

Sugarmade, Inc.  
Form 10-K/A  
March 14, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-K/A**  
**(Amendment No. 1)**

(Mark One)

**ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the year ended June 30,**  
**2011**

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

**Commission file number: 000-23446**

**SUGARMADE, INC.**  
**(formerly DIVERSIFIED OPPORTUNITIES, INC.)**  
**(Exact Name of Registrant as Specified in its Charter)**

**Delaware**  
(State or jurisdiction of  
incorporation or organization)

**94-3008888**  
(I.R.S. Employer Identification  
No.)

**2280 Lincoln Avenue, Suite**  
**200, San Jose CA**

(Address and of principal  
executive offices)

**95125**  
(Zip Code)

**888-747-6233**

(Registrant's telephone number, including area code)

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

**Common Stock, par value \$0.001 per share**

(Title of class)

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

None

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

Yes  No

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

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

Indicate by check mark if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b(2) of the Exchange Act. (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during

the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes  No

State issuer's revenues for its most recent fiscal year: \$37,629.

The aggregate market value of the voting and non-voting common equity on December 31, 2010 (the last business day of the registrant's most recently completed second fiscal quarter) held by non-affiliates\* of the registrant (based on the average bid and asked (\$1.50) was approximately \$298,788. (See definition of affiliate in Rule 12b-2 of the Exchange Act.) Shares of common stock held by each officer and director and by each person who owns 10% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. Without acknowledging that any individual director of registrant is an affiliate, all directors have been included as affiliates with respect to shares owned by them.

At September 25, 2011, there were 10,256,000 shares outstanding of the issuer's common stock, the only class of common equity.

**EXPLANATORY NOTE:**

We filed our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 (the Form 10-K ) with the U.S. Securities and Exchange Commission (the SEC ) on September 28, 2011. This Amendment No. 1 (the Form 10-K/A ) to our Form 10-K is being filed to amend certain information included herein to conform to comments made by the Staff of the Securities and Exchange Commission during their review of our Form S-1 filed on August 4, 2011. We are filing this Form 10-K/A solely for the purpose of restating Item 1 (Description of Business), Item 1A (Risk Factors), Item 5 (Market for Common Stock and Related Stockholder Matters and Issuer Repurchases of Equity Securities), Item 11 (Executive Compensation), Item 13 (Certain Relationships and Related Transactions and Director Independence), and Item 15 (Exhibits).

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Form 10-K/A also contains new certifications by the principal executive officer and principal financial officer as required by Section 302 of the Sarbanes-Oxley Act of 2002. Accordingly, Item 15 of Part IV is amended to include the currently dated certifications as exhibits. Because no financial statements have been included in this Form 10-K/A and this Form 10-K/A does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the certifications have been omitted.

Except as expressly noted in this Form 10-K/A, this Form 10-K/A does not reflect any events occurring after the original filing of our Form 10-K or modify or update in any way any of the other disclosures contained in our Form 10-K, including, without limitation, the financial statements. Accordingly, this Form 10-K/A should be read in conjunction with our Form 10-K and our other filings with the SEC.

**SUGARMADE, INC. (formerly DIVERSIFIED OPPORTUNITIES, INC.)**

**FORM 10-K/A**

**FOR THE YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

PART I

Item 1 - Description of Business

Item 1A - Risk Factors

PART II

Item 5 - Market for Common Stock and Related Stockholder Matters and Issuer Repurchases of Equity Securities

PART III

Item 11 - Executive Compensation

Item 13 - Certain Relationships and Related Transactions and Director Independence

PART IV

Item 15 - Exhibits

Signatures

## **SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

In addition to historical information, this Amendment No. 1 to our Annual Report on Form 10-K/A includes forward-looking statements. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words "believe," "expect," "will," "anticipate," "intend," "estimate," "project," "plan," "assume" or other similar expressions, or negatives of those expressions, although not all forward-looking statements contain these identifying words. All statements contained or incorporated by reference in this prospectus regarding our future strategy, future operations, projected financial position, estimated future revenues, projected costs, future prospects, the future of our industries and results that might be obtained by pursuing management's current plans and objectives are forward-looking statements.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date on the cover of this prospectus, or, in the case of forward-looking statements in documents incorporated by reference, as of the date of the filing of the document that includes the statement. New risks and uncertainties arise from time to time, and it is impossible for us to predict these matters or how they may affect us. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our security holders. Except with respect to our obligation to provide amendments for material changes to the Prospectus during the duration of the offer and sale of our common stock by the selling stockholders, we do not undertake and specifically decline any obligation to update any forward-looking statements or to publicly announce the results of any revisions to any statements to reflect new information or future events or developments.

We have identified some of the important factors that could cause future events to differ from our current expectations and they are described in this prospectus under the caption "Risk Factors," above, and elsewhere in this prospectus which you should review carefully. Please consider our forward-looking statements in light of those risks as you read this prospectus.

## Item 1 - Description of Business

*As used in this annual report, the terms "we", "us", "our", and the "Company" means Sugarmade, Inc. (formerly Diversified Opportunities, Inc.), a Delaware corporation or their management.*

### *History*

We are a distributor of paper products that are derived from non-wood sources. We are parties to an Exclusive License and Supply Agreement ( LSA ) with Sugar Cane Paper Company ( SCPC ), a company located in the People s Republic of China. SCPC and their contract suppliers produce our products and is a holder of intellectual property rights and patents in the area of developing and manufacturing paper from non-wood sources. Under the LSA, we hold the exclusive right to market, distribute and manufacture SCPC s proprietary products in Europe, North, Central and South America, Australia and in other designated territories in the world. We also obtained the rights (within the designated territories) to the Sugarmade brand name and trademarks.

We believe that our Company has a unique advantage in the market to provide paper products derived from earth-friendly sources to much of the world s population. SCPC s use of agricultural residuals, namely bagasse (derived from sugar cane) and bamboo, as opposed to wood products, significantly reduces its manufacturing carbon footprint, energy consumption, and attendant water pollution during the manufacture of its products. This allows us to offer our unique, exclusive, tree-free paper products at price-parity equal to or less than current recycled fiber products already on the market. Our products are unique and we believe offer an ideal solution for those consumers (both corporate and individual) seeking to meet their sustainability mandates or personal environmentally conscious goals, at a price that is equal to or less than current recycled products.

Pulp and paper manufacturing processes have not changed significantly for decades. Most equipment and processes used today are still based primarily on tree-based inputs and require massive amounts of resources including water, energy and caustic chemicals. World consumption of paper has grown 400 percent in the last 40 years. Now nearly 4 billion trees or 35 percent of the total trees cut around the world are used in paper industries on every continent. (Source: Sam Martin, Paper Chase September 10, 2011 ([http:// www.ecology.com/2011/09/10/paper-chase/](http://www.ecology.com/2011/09/10/paper-chase/))) Over these last four decades, easily accessible and inexpensive sources of wood have continued to disappear. Because of the rapid consumption of virgin forests in places as far apart as Canada and Southeast Asia, forest restoration has not been able to keep pace with the demand for wood products.

Loss of forests is not the only concern. Deforestation releases an estimated 1.6 billion tons of carbon dioxide (CO<sub>2</sub> - the major global warming gas) into the atmosphere every year. Most people assume that greenhouse gases being released into the atmosphere are caused by burning oil and gas. But in fact between 25 and 30 percent of the



greenhouse gases released into the atmosphere each is caused by deforestation (Source: Christopher Matthews, Deforestation causes global warming September 4, 2006 (<http://www.fao.org/newsroom/en/news/2006/1000385/index.html>)). The pulp and paper industry is the third-largest industrial polluter in both Canada and the United States (Source: Reforming the Paper Industry September 19, 2006 (<http://www.nrdc.org/cities/living/paper/default.asp>)). Worldwide, pulp and paper is the fifth largest industrial consumer of energy. In the United States it is second (Source: Carolina D Souza, Paper Goes Green July 16, 2009 (<http://archive.gulfnews.com/articles/09/07/13/10330811.html>)). Our Company offers an alternative to this situation through our ability to provide the developed world paper products without utilizing the deforestation, pollution and resource waste of current paper producing methods.

All our products are manufactured from 100% tree-free agricultural waste residues such as bagasse and bamboo. Both bagasse and bamboo contain significantly higher amounts of cellulose (2.5 times or more) than wood fiber. Additionally, both sugar cane and bamboo can be harvested in 7-10 months (Source: Sugarcane Growth Stages April 08, 2009 (<http://agropedia.iitk.ac.in/?q=content/sugarcane-growth-stages>), Source: Phil Comer, The Bamboo Growth Cycle February 2, 2009). This contrasts with trees that take a minimum of seven years before being ready for pulping and paper production. By utilizing bagasse and bamboo fibers for paper making, we can produce one ton of finished paper product for every one ton of raw material as contrasted to wood fiber which requires four tons of raw material to produce one ton of finished products (Source: Phoebe Hall, Words on Paper: Tree Free or Recycled? May 11 2005 ([www.emagazine.com](http://www.emagazine.com))). Our process greatly reduces the carbon footprint and environmental damages from paper production.

### ***History***

Our Company was originally incorporated on June 5, 1986 in California as Lab, Inc. and later the same month, on June 24, 1986, changed its name to Software Professionals, Inc. On April 20, 1994, following the filing of a registration statement on Form S-1, our Company began quoting its stock on the NASDAQ National Market under the symbol SFTW . During this time our Company was in the software solutions business, developing, marketing, and supporting software products designed to automate the management of computer systems for commercial concerns. On May 21, 1996, our Company filed a Certificate of Amendment to its Amended and

Restated Articles of Incorporation changing its name to Enlighten Software Solutions, Inc. On October 23, 1998, our Company's common stock began trading on the NASDAQ Small Cap Market.

During August 2001, our Company filed a Form 15 for the purpose of deregistering its securities. On September 13, 2001, our Company filed a voluntary petition under Chapter 7, in the U.S. Bankruptcy Court, Northern District of California. On November 2, 2004, the Trustee filed its Report of Distribution and on January 4, 2005 a final decree was entered and the case was closed. On or near July 10, 2007, we filed the requisite documents with the State of California for the purpose of reinstating our corporate charter. In October 2007, Corporate Services International Profit Sharing Plan ( CSIPSP ) agreed to contribute \$30,000 as paid-in capital to our Company, the entire amount of which was contributed in January 2008. In consideration for the capital contribution, in October 2007 our Company issued to CSIPSP 225,000,000 shares of its common stock (pre-split, 9,000,000 post-split) representing approximately 97.83% of its common stock outstanding on that date. On July 30, 2007, our Company through a series of transactions effectively reincorporated in the state of Delaware, while retaining the capital structure and number of shares outstanding of the previous California corporation. On January 14, 2008, our Company officially changed its name to Diversified Opportunities, Inc. On February 11, 2008, our Company enacted a reverse split of its common stock on a 1:25 basis and concurrently increased its authorized capital stock to 310,000,000 shares comprised of 300,000,000 shares of common stock, \$.001 par value and 10,000,000 shares of blank check preferred stock, \$.001 par value.

Effective May 30, 2008, pursuant to the terms of a Stock Purchase Agreement dated May 16, 2008 (the Purchase Agreement ) by and between QRSciences Holdings Limited ( QRSciences ), an Australian corporation ( QRSciences ) and CSIPSP, QRSciences purchased all of CSIPSP 's 9,000,000 shares of DVOP common stock ( Common Stock ) in exchange for the payment of \$650,000 by QRSciences to CSIPSP. The 9,000,000 shares of DVOP common stock constituted 97.83% of the 9,199,192 shares of Company common stock outstanding as of the date of this report. This purchase of CSIPSP 's shares by QRSciences resulted in a change of control. On April 13, 2010, QRSciences completed the sale of the 9,000,000 shares of our Company 's common stock which they owned to CT Partners, a California general partnership.

From the legal incorporation of Sugarmade-CA in March 2009 through October 2009, activities were primarily limited to exploring strategic alternatives and related negotiations in connection with what was to become its future operating business. On October 26, 2009, Sugarmade-CA (operating at the time as Simple Earth, Inc.) acquired all of the outstanding common stock of Sugarmade, Inc. ( SMI ), a California corporation incorporated to import, sell and distribute sustainable and environmentally friendly non-tree-based paper products. SMI primarily sold its 100% tree free copy paper, as well as other 100% tree free paper products such as plates, bowls, napkins and toilet tissue.

Sugarmade-CA acquired all of the outstanding common stock of SMI in exchange for: 1) cash totaling \$340,000; 2) a note payable totaling \$60,000 (subsequently forgiven in February 2011); and 3) 10% of the then outstanding common stock of our Company or 72,973 shares (with a nominal value at the date of acquisition of \$.001 per share).

Additionally, we are required to pay up to two additional earn-out payments of \$200,000 to the seller of SMI: 1) if net income equals or exceeds \$10 million in 2011; and/or 2) if net income exceeds \$11 million in 2012.

In addition to minimal amounts of saleable inventory, SMI also had an exclusive license and supply agreement with Sugar Cane Paper Company ( SCPC ) located in the People s Republic of China. SCPC is a contract manufacturer and a holder of intellectual property in the area of paper from non-wood sources. Under the LSA (as subsequently amended), we obtained the exclusive right (as defined) to market, distribute and manufacture SCPC s proprietary products in Europe, North and South America and in other designated territories in the world. We also obtained the rights to the Sugarmade brand name and trademarks and other provisions of the agreement with SCPC also inure to the benefit of our Company. During 2010, Sugarmade-CA began doing business as Sugarmade, Inc. ( Sugarmade-CA ). On February 1, 2011, Sugarmade-CA changed its legal name to Sugarmade, Inc. and dissolved the SMI legal entity. On February 17, 2011, SCPC forgave all amounts including accrued interest outstanding under the note payable due to them totaling \$62,800. We accounted for the forgiveness as a capital contribution.

On April 23, 2011, we entered into an exchange agreement (the Exchange Agreement ) with Sugarmade-CA. Under the terms of the Exchange Agreement, we acquired all of the outstanding stock of Sugarmade-CA (the "Exchange"). On May 9, 2011, our Company acquired all of the outstanding stock of Sugarmade-CA through a share exchange agreement (the Sugarmade Acquisition ). Our Company then changed its name from Diversified Opportunities, Inc. to Sugarmade, Inc. on June 24, 2011. Our Company operates under Sugarmade-CA which is a wholly owned subsidiary of the Company. References in this filing to the Company include the operations of Sugarmade-CA.

Under the terms of the Exchange Agreement, Sugarmade-CA s shareholders exchanged all of their shares of stock on a one-for-one basis for an aggregate of 8,864,108 shares of our common stock. In connection with the Exchange Agreement and effective at the closing of the Exchange transaction, our previous three principal shareholders agreed to enter into a Share Cancellation Agreement pursuant to which 8,762,500 shares held by them were canceled or redeemed in exchange for the Company s payment of \$210,000, the issuance of 200,000 warrants to purchase our common stock at \$1.25 per share, and certain registration rights.

*The Industry and the Overall Market*

Currently, the U.S. Pulp and Paper industry is estimated to be an almost \$200 billion industry. The U.S. alone is estimated to consume over 100 million tons of paper products each year (Source: Martin, Paper Chase ). Our areas of focus are (but SCPC's manufacturing capabilities are not limited to):

Printing and writing paper (27% of total production);

Containerboard or corrugated boxes (29% of total production); and

Tissue (8% of total production).

Within each of these sectors, there are varying amounts of recycled materials that can be used in production. Tissue has an industry average of 45% recycled fibers (Source: S. Kinsella et al, The State of the Paper Industry , 2007, Pg 17.). Containerboard averages 24% recycled fibers. Printing and writing paper uses a scant 6% recycled fibers. We see a significant market opportunity to leverage our capabilities to eliminate tree materials included in these products.

The advent of the Internet and email would at first sight seem to argue for decreased paper consumption. Many (including industry experts) forecasted that these technologies would lead to substantial reductions in the level of paper consumption. The reality has been the opposite. Worldwide, paper constitutes approximately 42% of the wood harvested in the world. (Source: Paper Listening Study Question 64 (<http://www.conservatree.org/paperlisteningstudy/Forests/question64.html>)) The U.S. alone consumes nearly 30% of the world's paper products. The average American consumes over 749 pounds of paper per year, including the paper products that are the focus of our market strategy (Source: Martin, Paper Chase ).

Paper is manufactured from three primary sources: 1) tree-based (i.e. virgin) materials; 2) recycled content (varying compositions of virgin and recycled) materials; and 3) tree-free materials. Tree-based paper is made from trees harvested from the forest, converted into pulp and bleached. Recycled (to varying percentages of composition) paper is a combination of virgin materials combined with previously used paper that undergoes an additional de-inking and bleaching process before further pulping process.

Tree-free paper (our Company's product offering) is made from fibrous materials that contain high levels of cellulose. The sources of tree-free products are agricultural byproducts, also called residuals. As a byproduct, residuals do not require dedicated farmland. Aside from preserving forest and farmland, residuals also greatly reduce environmental impact because of the reduction of water required in paper production, the decreased energy required to break down the cellulose in tree-based materials and a reduction of air pollution from the use of previously burned byproducts. Unlike competing manufacturers, our paper products are elemental chlorine free, meaning that we use chlorine dioxide (ClO<sub>2</sub>) instead of elemental chlorine (Cl) gas in our manufacturing process. Elemental chlorine (Cl) gas produce toxic chlorinated organic compounds, including chloroform, a known carcinogen. These compounds are released into waterways as effluent from the bleaching process, where they produce environmental damage. (Source: Scott Beckner, Paper Information and Resources: Chlorine-Free Paper October 05, 2010 (<http://www.calrecycle.ca.gov/paper/chlorinefree/default.htm>))

Agricultural residual paper is produced from the waste by-products from a crop that has been harvested. While there are numerous crops that can be used for this, the ideal crops are bagasse (sugar cane), corn and wheat. The quality of these agricultural residual papers differs depending on the amount of cellulose that is present in the plant material. Depending on the strength of the fibers of the residual, a secondary material may have to be added to increase the strength of the final paper product. In some manufacturing processes, virgin or recycled pulp will be added to strengthen the paper. With our paper products, we combine bamboo with the bagasse pulp to give the strength necessary to produce the highest quality paper. The percentages of bamboo vary depending on products being produced.

The paper industry is the fourth largest contributor to greenhouse gas emissions among U.S. manufacturing industries and contributes 9% of the manufacturing sector's carbon emissions (Dan Shaply, 15 Facts about the Paper Industry October 2, 2007 (<http://www.thedailygreen.com/environmental-news/latest/7447>)). The following table gives a comparison of the environmental impacts of each category of paper production. The table gives data for the production of one ton of copy paper and the environmental impact each category has on our environment.

Table : Environmental Impacts

Per 1 Ton Finished Goods	Wood Use (million (Tons)	Net Energy BTUs)	Greenhouse Gasses(lbs. CO <sup>2</sup> equivalent)	Wastewater(gallons)	Solid Waste (lbs.)
**Sugarmade	-	10	1,957	3,953	72
*Virgin Pulp	4	32	6,023	22,219	1,922
*30% Recycled	3	29	5,235	18,665	1,697
*100% Recycled	-	22	3,396	10,372	1,171

\*Data from EDF Paper Calculator (Environmental Paper Network Paper Calculator. (<http://www.papercalculator.org>))

\*\*Internal Sugarmade Statistics

We believe that trends in government, corporate and consumer awareness of the environmental impacts of paper production will increase demand for alternative paper supplies which are more environmentally friendly. Within the market for environmentally friendly paper, we believe that our tree-free products are unique in their low carbon footprint. In addition, our relationship with SCPC gives us access to experience in manufacturing tree-free paper and the ability to reach commercial scale quickly. It is important to note that the tree-free paper market in North America is relatively young with little publically available data on the size of the market in relation to the overall paper industry. At this time, there is only anecdotal data referencing the growing demand in the United States and abroad for paper products from tree-free sources.

### ***Our Partner SCPC: License and Territory***

SCPC is a 56 year-old contract manufacturer specializing in paper products. SCPC, through subcontractors, converts plant material from the waste residuals of sugar cane (bagasse) and bamboo to commercial grade tree-free fibers.

SCPC's processes are proprietary and patented and previously virtually all of its paper products were marketed and consumed in the Asian markets. SCPC has been selling tree-free paper products into the Asian markets for over fifty years.

Under the LSA, we are the exclusive distributor for all of SCPC's tree-free and bagasse-based products in the Americas, Europe, Australia and New Zealand (the Territories). As its exclusive licensee, SCPC has also assigned us their relevant production patents in the Territories. Our exclusive distribution and license agreement for the Territories has an initial term of 20 years with a renewable option at our discretion for an additional 20 years. Sugarmade has the right to request SCPC file for counterpart patent protection in Sugarmade's territories and for copyright protection for the name "Sugarmade", but we have not yet made such requests. We anticipate making such requests in the future.

SCPC provides us with readily available commercial scale for the production of tree-free products. Moreover, because metric ton quantities of sugar cane and bamboo residual waste material are locally available (in China) to SCPC for tree-free pulp, we see little risk of product supply constraints. We believe that our exclusive relationship with SCPC, together with SCPC's intellectual property rights and access to source materials provides us with a substantial barrier to entry for potential competitors.

While our Company is independent of SCPC, Clifton Leung the Chief Executive Officer and Chairman of SCPC is a member of our Board of Directors and shareholder of our Company. We believe Mr. Leung's involvement in our Company is invaluable both for his industry expertise and the attendant alignment of the interests of both SCPC and our Company.

### ***Products***

To date, we have focused our sales and marketing efforts on the printing, writing and copy paper market. As of the date of this report, the Company has letter size 8.5 x 11 printing, writing, and copy paper available for sale.

Over time, we plan to have a complete suite of tree-less paper products available for sale. More specifically, our Company expects to have 32 separate SKU's (stock keeping units) of tree-free paper products in order to take advantage of all the products being produced by SCPC in commercially scalable quantities. These 32 SKU's are expected to break down into four (4) product categories:

1

Printing, Writing, and Copy Paper (4 SKU s)

a.

Letter size 8.5 x 11

b.

Legal size 8.5 x 14

2

Industrial/Commercial Packaging (2 SKU s)

a.

Corrugated box

b.

Industrial paper

3

Tissue (Bath/Kitchen) (7 SKU s)

a.

Paper towels multi-fold and roll

b.

Toilet paper regular roll and jumbo (janitorial) roll

c.



Napkins beverage, lunch, dinner

4

Tableware/Foodservice items (Plates, Cups, etc.) (18 SKU s)

a.

Plates 10.25 , 10 , 9 and 8.75 rounds with or without compartments

b.

Bowls 24 oz., 20 oz., 16 oz., 12 oz. with lids

c.

Away from home 9 , 6 clamshells with or without compartments

d.

Trays assorted sizes and shapes based on requirements

### ***Production and Logistics***

SCPC s main subcontracting facilities for manufacturing are located in the city of Jiangmen, in the province of Guangdong in the Peoples Republic of China. Its operations include pulping (from locally available bagasse and bamboo) and conversion (from pulp to finished product). Based on discussions with SCPC management, we believe that SCPC tree-free paper production, through current subcontractors is currently operating at roughly 28% capacity. Further, Sugarmade and SCPC are evaluating other pulping and conversion facilities to augment or replace the current subcontractors.

After transport from the factory to the nearby port of Yan Tian, product is shipped to a warehouse located in Oakland, CA. We have contracted for a warehousing facility that we use as a staging area for shipments throughout the U.S. as well as storage for inventory sold regionally. The third party warehouse can hold up to 2,000 shipping containers or 1.44 million cases of copy paper.

Between June 30, 2009 and June 30, 2011, the Company has purchased, sold or otherwise used approximately 49.85 metric tons of tree-free paper.

### ***Target Markets***

Our initial target markets are office supply retailers, corporate entities and government agencies. We are currently in advanced discussions with retailers and distribution channels that service the corporate market as well as a number of large government agencies. A number of these potential distribution channels and customers are testing our products. We believe that our products' unique focus on sustainability and carbon footprint reduction has a significant appeal to these customers.

***Product Pricing***

The heightened environmental consciousness among society's leaders and the general public (often referred to as the Green Movement) has spurred product marketers, distributors and wholesalers to seek better green alternatives to provide to their commercial, corporate, and retail clients. We believe that this movement creates a unique and timely opportunity to gain market share as the sole commercial provider of 100% tree-free paper products.

While paper products made from tree-free sources are typically more costly than traditional virgin tree sources, we have made and intend to continue to make significant strides to narrow this cost gap. Our goal is to provide the paper needs of a rapidly increasing share of the market through competitive pricing, uncompromising quality and the ability to produce our product to specific customer specifications.

Our products are priced competitively with products from recycled sources. We believe this is a compelling price point, since green products are often priced at a significant premium compared to the non-green offerings.

### ***Corporate Social Responsibility***

Corporate Social Responsibility ("CSR") is the practice of corporate self-regulation integrated into an organization's business model. CSR takes into account the impact of business decisions on the environment, society, consumers, employees, stakeholders and other members of public sphere. The Company proactively promotes the public's interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere. Through the deliberate inclusion of public interest into corporate decision-making, and honoring the triple bottom line, People, Planet, and Profitability, we hope to better our communities for generations to come.

### ***Intellectual Property***

In conjunction with SCPC, we rely on a combination of trademark, patent laws, trade secrecy laws and contractual provisions to protect ours and SCPC's intellectual property rights. SCPC holds several patents in the People's Republic of China related to the production of tree-free paper. Sugarmade has the right to request SCPC to file for counterpart patent protection in Sugarmade's territories and for copyright protection for the name Sugarmade, but we have not yet made such requests. We anticipate making such requests in the future. There can be no assurance that the steps taken by us to protect these proprietary rights will be adequate or that third parties will not infringe or misappropriate our trademarks, trade secrets or similar proprietary rights. In addition, there can be no assurance that other parties will not assert infringement claims against us, or that we may have to pursue litigation against other parties to assert our rights. Any such claim or litigation could be costly and we may lack the resources required to defend against such claims. In addition, any event that would jeopardize our proprietary rights or any claims of infringement by third parties could have a material adverse effect on our ability to market or sell our brands, and profitably exploit our products.

### ***Competition***

We face competition from traditional paper manufacturers as well as other manufacturers that claim to produce environmentally friendly products. Paper is a mature industry with a number of manufacturers with significant capital resources, distribution channels and entrenched customer accounts. We compete against traditional paper manufacturers primarily based on our environmental benefits. As discussed above, our products compete well in terms of reduced environmental impact. Our products are generally more expensive than paper manufactured from virgin wood. Some customers will pay a premium for "green" or environmentally friendly paper, provided that the price is a reasonable premium, and the products are of comparable quality. We also believe that we provide comparable quality as compared to virgin wood products in our product applications. Currently, we are priced competitively with recycled paper products. If there were a significant reduction in the cost of virgin wood based products, or if our costs of products were to rise significantly, it would reduce our ability to compete.

There are a number of manufacturers deploying different techniques to develop environmentally sensitive paper products. Based on feedback from customers and potential customers of environmentally sensitive paper products, we classify these manufacturers into the following four distinct categories:

- 1.

Companies focused on very limited niche markets with limited distribution potential or limited access to commercial supply quantities. In general, companies in this group find their products are too expensive for massive consumer scaled tree-free commodity products (e.g. Living Tree Paper Company, TreeFrog, Environmental Pulp and Paper Company Limited).

2.

Companies that in addition to employing bagasse or bamboo in their products, also include wood fillers, post-consumer waste and wood pulp or fiber whose products are not truly tree-free (e.g. Canefields, Terradigm, New Leaf Paper Company and Quena Paper Company).

3.

Companies producing a tree-free paper product employing wheat, corn, bananas or kenaf fiber. These materials have not proven to yield a commercially successful product for scalable quantities (e.g. Echo Paper Store, Natures Paper Company, Banana Paper Company, and Vision Paper Company).

4.

Companies employing tree-free competitive products that are unable to meet standard quality requirements (e.g. "jam-free" copy paper) (e.g. ShangiHongtuo, Ltd.).

We believe the products we acquire from SCPC are the only commercially scalable tree-free paper products able to meet U.S. customer product quality specifications (moisture content, multi-sheet feeding, etc.). In addition, we believe that our competitors lack economical access to the hundreds of thousands of metric tons of bagasse and bamboo available to SCPC. Through SCPC, we believe we can supply commercial quantities of our products.

***Regulation***

SCPC's contract manufacturers are subject to extensive regulation by various Chinese national and local agencies concerning compliance with environmental control statutes and regulations. The major environmental regulations applicable to SCPC's contract manufacturers include:

The Environmental Protection Law of the PRC

The Law of PRC on the Prevention and Control of Water Pollution

Implementation Rules of the Law of PRC on the Prevention and Control of Water Pollution

The Law of PRC on the Prevention and Control of Air Pollution

Implementation Rules of the Law of PRC on the Prevention and Control of Air Pollution

The Law of PRC on the Prevention and Control of Solid Waste Pollution

The Law of PRC on the Prevention and Control of Noise Pollution

SCPC's contract manufacturers are also subject to periodic inspections by local environmental protection authorities. SCPC's contract manufacturers have received certifications from the relevant PRC government agencies in charge of environmental protection indicating that their business operations are in material compliance with the relevant PRC environmental laws and regulations. To our knowledge, SCPC's contract manufacturers are not currently subject to any pending actions alleging any violations of applicable PRC environmental laws.

These regulations impose limitations (including but not limited to effluent and emission limitations) on the discharge of materials into the environment as well as require SCPC to obtain and operate in compliance with conditions of permits and other governmental authorizations. Future regulations could materially increase SCPC's contract manufacturers' capital requirements and certain of their operating expenses in future years. Such increases in SCPC's contract manufacturers' required outlays to comply with such regulation could result in higher costs being passed to our Company and could have a negative effect on the competitiveness of our product offerings.

## **Our Employees**

We have approximately seven full-time employees as of June 30, 2011 and two contracted positions. None of our employees are subject to collective bargaining agreements.

## **Backlog**

We do not have any material order backlog as of the date of this Current Report.

## **Seasonality**

We do not expect that our business will experience significant seasonality.

## **Item 1A Risk Factors**

*Investment in our common stock involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this herein before making an investment decision. If any of the following risks actually occur, our business, financial condition or results of operations could suffer. In that case, the market price of our common stock could decline, and you may lose all or part of your investment. You should also read the section entitled "Special Notes Regarding Forward-Looking Statements" below for a discussion of what types of statements are forward-looking statements as well as the significance of such statements in the context of this report.*

### **RISKS RELATED TO OUR BUSINESS**

***We have a very limited operating history.*** Prior to the Sugarmade Acquisition, our Company was a shell company with no or nominal operations. Sugarmade-CA recently completed its funding and the related acquisition with our Company. Sugarmade-CA was formed in 2009 to market paper products manufactured from tree-free materials. Sugarmade-CA does not currently have significant operating revenues and has a very limited operating history. Because Sugarmade-CA has a limited operating history, we do not have any historical financial data upon which to base planned operations. Our historical financial information is not a reliable indicator of future performance or prospects.



***The segments of the paper industry in which we operate are highly competitive and increased competition could affect our sales and profitability.*** We compete in different markets within the paper industry on the basis of the uniqueness of our products, the quality of our products, customer service, price and distribution. All of our markets are highly competitive. Our competitors vary in size and many have greater financial and marketing resources than we do. While we believe that our products offer unique advantages because of their tree-free composition, if we cannot maintain quality and pricing that are comparable to traditional products we may not be able to develop, or may lose, market share. In some of our markets, the industry's capacity to make products exceeds current demand levels. Competitive conditions in some of our segments may cause us to incur lower net selling prices, reduced gross margins and net earnings.

***Our tree-free products could encounter low consumer acceptance in our primary target markets, including our initial target market of North America.*** Our product is relatively new to consumers and does not have a significant sales history in many of our target markets. Should our tree-free products not be accepted by consumers in these markets, particularly in the markets of our initial focus in North America, we could experience sales and operating results substantially less than we expect to achieve. Such results could jeopardize our Company's financial well-being and subject an investor to the loss of all or a portion of his investment in our Company.

***Our business and financial performance may be adversely affected by downturns in the target markets that we serve or reduced demand for the types of products we sell.*** Demand for our products is often affected by general economic conditions as well as product-use trends in our target markets. These changes may result in decreased demand for our products. The occurrence of these conditions is beyond our ability to control and, when they occur, they may have a significant impact on our sales and results of operations. Our products are comparably priced with paper products comprised of 30% recycled materials. Both our products and paper products comprised of 30% recycled materials are typically higher in cost than paper products made from virgin pulp wood. The inability or unwillingness of our customers to pay a premium for our products due to general economic conditions or a downturn in the economy may have a significant adverse impact on our sales and results of operations.

***Changes within the paper industry may adversely affect our financial performance.*** Changes in the identity, ownership structure and strategic goals of our competitors and the emergence of new competitors in our target markets may harm our financial performance. New competitors may include foreign-based companies and commodity-based domestic producers who could enter our specialty markets if they are unable to compete in their traditional markets. The paper industry has also experienced consolidation of producers and distribution channels. Further consolidation could unite other producers with distribution channels through which we intend to sell our products, thereby limiting access to our target markets.

***Any interruption in delivery from our only supplier will impair our ability to distribute our products and generate revenues.*** We are dependent on a sole contractor SCPC and their third party suppliers for the production of our products. We have no manufacturing facilities and we rely on SCPC and their third party suppliers to provide us with an adequate and reliable supply of products on a timely basis. Any interruption in the distribution from SCPC and their suppliers could affect our ability to distribute our products. Additionally, SCPC and their suppliers are located in the People's Republic of China ( PRC ). Any legislation or consumer preferences in the United States or other countries requiring products which are made in the United States or such other countries may have a material adverse impact on our sales and results of operations.

***Uncertainties with respect to the PRC legal system could limit the legal protections available for us to pursue any claim against SCPC, and therefore our ability to protect our contract rights.*** We rely on SCPC and their third party suppliers for our supply of products. SCPC and these third parties operate entirely within the PRC. The PRC legal



system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us in the event that we needed to bring a claim against SCPC. Courts in the PRC may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. The PRC does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. So it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States. Any litigation we may try to bring in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

***If we fail to maintain satisfactory relationships with our larger customers, our business may be harmed.*** We do not have and are unlikely to enter into long-term fixed quantity supply agreements with our customers. Due to competition or other factors, we could lose future business from our customers, either partially or completely. The future loss of one or more of our significant customers or a substantial future reduction of orders by any of our significant customers could harm our business and results of operations. Moreover, our customers may vary their order levels significantly from period to period and customers may not continue to place orders with us in the future at the same levels as in prior periods. In the event that in the future we lose any of our larger customers, we may not be able to replace that revenue source. This could harm our financial results.

***The costs of complying with environmental regulations may increase substantially and adversely affect our consolidated financial condition, liquidity or results of operations.*** SCPC's third party suppliers are subject to various environmental laws and regulations that govern discharges into the environment and the handling and disposal of hazardous substances and wastes. Environmental laws impose liabilities and clean-up responsibilities for releases of hazardous substances into the environment. However, many PRC laws and regulations are uncertain in their scope, and the implementation of such laws and regulations in different localities could have significant differences. In certain instances, local implementation rules and/or the actual implementation are not necessarily consistent with the regulations at the national level. We cannot assure you that the relevant PRC government authorities will not determine that SCPC's suppliers have failed to comply with certain laws or regulations. SCPC's suppliers will likely continue to incur substantial capital and operating expenses in order to comply with current laws. Any future changes in these laws or their interpretation by government agencies or the courts may significantly increase SCPC's suppliers' capital expenditures and operating expenses and decrease the amount of funds available for investment in other areas of their operations. In addition, SCPC's suppliers may be required to eliminate or mitigate any adverse effects on the environment caused by the release of hazardous materials, whether or not SCPC's suppliers had knowledge of or were responsible for such release. SCPC's suppliers may also incur liabilities for personal injury and property damages as a result of discharges into the environment. If costs or liabilities related to environmental compliance increase significantly for SCPC's suppliers, such costs could be passed along to us in the form of higher prices paid for supplied materials. Our consolidated financial condition, liquidity or results of operations may be adversely affected in the event that we were forced to absorb such costs.

***If SCPC or its contractors were to suffer a catastrophic loss, unforeseen or recurring operational problems at any of its facilities, we could suffer significant product shortages, sales declines and/or cost increases.*** The paper making and converting facilities as well as its distribution warehouses could suffer catastrophic loss due to fire, flood, terrorism, mechanical failure or other natural or human caused events. If any of these facilities were to experience a catastrophic loss, it could disrupt our supply of products for sale, delay or reduce shipments and reduce our revenues. These expenses and losses may not be adequately covered by property or business interruption insurance. Even if covered by insurance, our inability to deliver our products to customers, even on a short-term basis, may cause us to lose market share on a more permanent basis.

***Our ability to protect the intellectual property and proprietary technology related to the production of our products is uncertain.*** Our future success may depend on our ability to protect the proprietary rights and the intellectual property upon which our tree-free products are based. SCPC holds several patents in the People's Republic of China related to the production of tree-free paper, and under the terms of our supply agreement with SCPC, we have the right to request SCPC to file for counterpart patent protection in Sugarmade's territories and for copyright protection for the name "Sugarmade," but we have not yet made such requests. Should we make such a request to SCPC, any patent applications may not be issued as patents, or may not be issued in a form that will be advantageous to us, or we may not be able to obtain copyright protection for the name "Sugarmade." Any patents obtained in the future may be challenged by re-examination or otherwise invalidated or eventually be found unenforceable. Both the patent application process and the process of managing patent disputes can be time consuming and expensive. Even if any patents were to be granted, competitors may attempt to challenge or invalidate the patents, or may be able to design alternative techniques or devices that avoid infringement of the patents, or develop products with functionalities that are comparable to the tree-free products which we sell. In the event a competitor infringes upon our intellectual property rights, litigation to enforce such rights or to defend patents granted (or to be granted) against challenge, even if successful, could be expensive and time consuming and could require significant time and attention from our management. We may not have sufficient resources to enforce our intellectual property rights.

*We may become involved in claims concerning intellectual property rights, and we could suffer significant litigation or related expenses in defending our or SCPC's intellectual property rights or defending claims that we infringed the rights of others.* We consider our licensed intellectual property to be a material asset. We may lose market share and suffer a decline in our revenue and net earnings if we cannot successfully defend one or more trademarks or patents we have secured or licensed. We do not believe that any of our products infringe the valid intellectual property rights of third parties. However, we may be unaware of intellectual property rights of others that may cover some of our products or services. In that event, we may be subject to significant future claims for damages. Any litigation regarding patents or other intellectual property could be costly and time-consuming and could divert our management and key personnel from our business operations. Claims of intellectual property infringement might also require us to enter into licensing agreements which would reduce our operating margins, or in some cases, we may not be able to obtain license agreements on terms acceptable to us.

#### **FINANCIAL RISKS**

*Our current business plan requires that the Company raise additional equity in early 2012.* We do not currently have sufficient revenues to cover our operating expenses and have never been profitable. We cannot be certain that our Company will ever generate sufficient revenues and gross margin to achieve profitability in the future. Our business plan requires that the Company needs to raise additional equity in early 2012. However, there are no arrangements in place for any such financing at this time. We cannot provide any assurances as to whether we will be able to secure any necessary financing, or the terms of any such financing transaction if one

were to occur. Our failure to raise additional capital would seriously harm our business and operating results. If we fail to raise additional capital in early 2012, our business will be materially and adversely affected and an investor could suffer the loss of a significant portion or all of his investment in our Company.

***If we cannot establish profitable operations, we will need to raise additional capital to continue our operations, which may not be available on commercially reasonable terms, or at all, and which may dilute your investment.*** We incurred a net loss for the year ended June 30, 2011 in excess of \$3.3 million and had negative cash flows from operations in excess of \$900,000. Achieving and sustaining profitability will require us to increase our revenues and manage our product, operating and administrative expenses. We cannot guarantee that we will be successful in achieving profitability. If we are unable to generate sufficient revenues to pay our expenses and our existing sources of cash and cash flows are otherwise insufficient to fund our activities, we will need to raise additional funds to continue our operations. We do not have any arrangements in place for additional funds. If needed, those funds may not be available on favorable terms, or at all. Furthermore, if we issue equity or debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we are unsuccessful in achieving profitability and we cannot obtain additional funds on commercially reasonable terms or at all, we may be required to curtail significantly or cease our operations, which could result in the loss of all of your investment in our stock.

***We are dependent upon SCPC and our borrowing arrangement with them in order to fund our working capital and liquidity requirements.*** We have signed an agreement with SCPC to provide our Company favorable payment terms for sales made by our Company of their provided paper products. Our plans going forward are dependent upon SCPC's providing such financing upon the terms we have agreed to and there are currently no other alternate financing plans in place. Should there be an interruption in either SCPC's willingness or ability to provide such financing per the terms of the agreement, we could face a severe liquidity shortfall that could cause our Company's operations to fail and which could consequently result in the loss of an investor's investment with our Company.

***Our financial statements have been prepared assuming that the Company will continue as a going concern.*** We have generated losses to date and have limited working capital. These factors raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from this uncertainty. The report of our independent registered public accounting firm included an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern in their audit report included herein. If we cannot generate the required revenues and gross margin to achieve profitability or obtain additional capital on acceptable terms, we will need to substantially revise our business plan or cease operations and an investor could suffer the loss of a significant portion or all of his investment in our Company.

***Fluctuations in exchange rates could adversely affect our cost of goods sold and consequently our profit margins.*** The price we pay for product from SCPC will be directly affected by the foreign exchange rate between U.S. dollars and the Chinese Renminbi ("RMB") and between those currencies and other currencies in which our sales may be denominated. Because substantially all of our product purchases will be from SCPC in China, fluctuations in the exchange rate between the U.S. dollar and the RMB will affect the prices that we effectively pay for product. Since July 2005, the RMB has no longer been pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited,

and we may not be able to successfully hedge our exposure at all.

***As we transition from a Company with insignificant revenues to what we hope will be a Company generating substantial revenues, we may not be able to manage our growth effectively, which could adversely affect our operations and financial performance.*** The ability to manage and operate our business as we execute our growth strategy will require effective planning. Significant rapid growth could strain our internal resources, leading to a lower quality of customer service, reporting problems and delays in meeting important deadlines resulting in loss of market share and other problems that could adversely affect our financial performance. Our efforts to grow could place a significant strain on our personnel, management systems, infrastructure and other resources. If we do not manage our growth effectively, our operations could be adversely affected, resulting in slower growth and a failure to achieve or sustain profitability.

***We do not expect to pay dividends for the foreseeable future, and we may never pay dividends and, consequently, the only opportunity for investors to achieve a return on their investment is if a trading market develops and investors are able to sell their shares for a profit or if our business is sold at a price that enables investors to recognize a profit.*** We currently intend to retain any

future earnings to support the development and expansion of our business and do not anticipate paying cash dividends for the foreseeable future. Our payment of any future dividends will be at the discretion of our Board of Directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. In addition, our ability to pay dividends on our common stock may be limited by state law. Accordingly, we cannot assure investors any return on their investment, other than in connection with a sale of their shares or a sale of our business. At the present time there is a limited trading market for our shares. Therefore, holders of our securities may be unable to sell them. We cannot assure investors that an active trading market will develop or that any third party will offer to purchase our business on acceptable terms and at a price that would enable our investors to recognize a profit.

***Our net operating loss ( NOL ) carry-forward is limited.*** We have recorded a valuation allowance amounting to our entire net deferred tax asset balance due to our lack of a history of earnings, possible statutory limitations on the use of tax loss carry-forwards generated in the past and the future expiration of our NOL. This gives rise to uncertainty as to whether the net deferred tax asset is realizable. Internal Revenue Code Section 382, and similar California rules, place a limitation on the amount of taxable income that can be offset by carry-forwards after a change in control (generally greater than a 50% change in ownership). As a result of these provisions, it is likely that given our acquisition of Sugarmade-CA, future utilization of the NOL will be severely limited. Our inability to use our Company's historical NOL, or the full amount of the NOL, would limit our ability to offset any future tax liabilities with its NOL.

## **CORPORATE AND OTHER RISKS**

***Limitations on director and officer liability and indemnification of our Company's officers and directors by us may discourage stockholders from bringing suit against an officer or director.*** Our Company's certificate of incorporation and bylaws provide, with certain exceptions as permitted by governing state law, that a director or officer shall not be personally liable to us or our stockholders for breach of fiduciary duty as a director, except for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or unlawful payments of dividends. These provisions may discourage stockholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by stockholders on our behalf against a director.

***We are responsible for the indemnification of our officers and directors.*** Should our officers and/or directors require us to contribute to their defense, we may be required to spend significant amounts of our capital. Our certificate of incorporation and bylaws also provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of our Company. This indemnification policy could result in substantial expenditures, which we may be unable to recoup. If these expenditures are significant, or involve issues which result in significant liability for our key personnel, we may be unable to continue operating as a going concern.

***Our executive officers, directors and insider stockholders beneficially own or control a substantial portion of our outstanding common stock, which may limit your ability and the ability of our other stockholders, whether acting alone or together, to propose or direct the management or overall direction of our Company.*** Additionally, this concentration of ownership could discourage or prevent a potential takeover of our Company that might otherwise result in an investor receiving a premium over the market price for his shares. A substantial portion of our outstanding shares of common stock is beneficially owned and controlled by a group of insiders, including our directors and executive officers. Accordingly, any of our existing outside principal stockholders together with our directors, executive officers and insider shareholders would have the power to control the election of our directors and the approval of actions for which the approval of our stockholders is required. If you acquire shares of our common stock, you may have no effective voice in the management of our Company. Such concentrated control of our Company may adversely affect the price of our common stock. Our principal stockholders may be able to control matters requiring approval by our stockholders, including the election of directors, mergers or other business combinations. Such concentrated control may also make it difficult for our stockholders to receive a premium for their shares of our common stock in the event we merge with a third party or enter into different transactions which require stockholder approval. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

***Certain provisions of our Certificate of Incorporation may make it more difficult for a third party to effect a change-of-control.*** Our certificate of incorporation authorizes the Board of Directors to issue up to 10,000,000 shares of preferred stock. The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by the Board of Directors without further action by the stockholders. These terms may include preferences as to dividends and liquidation, conversion rights, redemption rights and sinking fund provisions. The issuance of any preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of such common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of the Board of Directors to issue preferred stock

could make it more difficult, delay, discourage, prevent or make it more costly to acquire or effect a change-in-control, which in turn could prevent our stockholders from recognizing a gain in the event that a favorable offer is extended and could materially and negatively affect the market price of our common stock.

***We are dependent for our success on a few key executive officers.*** Our inability to retain those officers would impede our business plan and growth strategies, which would have a negative impact on our business and the value of your investment. Our success depends on the skills, experience and performance of key members of our management team. Each of those individuals may voluntarily terminate his employment with the Company at any time. Were we to lose one or more of these key executive officers, we would be forced to expend significant time and money in the pursuit of a replacement, which would result in both a delay in the implementation of our business plan and the diversion of limited working capital. We do not maintain a key man insurance policy on any of our executive officers.

## CAPITAL MARKET RISKS

***Our common stock is thinly traded, so you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.*** There is limited market activity in our stock and we are too small to attract the interest of many brokerage firms and analysts. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained. While we are trading on OTC Bulletin Board, the trading volume we will develop may be limited by the fact that many major institutional investment funds, including mutual funds, as well as individual investors follow a policy of not investing in OTC Bulletin Board stocks and certain major brokerage firms restrict their brokers from recommending OTC Bulletin Board stocks because they are considered speculative, volatile, thinly traded and the market price of the common stock may not accurately reflect the underlying value of our Company. The market price of our common stock could be subject to wide fluctuations in response to quarterly variations in our revenues and operating expenses, announcements of new products or services by us, significant sales of our common stock, including short sales, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets or general economic conditions.

***The application of the penny stock rules to our common stock could limit the trading and liquidity of the common stock, adversely affect the market price of our common stock and increase your transaction costs to sell those shares.*** As long as the trading price of our common stock is below \$5 per share, the open-market trading of our common stock will be subject to the penny stock rules, unless we otherwise qualify for an exemption from the penny stock definition. The penny stock rules impose additional sales practice requirements on certain broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse). These regulations, if they apply, require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the associated risks. Under these regulations, certain brokers who recommend such securities to persons other than established customers or certain accredited investors must make a special written suitability determination regarding such a purchaser and receive such purchaser's written agreement to a transaction prior to sale. These regulations may have the effect of limiting the trading activity of our common stock, reducing the liquidity of an investment in our common stock and increasing the transaction costs for sales and



purchases of our common stock as compared to other securities. The stock market in general and the market prices for penny stock companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Stockholders should be aware that, according to Securities and Exchange Commission ( SEC ) Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include 1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; 2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; 3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; 4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and 5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The occurrence of these patterns or practices could increase the volatility of our share price.

***We may not be able to attract the attention of major brokerage firms, which could have a material adverse impact on the market value of our common stock.*** Security analysts of major brokerage firms may not provide coverage of our common stock since there is no incentive to brokerage firms to recommend the purchase of our common stock. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It will also likely make it more difficult to attract new investors at times when we require additional capital.

*We may be unable to list our common stock on NASDAQ or on any securities exchange.* Although we may apply to list our common stock on NASDAQ or the American Stock Exchange in the future, we cannot assure you that we will be able to meet the initial listing standards, including the minimum per share price and minimum capitalization requirements, or that we will be able to maintain a listing of our common stock on either of those or any other trading venue. Until such time as we qualify for listing on NASDAQ, the American Stock Exchange or another trading venue, our common stock will continue to trade on OTC Bulletin Board or another over-the-counter quotation system where an investor may find it more difficult to dispose of shares or obtain accurate quotations as to the market value of our common stock. In addition, rules promulgated by the SEC impose various practice requirements on broker-dealers who sell securities that fail to meet certain criteria set forth in those rules to persons other than established customers and accredited investors. Consequently, these rules may deter broker-dealers from recommending or selling our common stock, which may further affect the liquidity of our common stock. It would also make it more difficult for us to raise additional capital.

*Future sales of our equity securities could put downward selling pressure on our securities, and adversely affect the stock price.* There is a risk that this downward pressure may make it impossible for an investor to sell his or her securities at any reasonable price, if at all. Future sales of substantial amounts of our equity securities in the public market, or the perception that such sales could occur, could put downward selling pressure on our securities, and adversely affect the market price of our common stock.

## Part II

### Item 5 Market for Common Stock and Related Stockholder Matters and Issuer Repurchases of Equity Securities

Prior to July 15, 2011, our common stock traded under the symbol DVOP. On June 24, 2011, we changed the legal name of our Company to Sugarmade, Inc. and as of the date hereof our common stock trades under the symbol SGMD on the OTCQB Markets and the OTC Bulletin Board. The OTCQB and OTC Bulletin Board are quotation service that display real-time quotes, last-sale prices and volume information in over-the-counter equity securities. OTCQB displays real-time quotes, last-sale prices and volume information in over-the-counter equity securities. The market is extremely limited for our stock and any prices quoted may not be a reliable indication of the value of our common stock. The following table sets forth the high and low bid prices per share of our common stock by both the OTC Bulletin Board and OTCQB for the periods indicated. These prices reflect prices paid for our common stock prior to the Sugarmade Acquisition.

<b>For the year ended June 30, 2011</b>	<b>High</b>	<b>Low</b>
Fourth Quarter	\$13.50	\$4.00
Third Quarter	5.00	1.50
Second Quarter	5.50	0.10
First Quarter	0.40	0.25

<b>For the year ended June 30, 2010</b>	<b>High</b>	<b>Low</b>
Fourth Quarter	\$0.60	\$0.25
Third Quarter	\$0.20	\$0.15

Edgar Filing: Sugarmade, Inc. - Form 10-K/A

Second Quarter	\$5.00	\$0.12
First Quarter	\$0.95	\$0.01

Effective as of February 2008, the SEC adopted new rules relating to the sale of restricted securities under Rule 144 of the Securities Act of 1933, as amended, with respect to the resale of such securities by shareholders of a shell company such as the Company. The new rules provide that shareholders of a shell company are not eligible to sell under Rule 144 unless the company (i) is subject to the reporting requirements of section 13 or 15(d) of the Exchange Act; (ii) has filed all reports and other materials required to be filed by section 13 or 15(d) of the Exchange Act, as applicable, during the preceding 12 months (or for such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and (iii) has filed current Form 10 information with the SEC reflecting that it is no longer a shell company and one year has elapsed from the date of that filing. The Company does not meet all of these requirements and shareholders of the Company are therefore not currently eligible to sell their shares under Rule 144.

The ability of individual shareholders to trade their shares in a particular state may be subject to various rules and regulations of that state. A number of states require that an issuer's securities be registered in their state or appropriately exempted from registration before the securities are permitted to trade in that state.

**Holders of Record**

As of September 25, 2011, 10,256,000 shares of our common stock were issued and outstanding held by approximately 900 shareholders of record.

### **Transfer Agent**

Our transfer agent is Island Stock Transfer, St. Petersburg, Florida; telephone (727) 289-0010.

### **Dividends**

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors.

### **Securities Authorized for Issuance under Equity Compensation Plans**

On May 5, 2011, our Board of Directors adopted the 2011 Stock Option/Stock Issuance Plan (the "Plan"). On May 20, 2011, the Plan was approved by a vote of the majority of our shareholders. The Plan is intended to promote the interests of our Company by providing eligible person with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in the service of the Corporation. The Plan is divided into two separate equity programs: a stock option grant program and a stock issuance program. The maximum number of shares available to be issued under the Plan is currently 1,500,000 shares, subject to adjustments for any stock splits, stock dividends or other specified adjustments which may take place in the future. The Plan is administered by our Company's Board of Directors. Persons eligible to participate in the Plan are: (i) employees; (ii) non-employee members of our Company's Board of Directors; and (iii) consultants and other independent advisors who provide services to our Company or its subsidiary. All grants under the Plan are intended to comply with the requirements under Internal Revenue Code Section 409A and activities under the Plan will be administered accordingly. Options granted under the Plan are evidenced by agreement between the recipient and our Company, subject to the following general provisions: (i) the exercise price shall not be less than 100% of the fair market value per share of our Company's common stock on the date of grant (110% in the case of 10% or greater shareholders); and (ii) the term of stock options shall be limited to a maximum of ten years.

The table below sets forth information as of June 30, 2011 with respect to compensation plans under which our common stock is authorized for issuance:

<b>Number of securities to be issued upon exercise of</b>	<b>Weighted-average exercise price of</b>	<b>Number of securities remaining available for future issuance under equity</b>
<b>outstanding options</b>	<b>outstanding options</b>	<b>compensation plans</b>
920,000	\$1.25	580,000

**Recent Sales of Unregistered Securities**

None.

**Part III**

**Item 11 - Executive Compensation**

**Summary Compensation Table**

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered in all capacities during the noted periods. No other executive officers received total annual compensation in excess of \$100,000.

Change in  
Pension  
Value and  
Non-Qual.  
Deferred  
Stock  
Option  
Non-equity  
Compens.  
All Other  
Salary  
Bonus  
Awards  
Awards  
Incentive  
Earnings  
Comp.  
Total

Position

Year<sup>(2)</sup>

(\$)

(\$)

(\$)<sup>(4)</sup>

(\$)<sup>(4)</sup>

Comp (\$)

(\$)

(\$)<sup>(1)</sup>

(\$)

**Scott Lantz (3)**

	2011
	132,500
	-
	742,785
	-
	-
-	
	5,004
	880,289
	2010
	70,300
	-
	-
	-
	-
-	
	391
	70,691

President/Chief Executive Officer/Director since May 9, 2011.

**Kevin Russeth**

2011

-

-

-

-

-

-

-

-

2010

-

-

-

-

-

-

-

-

President/Chief Executive Officer/Director from May 2008 through June 14, 2011.

**Ethan Farid Jinian (3)**

2011

0

-

40



-	-
-	-
-	-
-	-
-	2010
-	50,000
-	-
-	-
-	-
-	-
-	-
-	-
-	50,000

President/Chief Executive Officer/Director of Sugarmade-CA from October 1, 2009 through December 9, 2009.

(1)  
 All other compensation consists of health insurance reimbursed by our Company on behalf of the individual.

(2)  
 Fiscal year ended June 30.

(3)  
 Includes compensation paid by our subsidiary Sugarmade-CA.

(4)  
 Refer to Stock based compensation, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC on September 28, 2011 for the relevant assumptions used to determine the valuation of our option/warrant awards.

]

## Employment Agreements

We have no employment agreements in effect for named executive officers as of the date of this report. Mr. Lantz's annual salary at the time of this filing is \$216,000. His compensation is determined by the Board of Directors of the Company on a periodic basis.

## Grants of Stock and Other Equity Awards

During the year ended June 30, 2011, we issued the following grants of shares of our common stock and options and warrants to purchase our common stock to the following named officers and executives.

In April 2011, we issued a total of 2,484,229 shares of common stock of Sugarmade-CA to its Chief Executive Officer in exchange for nominal cash proceeds totaling \$2,484. We recorded a noncash charge to operations totaling \$742,785 in connection with the transaction, based on an estimated value of the shares issued of \$0.30 per share, less the cash received in connection therewith.

In April 2011, the Company issued stock options for 920,000 shares as follows:

	<b>Number of options</b>	<b>Exercise price</b>	<b>Vesting</b>
Directors	325,000	\$1.25	Immediate to monthly over 3 years
Non-executive officers	500,000	\$1.25	25% immediately, remainder monthly over 3 years
Other employees/consultants	95,000	\$1.25	Immediate to monthly over 3 years
Total	920,000		

On May 27 2011, the company issued warrants for 189,000 shares to non-executive officers and other employees as follows:

	<b>Number of Warrants</b>	<b>Exercise price</b>	<b>Vesting</b>
Non-executive officers	100,000	\$1.25	25% immediately, remainder monthly over 3 years
Other employees/consultants	89,000	\$1.25	Monthly ranging from 3 months to 3 years.
Total	189,000		



### Option Exercises and Stock Vested

During the fiscal years ended June 30, 2011 and 2010, there were no option awards, option exercises or vesting of stock awards to our named executive officers.

### Compensation of Directors

On April 27, 2011, the Board of Directors of Sugarmade-CA approved compensation for outside directors in the amount of 100,000 stock options vesting over 3 years at an exercise price of \$1.25 per share. Additionally, the Board of Directors of Sugarmade-CA also approved a stock grant of 100,000 shares of the Company's common stock (subject to a 3 year repurchase option by the company) to a director for services rendered as the Head of the Audit committee and financial expert. The Company also issued 100,000 shares of its common stock (subject to a 2 year repurchase option) to a director for sales and advisory services. Our former Chairman of Sugarmade-CA. Board of Directors received compensation for his service as a director totaling \$18,000 during the year ended June 30, 2010. During the years ended June 30, 2011 and June 30, 2010, no other member of our Boards of Directors received any cash compensation for his services as a director.

The following table sets forth summary information concerning compensation paid or accrued for services rendered to us in all capacities by our non-employee directors for the fiscal year ended June 30, 2011. Other than as set forth below and the reimbursement of actual and ordinary out-of-pocket expenditures, we did not compensate any of our directors for their services as directors during the fiscal year ended June 30, 2011.

2011 Director Compensation							
Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Options Awards (\$ (1))	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
		240,000					240,000

Clifton Leung (4) Sandy Salzberg (2)		17,500		17,500
C. James Jensen (3) (5) Ed Roffman (3) (6)	30,000	13,000		43,000
	30,000	13,000		43,000

(1)

Options granted vest monthly over a three year period beginning on the date of the grant. Exercise price \$1.25 per share.

(2)

Stock option awards for a total of 125,000 shares.

(3)

Stock option award for 100,000 shares.

(4)

Stock grant for 800,000 shares for past services rendered.

(5)

Stock grant for 100,000 shares for sales and distribution assistance subject to repurchase over 24 months.

(6)

Stock grant for 100,000 shares for being chairman of audit committee, subject to repurchase over 36 months

***Stock Option Plan***

On April 27, 2011, the Company's Board of Directors approved the adoption of the 2011 Stock Option/Stock Issuance Plan (the "2011 Plan") and reserved 1,500,000 shares of common stock for issuance under the 2011 Plan. The 2011 Plan provides for the issuance of both non-qualified stock options and incentive stock options ("ISOs"), and permitted grants to employees, non-employee directors and consultants of the Company. Generally, stock option grants under this plan will vest over a period of three years and have a term not to exceed 10 years, although the Plan Administrator has the discretion to issue option grants with varying terms and vesting periods.



## **Item 13 - Certain Relationships and Related Party Transactions and Director Independence**

### **Transactions with Related Persons, Promoters and Certain Control Persons**

Our Company closely reviews transactions between the Company and persons or entities considered to be related parties (collectively "related parties"). Our Company considers entities to be related parties where an executive officer, director or a 5% or more beneficial owner of our common stock (or an immediate family member of these persons) has a direct or indirect material interest. Transactions of this nature require the approval of our management and our Board of Directors. We believe such transactions were at terms comparable to those we could have obtained from unaffiliated third parties. Since January 1, 2010, we have not had any transactions in which any of our related parties had or will have a direct or indirect material interest, nor are any such transactions currently proposed, except as noted below.

On April 27, 2011, Sugarmade-CA entered into a sales and marketing consulting agreement with Mr. C. James Jensen, a member of our Board of Directors. As part of this agreement, Sugarmade-CA issued to Mr. Jensen 100,000 shares of its common stock (subject to a 2 year repurchase option) valued at \$0.30 per share. The company took a charge for \$30,000 for this issuance.

On April 27, 2011, Sugarmade-CA issued 100,000 shares of common stock to Mr. Ed Roffman, a member of our Board of Directors, for services rendered as the Head of the Audit committee and financial expert. The shares issued are subject to a 3 year repurchase option by the company, valued at \$0.30 per share. The company took a charge for \$30,000 for this issuance.

On April 27, 2011, Sugarmade-CA issued a total of 2,484,299 and 800,000 shares of common stock to Scott Lantz our Chief Executive Officer and Clifton Leung, a member of its Board of Directors, respectively, in exchange for nominal cash consideration. The shares were valued at \$0.30 per share. The company took a charge for the shares issued to Mr. Lantz and Mr. Leung totaling \$745,269 and \$240,000 respectively.

On May 9, 2011 the Company completed the Cancellation Agreement with Kevin Russeth, Steven Davis and Jonathan Shultz. At the time of the Cancellation Agreement, Mr. Russeth was our sole director and was our Chief Executive Officer and Chief Financial Officer. In addition, each of Messrs. Russeth, Davis and Shultz were stockholders of our Company holding in excess of 10% of our outstanding common stock. Under the terms of the Cancellation Agreement, Messrs. Russeth, Davis and Shultz cancelled 8,500,000 shares of our common stock held by them in exchange for Sugarmade-CA's agreement to consummate the transactions contemplated by the Exchange Agreement and 200,000 warrants to purchase shares of our common stock. The warrants are three year warrants to purchase

common stock at a price of \$1.25 per share. Also under the terms of the Cancellation Agreement, Messrs. Russeth and Shultz agreed to redeem an aggregate of 262,500 shares of our outstanding common stock in exchange for cash payments aggregating to \$210,000.

In 2010, Sugarmade-CA loaned money to Ethan Farid Jinian in exchange for a note payable secured by shares of stock in our Company. At the time of the loan, Mr. Jinian was a former director and executive officer of Sugarmade-CA and was a 5% stockholder. The loans bore interest at a rate of 14 percent per annum. The largest amount outstanding under the loan was \$163,000. On April 30, 2011, with the Mr. Jinian unable to repay the balance of the note and with his concurrence, we foreclosed on all principal and accrued interest owed to our Company, taking back the shares of our common stock we held as security for all borrowings. The cancellation of the borrower's stock held as security for his borrowings resulted in a reduction of the note receivable balance and stockholders' equity totaling \$35,977. The remaining balance of borrowings outstanding and the related accrued interest due to our Company were fully reserved, resulting in a charge of \$159,902 recorded in the quarter ended June 30, 2011.

On October 26, 2009, Sugarmade-CA entered into an agreement with The Sugar Cane Paper Company (SCPC) for an exclusive license to sell SCPC's products in North America. Effective January 1, 2011, Sugarmade-CA entered into an Exclusive License and Supply Agreement (LSA) with SCPC which expanded our rights. We are dependent on SCPC's contract manufacturers to supply us with paper products and our costs of goods sold, exclusive of freight and transportation costs and inventory obsolescence are generally comprised of payments to SCPC for our products. The LSA includes an initial line of credit of \$2 million, with the potential to increase this line to \$20 million. Sugarmade will be invoiced upon delivery, with payment due within thirty (30) days of receipt of payment from Sugarmade customer. The line of credit is interest free. Clifton Leung, a director and greater than 5% stockholder in our Company is the Chief Executive Officer and 100% owner of SCPC.



Through April 13, 2010, QRSciences advanced to our Company funds for operating expenses and working capital requirements (along with accrued interest) totaling \$131,654, all of which was extinguished as of that date. Amounts advanced to our Company by QRSciences were pursuant to a loan agreement (as subsequently amended on November 25, 2008). The agreement provided that the Company may borrow up to \$500,000 from QRSciences, provided the purposes of the requested funds were approved by QRSciences. Amounts borrowed by the Company under the agreement accrued interest at 8% and were due and payable on the future date so agreed by the parties.

In December 2010, Sugarmade-CA received short term loans from various shareholders totaling \$50,000 at zero percent interest and reflected in the Company's December 31, 2010 Balance Sheet as Loans Due to Shareholders. These loans were subsequently paid back in January 2011.

From January to May 2010, Sugarmade-CA paid \$18,000 in cash to its former Chairman of the Board for his services as a director. During the years ended June 30, 2011 and June 30, 2010, no other member of our Boards of Directors received any cash compensation for his services as a director.

In April 2010, Sugarmade-CA received an interest free loan in the amount of \$16,300 from Clifton Leung, a director and greater than 5% stockholder of our company. As of June 30, 2011, a balance of \$5,800 remained due to Mr. Leung.

On October 28, 2009, Sugarmade-CA received a short-term loan in the amount of \$15,000 from Stephen Pinto, a former director, chairman of the board and greater than 5% shareholder. The loan was subsequently paid back in full on January 25, 2010.

On October 26, 2009, Sugarmade-CA issued a convertible note in the amount of \$340,000 to Mr. Steve Pinto, a former director, chairman of the Board and greater than 5% shareholder, in exchange for cash loaned to the company. On January 15, 2010, the company repaid \$108,000 of this loan to Mr. Pinto and on June 26, 2010, the company repaid another \$108,000 of this loan. On April 22, 2011, the remaining balance of \$124,000 was converted to 91,852 shares of the company's common stock. From October 26, 2009 to April 22, 2011, the company paid a total of \$38,312 in interest payments to Mr. Pinto.

On April 27, 2011, Sugarmade-CA issued two-year warrants to purchase up to 600,000 shares of our common stock with an exercise price of \$1.25 per share to George Mainas, Kevin Kearney and Garrett Cecchini in exchange for consulting services performed on its behalf.

On October 26, 2009, Sugarmade-CA (operating at the time as Simple Earth, Inc.) acquired all of the outstanding common stock of Sugarmade, Inc. ( SMI ), a California corporation incorporated to import, sell and distribute sustainable and environmentally friendly non-tree-based paper products from SCPC. We paid cash totaling \$340,000; 2) a note payable totaling \$60,000; and 3) 10% of the then outstanding common stock of our Company or 72,973 shares (with a nominal value at the date of acquisition of \$.001 per share). Additionally, we are required to pay up to two additional earn-out payments of \$200,000 to the seller of SMI: 1) if net income equals or exceeds \$10 million in 2011; and/or 2) if net income exceeds \$11 million in 2012.

On October 26, 2009, Sugarmade-CA issued a note payable to SCPC totaling \$60,000 as part of the acquisition of SMI (noted above). The note was originally issued for a six month term at an interest rate of 4% per annum. The note remaining outstanding until February 17, 2011, when SCPC forgave the note payable and accrued interest totaling \$63,121. No interest was ever paid on the outstanding note.

On November 22, 2010, Sugarmade-CA entered into an agreement with George Mainas and Garrett Cecchini for consulting services performed on its behalf in exchange for 500,000 shares of common stock which were issued on May 9, 2011. The shares were valued at \$0.80 per share and the company took a charge for \$200,000 for each of the issuances to Mr. Mainas and Mr. Cecchini.

#### **Director Independence**

The Board has determined that Messrs. Salzberg, Jensen and Roffman are independent as the term "independent" is defined by the rules of NASDAQ Rule 5605.

## Part IV

### Item 15 Exhibits

Num.

Description

- 2.1 Exchange Agreement, dated April 23, 2011, among the Company, Sugarmade-CA and the Sugarmade-CA Shareholders (1)
- 3.1 Certificate of Incorporation dated June 20, 2007 (2)
- 3.2 Amendment to Certificate of Incorporation dated January 14, 2008 (2)
- 3.3 Amendment to Certificate of Incorporation dated June 24, 2011
- 3.4 Amended and Restated By-Laws (2)
- 4.1 Form of Warrant issued to Sugarmade-CA warrant holders in connection with private placement. (3)
- 4.2 Form of Warrant issued to Sugarmade-CA consultants.(3)
- 4.3 Form of Warrant issued in connection with the Share Cancellation Agreement.(3)
- 4.4 Form of Convertible Note Issued to note holders of Sugarmade-CA.(3)
  
- 10.1 Share Cancellation Agreement, dated April 23, 2011, among the Company and three of its shareholders.(3)
- 10.2 Form of Subscription Agreement dated January 15, 2011 and May 6, 2011 among Sugarmade-CA and certain investors identified therein.(3)
- 10.3 Conversion Agreement dated April 11, 2011 to April 22, 2011 among Sugarmade-CA and certain note holders of Sugarmade-CA identified therein.(3)
- 10.4 Registration Rights Agreement dated May 9, 2011 among the Company, Sugarmade-CA and the shareholders identified therein.(3)
- 10.5 Purchase Agreement dated October 26, 2009 between Sugarmade CA and Sugarmade Inc.(3)
- 10.6 License and Supply Agreement dated January 1, 2011 between The Sugar Cane Paper Co. Ltd and Sugarmade-CA.(3)
- 10.7 Lease Agreement dated January 10, 2011 between Sugarmade-CA and Michael Frangis with respect to the premises located at 2280 Lincoln Avenue, Suite 200, San Jose CA 95125.(3)
- 10.8 Consulting Agreement dated February 1, 2011 between Sugarmade-CA and Joseph Abrams with respect to strategic advisory services.(3)
- 10.9 2011 Stock Option/Stock Issuance Plan.(3)
- 21 List of subsidiaries (4)
- 31

Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended, by Chief Executive Officer and principal financial officer (5)

- (1) Incorporated by reference to the registrant's current report on Form 8-K filed with the SEC on

April 27, 2011.

- (2) Incorporated herein by reference to the registrant's Form 10 filed with the SEC on March 14, 2008.
- (3) Incorporated by reference to the registrant's current report on Form 8-K filed with the SEC on

May 13, 2011.

- (4) Incorporated by reference to the registrant's annual report on Form 10-K filed with the SEC on September 28, 2011
- (5) Filed as an Exhibit to this report

## SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Sugarmade, Inc., a Delaware corporation

By: /s/ SCOTT LANTZ

Scott Lantz, President, Chief Executive Officer (principal executive officer), Chief Financial Officer (principal accounting officer)

March 13, 2012

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated on March 13, 2012.

<u>Signature</u>	<u>Title</u>
<u>/s/ SCOTT LANTZ</u> Scott Lantz	Director
<u>/s/ CLIFTON KUOK WAI LEUNG*</u> Clifton Kuok Wai Leung	Director
<u>/s/ C. JAMES JENSEN*</u> C. James Jensen	Director
<u>/s/ SANDY SALZBERG*</u>	Director

Sandy Salzberg

/s/ ED ROFFMAN\*

Director

Ed Roffman

\*By Scott Lantz, Attorney-In-Fact

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott Lantz, certify that:

1. I have reviewed this Amendment No. 1 on Form 10-K/A of SugarMade, Inc.; and
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Dated: March 13, 2012

/s/ Scott Lantz  
Scott Lantz  
Chief Executive Officer and principal financial officer