of Class B Shares. In addition, if we need to raise more equity capital from the sale of equity securities, institutional or other investors may negotiate terms at least as, and possibly more, favorable than the terms of your investment.

***Our Class B Shares have no voting rights.***

Subject to applicable law and, except as mentioned in our organizational documents, the holders of Class B Shares have no voting rights, management or control rights or influence or vote on any corporate matters, and the voting

stockholders and directors may take actions of which a majority of the holders of Class B Shares disapprove. In assessing the risks and rewards of an investment in the Class B Shares, investors must be aware that they are relying solely on the good faith, judgment, and ability of our directors, officers, employees and holders of our voting shares, to make appropriate decisions in respect to our management, and the holders of Class B Shares will be subject to the decisions of our directors, officers, employees and holders of our voting shares.

***Our chief financial officer, secretary and director controls all of our voting shares.***

Fisher Wallace Laboratories, LLC, a New York limited liability company, owns all of our Class A Common Stock, which are our only voting securities. Charles A. Fisher, our chief financial officer, secretary and a director owns a majority of the outstanding membership interests of Fisher Wallace Laboratories, LLC, and therefore, controls all of our voting shares. Therefore, Mr. Fisher is able to control our management and affairs and most matters requiring stockholder approval, including, but not limited to, the election of directors and approval of significant corporate transactions. This concentration of ownership and voting power may have the effect of delaying or preventing a change in control, which may not be in the best interest of our other stockholders.

***We are not likely to pay cash dividends in the foreseeable future.***

We currently intend to retain any future earnings for use in the operation and expansion of our business. Accordingly, we do not expect to pay any cash dividends in the foreseeable future but will review this policy as circumstances dictate.

***Our Class B Shares may be subject to registration under the Exchange Act.***

Companies with total assets above \$10 million and more than 2,000 holders of record of its equity securities, or 500 holders of record of its equity securities who are not accredited investors, at the end of their fiscal year, must register that class of equity securities with the SEC under the Exchange Act. We are preparing to file a Regulation A+ Offering in which we would sell up to 1,610,305 shares of our Class B Common Stock at a price of \$6.21 per share, for an aggregate purchase price of \$10,000,000. Upon the closing of such offering, there may be over 2,000 holders of our Class B Shares. If and when we are deemed to have assets above \$10 million, we could be required to register our Class B Shares with the SEC under the Exchange Act, which would be a laborious and expensive process. In addition, if such registration takes place, we will have materially higher compliance and reporting costs going forward.

## **REGULATORY INFORMATION**

The company has not previously failed to comply with the requirements of Regulation Crowdfunding;

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

### **Overview**

We were formed as a Delaware corporation on August 23, 2019, and our headquarters are located in New York, New York. Our predecessor-in-interest, Fisher-Wallace Laboratories, LLC, sold us substantially all of its assets in September 2019.

## **Results of Operation**

### ***Revenue***

Our revenue is currently correlated to the amount we spend on advertising. Over the past few years we have maintained a consistent return on ad spend ("ROAS") of approximately two times. For the fiscal year ending December 31, 2019, our revenue was \$3,864,706 compared to \$4,717,684 for the fiscal year ending December 31, 2018.

### ***Cost of Goods Sold***

For the fiscal year ending December 31, 2019, our cost of goods sold was \$947,495 compared to \$1,082,135 for the fiscal year ending December 31, 2018.

### ***Gross Margin***

For the fiscal year ending December 31, 2019, our gross margin was \$2,917,211, compared to \$3,635,549 for the fiscal year ending December 31, 2018.

### ***Operating Expenses***

Our operating expenses consist of advertising and marketing expenses and general and administrative expenses. For the fiscal year ending December 31, 2019, our operating expenses were \$3,460,267, including \$2,386,013 for advertising and marketing and \$1,074,254 for general and administrative. For the fiscal year ending December 31, 2018, our operating expenses were \$3,435,225, including \$2,388,598 for advertising and marketing, and \$1,046,627 for general and administrative expenses.

The increase in operating expenses during 2019 is primarily a result of salary increases as well as increases in certain basic services.

### ***Net Operating Income***

Our net operating loss for the fiscal year ending December 31, 2019 was \$543,056, compared to a net operating profit of \$200,325 for the fiscal year ending December 31, 2018.

We have engaged a new overseas contract manufacturer which is scheduled to start delivering devices by the end of Q2 2020 at approximately forty percent of our current manufacturing cost. We expect to realize consistent monthly breakeven of profitable financial performance by Q3 2020 as a result of new lower cost manufacturing, and better credit terms which will improve cashflow.

## **Liquidity and Capital Resources**

Our advertising spend has been financed by credit cards which we paid off with revenue generated through our e-commerce website. We have a credit card with American Express with a current credit limit of \$175,000 and a balance of \$14,044 as of March 31, 2020, a credit card with Citibank with a credit limit of \$50,000 and a balance of \$21,234 as of March 31, 2020, a credit card with Capital One with a credit limit of \$50,000 and a balance of \$48,155 as of March 31, 2020.

Since our inception we have raised an aggregate of \$2,152,712 through various securities offerings, which we have used for operations. As of December 31, 2019, we had \$339,584 in cash and cash equivalents, compared to \$159,577 as of December 31, 2018. As of March 31, 2020 and excluding the proceeds of this offering, we have sufficient operating capital for approximately three months.

We may incur significant additional costs in finalizing the development of our new Stimulator, and in production, marketing, sales and customer service, and intend to continue to fund our operations through funds received from our recent Regulation Crowdfunding campaign, funds received through a Regulation A+ Offering in which we intend to engage, in which we are seeking to sell up to raise up to \$10,000,000, and additional debt and/or equity financings as determined to be necessary. If we are unable to obtain sufficient amounts of additional capital, we may be required to reduce the scope of our planned development and marketing, which could harm our business, financial condition and operating results. Accordingly, our independent auditors report includes a paragraph regarding substantial doubt about our ability to continue as a going concern.

## **Debt**

We have a credit card with American Express with a credit limit of \$175,000 and a balance of \$14,044 as of March 31, 2020, a credit card with Citibank with a credit limit of \$50,000 and a balance of \$21,234 as of March 31, 2020, a credit card with Capital One with a credit limit of \$50,000 and a balance of \$48,154.55 as of March 31, 2020.

In March, 2020 we received a \$195,000 loan from Shopify Capital, which is paid back through the deduction of 17% of our daily revenue received on our Shopify e-commerce platform, and carries a total expense of \$11,700 in fees, in addition to the payback of principle.

During 2017 and 2018, Charles A. Fisher, our chairman, chief financial officer and secretary, made \$576,525 in loans to Fisher-Wallace Laboratories, LLC, our predecessor-in-interest, which loans were assumed by us as of January 1, 2020. Interest at a rate of 5% per annum commenced accruing on the loans on January 1, 2020. The loans have no set maturity dates, however, we have agreed to use 10% of the proceeds of any financings, including the proceeds of this offering, to pay down such loans.

## **Plan of Operations**

Throughout 2020, we intend to focus on reducing the cost of goods sold by more than 50% and growing sales through increased marketing spend, obtain and submit clinical data required by the FDA to market and sell our products for the treatment of depression, anxiety and insomnia in the United States, and complete development of new versions of our Circadia® and Fisher Wallace Stimulator® products. We are also preparing to file a Regulation A+ Offering in which we would sell up to 1,610,305 shares of our Class B Common Stock at a price of \$6.21 per share, for an

aggregate purchase price of \$10,000,000.

## DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

The following table sets forth information about our executive officers and directors.

Name	Position	Age	Term of Office	Approximate Hours per week for part-time employees
Kelly Roman	Chief Executive Officer and Director	46	August 2019 – Present	Full Time
Charles A. Fisher	Chief Financial Officer, Secretary and Director	64	August 2019 – Present	Full Time

There are no arrangements or understandings between our executive officers and directors and any other persons pursuant to which the executive officer or director was selected to act as such.

**Kelly Roman**, has served as our chief executive officer and director since our inception in August 2019. As Chief Executive Officer, Mr. Roman is responsible for our strategy and execution, with a focus on advertising, email marketing, content, product development, regulatory affairs, and clinical trial strategy. Since July 2009, Mr. Roman served as the Chief Executive Officer of our predecessor organization, Fisher-Wallace Laboratories, LLC, a New York limited liability company. Mr. Roman graduated from Harvard College, and served as an award-winning executive in the digital advertising (Nielsen) and SaaS industries (Oddcast). He currently serves on the boards of two public charter high schools in New York City.

**Charles A. Fisher**, has served as our Chairman, Chief Financial Officer and Secretary since our inception in August 2019. As Chief Financial Officer, Mr. Fisher manages device manufacturing, inventory, office staff, public relations, financial controls, and governmental reporting. Since January 2007, Mr. Fisher has served as the manager and Chief Financial Officer of our predecessor organization, Fisher-Wallace Laboratories, LLC, a New York limited liability company. Mr. Fisher is a graduate of Harvard College, and an entrepreneur with extensive career experience in building consumer products companies.

## PRINCIPAL SECURITY HOLDERS

Set forth below is information regarding the beneficial ownership of our outstanding Class A Common Stock (which are our only voting securities) as of December 31, 2019, by (i) each person whom we know owned, beneficially, more than 10% of the outstanding Class A Common Stock, and (ii) all of the current officers and directors as a group. We believe that, except as noted below, each named beneficial owner has sole voting and

investment power with respect to the shares listed. Unless otherwise indicated herein, beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting or investment power with respect to shares beneficially owned.

Title of class	Name and address of beneficial owner	Amount and nature of Beneficial ownership	Amount and nature of beneficial ownership acquirable	Percent of class
<b>Class A Common Stock</b>	<b>Charles A. Fisher</b> 325 Rutledge Street Brooklyn, NY 11211	<b>3,900,000 (1)</b>	<b>0</b>	<b>65 %</b>
<b>Class A Common Stock</b>	<b>Kelly Roman</b> 325 Rutledge Street Brooklyn, NY 11211	<b>1,380,000 (2)</b>		<b>23 %</b>
<b>Class A Common Stock</b>	<b>All directors and officers as a group (2 persons)</b>	<b>5,280,000 ( 0 3 )</b>	<b>0</b>	<b>88 %</b>

(1) Class A Common Stock owned by Fisher-Wallace Laboratories, LLC, a New York limited liability company, of which Mr. Fisher holds 65% of the membership interests.

(2) Class A Common Stock owned by Fisher-Wallace Laboratories, LLC, a New York limited liability company, of which Mr. Roman holds 23% of the membership interests.

(3) Class A Common Stock owned by Fisher-Wallace Laboratories, LLC, a New York limited liability company, the membership interests of which are held by Messrs. Roman and Fisher, in the following respective amounts: 23% and 65%.

## RELATED PARTY TRANSACTIONS

During 2017 and 2018, Charles A. Fisher, our chairman, chief financial officer and secretary, made various loans to Fisher-Wallace Laboratories, LLC, in the aggregate amount of \$576,525, which commenced accruing interest on January 1, 2020. The most recent advance of \$50,000 was made in May 2019. As of December 31, 2019, the cumulative loan balance was \$576,525.00 (the "Fisher Debt"). Pursuant to an Asset Purchase Agreement entered into in or about September 2019, Fisher-Wallace

Laboratories, LLC, sold us substantially all of its assets in exchange for 5,999,999 shares of our Class A Common Stock. We assumed all of the liabilities of Fisher-Wallace Laboratories, LLC, including, the Fisher Debt. As part of the Asset Purchase Agreement, we agreed that we would use 10% of the proceeds of any future financing (excluding our recently closed Regulation CF financing, however, including the proceeds of this offering) to pay down the Fisher Debt.

## OUR SECURITIES

Our authorized capital stock consists of 10,200,000 shares of common stock, par value \$0.0001 per share, of which 8,000,000 shares are designated as “Class A Common Stock” (the “**Class A Shares**”) and 2,200,000 shares are designated as “Class B Common Stock” (the “**Class B Shares**,” and sometimes together with the Class A Shares, the “**Common Stock**”). As of March 31, 2020, we had 6,000,000 Class A Shares outstanding, and assuming the closing of all subscriptions we have received in our Regulation CF offering, we shall have 440,214 Class B Shares outstanding.

The rights of holders of our Common Stock are governed by our Certificate of Incorporation. Our Certificate of Incorporation may be amended by our Board and by the vote of the holders of a majority of the outstanding Class A Shares, to increase the number of authorized shares of Common Stock, or the authorized number of shares of any class of Common Stock and there is no limit on the number of shares of Common Stock, or any class of Common Stock, that may be authorized and issued. The Board of chief executive officers, with the approval of the holders of the Class A Shares, may also amend the Certificate of Incorporation to create one or more series of preferred stock that have rights, preferences and privileges senior to the rights, preferences and privileges of the Common Stock.

The holders of Common Stock, regardless of class, will be entitled to receive pro rata dividends, if any, declared by our Board out of legally available funds, based on the number of shares of Common Stock that they hold, bears to the total number of outstanding shares of Common Stock, however, subject to any preferential right of the holders of any preferred stock that may be authorized and issued in the future. Upon liquidation, dissolution or winding-up, the holders of our Common Stock are entitled to share ratably in all assets that are legally available for distribution, however, subject to any preferential right of the holders of any preferred stock that may be authorized and issued in the future. The holders of our Common Stock have no preemptive, subscription, redemption or conversion rights.

The holders of Class A Shares are entitled to one vote per share. The holders of Class B Shares have no voting rights, except as provided under Delaware law, which include the right to vote on an amendment to our Certificate of Incorporation if the amendment would increase or decrease the par value of the Class B Shares, or alter or change the powers, preferences, or special rights of the Class B Shares, so as to affect them adversely.

**What it means to be a minority holder**

As a minority holder you will have limited ability, if at all, to influence our policies or any other corporate matter, including the election of directors, changes to our company's governance documents, additional issuances of securities, company repurchases of securities, a sale of the company or of assets of the company or transactions with related parties.

**Dilution**

Investors should understand the potential for dilution. The investor's stake in a company could be diluted due to the company issuing additional shares. In other words, when the company issues more shares, the percentage of the company that you own will decrease, even though the value of the company may increase. You will own a smaller piece of a larger company. This increase in number of shares outstanding could result from a stock offering (such as an initial public offering, another crowdfunding round, a venture capital round or angel investment), employees exercising stock options, or by conversion of certain instruments (e.g. convertible notes, preferred shares or warrants) into stock.

If we decide to issue more shares, an investor could experience value dilution, with each share being worth less than before, and control dilution, with the total percentage an investor owns being less than before. There may also be earnings dilution, with a reduction in the amount earned per share (though this typically occurs only if we offer dividends, and most early stage companies are unlikely to offer dividends, preferring to invest any earnings into the company).

The type of dilution that hurts early-stage investors most occurs when the company sells more shares in a "down round," meaning at a lower valuation than in earlier offerings.

If you are making an investment expecting to own a certain percentage of the company or expecting each share to hold a certain amount of value, it's important to realize how the value of those shares can decrease by actions taken by the company. Dilution can make drastic changes to the value of each share, ownership percentage, voting control, and earnings per share.

We are preparing to file a Regulation A+ Offering in which we would sell up to 1,610,305 shares of our Class B Common Stock at a price of \$6.21 per share, for an aggregate purchase price of \$10,000,000, which will result in dilution to our existing shareholders.

**RESTRICTIONS ON TRANSFER**

The common stock sold in the Regulation CF offering, may not be transferred by any purchaser, for a period of one-year beginning when the securities were issued, unless such securities are transferred:

- (1) to the Company;
- (2) to an accredited investor;
- (3) as part of an offering registered with the SEC; or
- (4) to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

## **SIGNATURES**

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100-503), the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form C and has duly caused this Form to be signed on its behalf by the duly authorized undersigned, on December 31, 2019.

## **SUBSEQUENT EVENT**

The Company has evaluated subsequent events that occurred after July 18, 2019 through December 31, 2019.

As of September 1, 2019, Fisher Wallace Laboratories Inc (Purchaser) entered an asset purchase agreement and bill of sale with Fisher Wallace Laboratories LLC, a New York Limited Liability Company (Seller) to acquire all assets and liabilities of Seller in exchange of 6,000,000 shares of Purchaser's Class A Voting Common Stock (the Purchase Price).

As of September 1, 2019, an action by Unanimous Written Consent of all the Directors of Fisher Wallace Laboratories Inc, was executed to adopt the Purchase of Assets pursuant to which Fisher Wallace Laboratories LLC shall transfer all of its assets and liabilities to the Company in exchange for 5,999,999 shares of Class A Voting Common Stock. The Unanimous Written Consent of all Directors of Fisher Wallace Laboratories, Inc, also proposed that the Company engage in an offering under Regulation CF of the Securities Act Rules, pursuant to which it shall offer up to 428,000 shares of Common Stock for \$2.50 per share (the Offering).

There have been no other events or transactions during this time which would have a material effect on these financial statements.

**FISHER WALLACE LABORATORIES INC**

By

A handwritten signature in black ink, appearing to be 'KR', is written over a horizontal line.

Name Kelly Roman

Title: Chief Executive Officer

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Exhibit A

**FINANCIAL STATEMENTS**

# **FISHER WALLACE LABORATORIES, INC.**

*(a Delaware corporation)*

Consolidated Financial Statements and Independent Auditor's Report

For the calendar year periods ended 2019 and 2018



## **INDEPENDENT AUDITOR'S REPORT**

April 24, 2020

To: Board of Directors, Fisher Wallace Laboratories, Inc.

Re: 2019(inception) Consolidated Financial Statement Audit

We have audited the accompanying consolidated financial statements of Fisher Wallace Laboratories, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, stockholders' equity/deficit, and cash flows for the calendar years thus ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the Company's financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations, shareholders' equity/deficit and its cash flows for the calendar year periods thus ended in accordance with accounting principles generally accepted in the United States of America.

**Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1 and 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Sincerely,



IndigoSpire CPA Group

IndigoSpire CPA Group, LLC  
Aurora, Colorado

**FISHER WALLACE LABORATORIES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2019 AND 2018**  
**SEE INDEPENDENT AUDITOR'S REPORT AND NOTES TO THE FINANCIAL STATEMENTS**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 339,584	\$ 159,577
Receivables	30,560	6,658
Inventories	6,709	19,833
Other Current Assets	14,025	0
Total Current Assets	390,878	186,068
Long-lived Assets		
Intangible assets, net of accumulated amortization	0	342
Total Non-Current Assets	0	342
<b>TOTAL ASSETS</b>	<b>\$ 390,878</b>	<b>\$ 186,410</b>
<b>LIABILITIES &amp; EQUITY</b>		
Current Liabilities		
Accounts Payable	76,425	123,856
Credit Cards Payable	49,000	42,400
Member Loan, current	576,525	126,525
Other Current Liabilities	35,729	35,729
Total Current Liabilities	737,679	328,510
Total Liabilities	737,679	328,510
Member and Shareholders' Equity		
Common Stock, Class A (8,000,000 shares authorized, 6,000,000 shares issued and outstanding)	0	0
Common Stock, Class B (2,200,000 shares authorized, 204,538 shares issued and outstanding)	489,330	
Class B Common Stock subscriptions receivable	(68,388)	
Additional Paid-In Capital	(1,307,042)	0
Membership Interest	0	(1,224,455)
Retained Deficit	539,299	1,082,355
Total Shareholders' Equity	(346,801)	(142,100)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 390,878</b>	<b>\$ 186,410</b>

**FISHER WALLACE LABORATORIES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE CALENDAR YEAR PERIODS ENDED 2019 AND 2018**  
**SEE INDEPENDENT AUDITOR'S REPORT AND NOTES TO THE FINANCIAL STATEMENTS**

	<b>2019</b>	<b>2018</b>
Revenue	\$ 3,864,706	\$ 4,717,684
Cost of Goods Sold	947,495	1,082,135
Gross Margin	2,917,211	3,635,549
Operating Expenses		
Advertising and Marketing	2,386,013	2,388,598
General and Administrative Expenses	1,074,254	1,046,627
Total Operating Expenses	3,460,267	3,435,225
Net Operating Income (Loss)	(543,056)	200,325
Other Income (Expense)	0	0
<b>Net income (Loss)</b>	<b>\$ (543,056)</b>	<b>\$ 200,325</b>
Earnings per share, basic	\$(0.09)	\$0.03
Earnings per share, diluted	\$(0.09)	\$0.03

**FISHER WALLACE LABORATORIES, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY/DEFICIT**  
**FOR THE CALENDAR YEAR PERIODS ENDED 2019 AND 2018**  
**SEE INDEPENDENT AUDITOR'S REPORT AND NOTES TO THE FINANCIAL STATEMENTS**

	Class A		Class B		Additional Paid-In Capital	Membership Interest	Accumulated Earnings/(Deficit)	Total Members/Shareholders' Equity
	Shares	Amount	Shares	Amount				
	Common Stock		Common Stock					
<b>Balance as of January 1, 2018</b>	<b>0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$(1,225,537)</b>	<b>\$ 882,030</b>	<b>\$ (343,507)</b>
Member distribution						(1,082)		
Net income (loss)							200,325	(36,383)
<b>Balance at December 31, 2018</b>	<b>0</b>		<b>0</b>		<b>0</b>	<b>(1,224,455)</b>	<b>1,082,355</b>	<b>(142,100)</b>
Contribution of assets from LLC	6,000,000		0		(1,307,042)	1,224,455		(82,587)
Issuance of Class B Common Stock, net of amounts subscriptions receivable			204,538	420,942				420,942
Net income (loss)							(543,056)	(543,056)
<b>Balance at December 31, 2019</b>	<b>6,000,000</b>		<b>0</b>	<b>204,538</b>	<b>\$ 420,942</b>	<b>\$ (1,307,042)</b>	<b>\$ 539,299</b>	<b>\$ (346,801)</b>

**FISHER WALLACE LABORATORIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE CALENDAR YEAR PERIODS ENDED 2019 AND 2018**  
**SEE INDEPENDENT AUDITOR'S REPORT AND NOTES TO THE FINANCIAL STATEMENTS**

	2019	2018
<b>Cash flows from Operating Activities</b>		
Net income	\$ (543,056)	\$ 200,325
Total Adjustments to reconcile Net Cash Provided By Operations:		
Add back amortization	342	0
(Increase) Decrease in accounts receivable	(23,902)	(6,658)
(Increase) Decrease in inventory	13,124	(17,680)
(Increase) Decrease in other current assets	(14,025)	5,000
(Decrease) Increase in accounts payable	(47,431)	1,838
(Decrease) Increase in credit cards	6,600	42,400
(Decrease) Increase in other current liabilities	0	15,943
<b>Net Cash Provided By Operating Activities:</b>	<u>(608,348)</u>	<u>241,167</u>
<b>Cash flows from Investing Activities</b>		
None	0	0
<b>Net Cash used in investing activities</b>	<u>0</u>	<u>0</u>
<b>Cash flows from financing activities</b>		
Member distribution	0	(1,082)
LLC asset contribution	(82,588)	0
Member loan proceeds/(repayment)	450,000	(415,000)
Proceeds from Class B Common Stock, net of expenses	420,943	0
<b>Net cash received from financing activities</b>	<u>788,355</u>	<u>(416,082)</u>
Net (decrease) increase in cash and cash equivalents	180,007	(174,915)
Cash and cash equivalents at beginning of period	159,577	334,492
<b>Cash and cash equivalents at end of period</b>	<u>\$ 339,584</u>	<u>\$ 159,577</u>

**FISHER WALLACE LABORATORIES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INCEPTION PERIOD OF AUGUST 23, 2019 TO DECEMBER 31, 2019**  
**SEE INDEPENDENT AUDITOR'S REPORT**

**NOTE 1 – NATURE OF OPERATIONS**

Fisher Wallace Laboratories Inc. (which may be referred to as the "Company", "we," "us," or "our") was formed on August 23, 2019 ("Inception") in the State of Delaware. After inception, Fisher Wallace Laboratories LLC (the "LLC") contributed substantially all of the assets including cash, accounts receivable, inventory, accounts payable obligations and other intangible assets to the Company in exchange for all of the stock of the Company.

The Company began its commercial operations with the contributed assets of LLC in November 2019. In accordance with Regulation S-X and accounting principles generally accepted in the United States of America ("U.S. GAAP"), the combined results and financial position of LLC from January 2018 through December 2019 and of the Company from August 2019 through December 2019 are presented together.

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company's headquarters are located in New York, NY.

The Company manufactures (through a subcontractor in New Jersey) a cranial electrotherapy stimulation device, the Fisher Wallace Stimulator, which is FDA cleared for the treatment of depression, anxiety and insomnia. The device was invented by two electrical engineers, Saul and Bernard Liss, in the 1980's, and has been on the market as an FDA sanctioned device since 1991. The device uses a mild form of alternating current to stimulate key neurotransmitters, including dopamine, serotonin and beta-endorphin, and also lowers cortisol, the stress hormone.

The Fisher Wallace Stimulator restores sleep and improves mood by using patented radio frequencies to gently stimulate the brain's production of serotonin, beta-endorphin and other key neurochemicals. Multiple published studies, including studies performed at Harvard Medical School, have proven the safety and effectiveness of the device. Patients typically use the device twice a day for twenty minutes (once in the morning and once before bedtime). The device causes no serious side effects and is safe to use while taking medication.

The Fisher Wallace Stimulator is sold primarily to consumers directly by us, as well as to a handful of distributors. Most of our distributors are located in the US, there is one in Mexico, and several are in Europe.

We have a CE/ISO mark which allows us to sell in Europe and Mexico (COFAPRISE).

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

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amount of expenses during the reporting periods. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

*Fair Value of Financial Instruments*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of

unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2019. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values.

#### *Cash and Cash Equivalents*

For purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

#### *Inventory*

Inventories consist primarily of consist primarily of our medical devices. Inventories are recorded using the First in First Out (FIFO) method. As of December 31, 2019 and 2018, the Company carries total inventory in the amount of \$6,709 and 19,833, respectively.

#### *Property and Equipment*

Property and equipment are recorded at cost when purchased. Depreciation is recorded for property and equipment using the straight-line method over the estimated useful lives of assets. The Company reviews the recoverability of all long-lived assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset might not be recoverable. The Company has no property and equipment as of December 31, 2019 or 2018.

#### *Patents*

The company capitalizes patent filing fees and it expenses legal fees, in connection with internally developed pending patents. The company also will capitalize patent defense costs to the extent these costs enhance the economic value of an existing patent. Patents are amortized over the expected period to be benefited, not to exceed the patent lives, which may be as long as 17 years. The Company's patent was acquired in 2019 from LLC in the capital contribution of the Company. While the Company believes the patent to be an integral part of its commercial operation, LLC had fully amortized the asset prior to assignment.

#### *Revenue Recognition*

The Company recognizes revenues from the sale of the Fisher Wallace Stimulator medical device and Circadia, the OTC version, primarily through the internet on their websites, fisherwallace.com and circadia.info when (a) persuasive evidence that an agreement exists; (b) the service has been performed; (c) the prices are fixed and determinable and not subject to refund or adjustment; and (d) collection of the amounts due is reasonably assured.

#### *Shipping and Handling*

Costs incurred for shipping and handling are included in cost of revenue at the time the related revenue is recognized. Amounts billed to a customer for shipping and handling are reported as revenues.

#### *Costs of Net Revenues*

Costs of Net Revenues include the cost of stimulator, batteries, accessories and spare parts, device bags, labels, Shopify fees, strap material, PayPal fees.

#### *Earnings/loss per share*

The Company presents earnings and loss per share data by calculating the quotient of earnings and loss divided by the number of common shares outstanding (6,000,000 Class A shares and 204,538 Class B shares as of the end of 2019) as required by ASC 260-10-50. In 2019 and 2018, there were no dilutive securities outstanding. The basic and dilutive earnings or loss per share data are provided in the Statement of Operations.

#### *Income Taxes*

The Company is taxed as a C corporation. The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities. At December 31, 2019, the Company has established a full allowance against all deferred tax assets.

ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

As the Company incurred a net operating loss for 2019, it does not have accrued any current income tax expense. Accordingly, any value of the deferred tax asset from the net operation loss carryovers is uncertain to be realized so a full valuation allowance has been established.

The Company has not yet filed its income tax return for 2019. After it does so, the Company's tax returns will remain open to examination for a period of 3 years.

#### *Concentration of Credit Risk*

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

### **NOTE 3: GOING CONCERN**

The accompanying consolidated 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 a shareholders' deficit of \$346,801 as of December 31, 2019. Additionally, the Company faces significant economic uncertainty due to the COVID-19 pandemic and associated economic slowdown.

The Company's ability to continue as a going concern in the next twelve months following the date the consolidated financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results. Management has evaluated these conditions and plans to generate revenues and raise capital as

needed to satisfy its capital needs. No assurance can be given that the Company will be successful in these efforts.

These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

#### **NOTE 4 – DEBT INSTRUMENTS**

The Company has borrowed \$576,525 and \$126,525 as of December 31, 2019 and 2018, respectively, from a member of the management team to secure working capital. These amounts bear interest at a rate of 5 (five) percent per annum starting in 2020 and have no fixed maturity. The Company intends to repay these amounts and any interest accrued in 2020 when prudent for the long-term health of the Company including using up to ten percent of the amount raised in a Regulation A offering (see Note 9) to repay the Member Loan.

#### **NOTE 5: RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606). This ASU supersedes the previous revenue recognition requirements in ASC Topic 605—Revenue Recognition and most industry-specific guidance throughout the ASC. The core principle within this ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services.

In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers", which deferred the effective date for ASU 2014-09 by one year to fiscal years beginning after December 15, 2017, while providing the option to early adopt for fiscal years beginning after December 15, 2016. Transition methods under ASU 2014-09 must be through either (i) retrospective application to each prior reporting period presented, or (ii) retrospective application with a cumulative effect adjustment at the date of initial application. We are continuing to evaluate the impact of this new standard on our financial reporting and disclosures, including but not limited to a review of accounting policies, internal controls and processes. We have adopted the new standard effective January 1, 2018.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows" (Topic 230). This ASU is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2017. We do not believe the adoption of ASU 2016-15 will have a material impact on our financial position, results of operations or cash flows. Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying balance sheet. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

#### **NOTE 6 – COMMITMENTS AND CONTINGENCIES**

Upon formation and commercialization in November 2019, the Company took over the lease obligation of LLC of approximately \$3,000 per month on a month-to-month lease.

The Company is not currently involved with or know of any pending or threatening litigation against the Company or any of its members.

#### **NOTE 7 – SHAREHOLDERS' EQUITY**

The Company has 10,200,000 shares of common stock authorized. These shares have been divided into Class A common shares (8,000,000 shares) and Class B common shares (2,200,000 shares).

The holders of Class A Shares represent the sole class of voting shares of which 6,000,000 shares are issued and outstanding. All of the Class A shares are held by LLC of which 88 percent are beneficially owned by management.

During 2019, the Company issued 204,538 shares of Class B common shares in exchange for \$489,330 of which \$68,388 remains receivable from the subscribing shareholders. The holders of Class B Shares issued in the Regulation CF campaign and to be issued in a Regulation A offering discussed below, are entitled to receive pro rata dividends, if any, declared by our board of directors out of legally available funds, however, subject to any preferential right of the holders of any preferred stock that may be authorized and issued in the future.

The Class B Shares have no voting rights. As of the date of this offering circular, Fisher-Wallace Laboratories, LLC, a New York limited liability company, owns all of our Class A Common Stock, which are our only voting shares. Fisher-Wallace Laboratories, LLC, is controlled by Charles A. Fisher, our chief financial officer, secretary and a director.

#### **NOTE 8 – RELATED PARTY TRANSACTIONS**

The Company was capitalized with cash, inventory, accounts receivable, intangible assets and accounts payable obligations after inception from LLC in exchange for the stock of the Company. The Company recorded these contributed assets at their verifiable book value. No goodwill or excess purchase price was allocated. Many of the most valuable assets contributed by LLC to the Company included customer lists, branding goodwill, patents and other intangibles that have no book value in these financial statements.

As discussed in the above Note 4, The Company has borrowed a total of \$576,525 of short-term capital from a member of management as of December 31, 2019. This obligation to a related party does not bear any interest or have a fixed maturity.

#### **NOTE 9 – SUBSEQUENT EVENTS**

##### *Regulation CF Offering*

As discussed in Note 4, the Company has issued Class B common stock in an offering exempt from registration under Regulation CF. During January through April 2020, the Company issued an additional \$534,143 of Class B common stock as part of the offering initiated in 2019 and discussed above. In total during 2019 and 2020, the Company raised \$1,023,473, net of expenses. The Regulation CF offering was made through StartEngine.

##### *Regulation A Offering*

During 2019, the Company intends to offer securities exempt from registration under an exemption outlined in Regulation A. Offerings made under Regulation A can issue securities for up to \$50M, though the Company is targeting to raise up to \$10,000,000 before expenses through the issuance of up to 1,610,305 shares of Class B common shares. The US Securities and Exchange Commission must also qualify the offering before the Company may issue these securities. The likelihood of success of the offering is undeterminable by the Company at this time. The Company is conducting this offering through StartEngine who will be entitled to a seven percent cash commission as well as warrants to purchase up to five percent of the securities issued in the offering.

##### *Shopify Capital Loan*

In 2020, the Company received a \$195,000 loan which is paid back by the deduction of 17 percent of daily revenue received through the Company's Shopify ecommerce platform and carries a total of \$11,700 in other financing charges.

*Management Evaluation*

The Company has evaluated subsequent events that occurred through April 24, 2020, the issuance date of these consolidated financial statements. There have been no other events or transactions during this time which would have a material effect on these consolidated financial statements.

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### **CERTIFICATION**

I, Charles A. Fisher, Principal Executive Officer of Fisher Wallace Laboratories, Inc., hereby certify that the financial statements of Fisher Wallace Laboratories, Inc. included in this Report are true and complete in all material respects.

A handwritten signature in black ink, appearing to read "Charles A. Fisher", written over a horizontal line.

Charles A. Fisher, CFO  
Principal Executive Officer