

Sugarmade, Inc.
Form 10-Q
May 15, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period
ended: March 31, 2012

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

For the transition period from N/A to N/A

Commission file number: 000-23446

SUGARMADE, 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)

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 of 1934 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 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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

At May 14, 2012 there were 10,238,000 shares outstanding of the issuer's common, the only class of common equity.

Transitional Small Business Disclosure Format (Check one): Yes No

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FOR THE PERIOD ENDED MARCH 31, 2012

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q 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.

Sugarmade, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	March 31, 2012 (Unaudited)	June 30, 2011
Assets		
Current assets:		
Cash	\$ 478,056	\$ 1,606,764
Accounts receivable	56,331	8,081
Inventory, net of reserves for obsolescence of \$ - (\$15,321 at June 30, 2011)	121,751	-
Other current assets	255,367	-
Total current assets	911,505	1,614,845
Equipment, net	26,021	-
License and supply agreement with Sugar Cane Paper Co., Ltd., net of accumulated amortization of \$44,473 (\$30,671 at June 30, 2011)	323,584	337,386
Other assets	3,994	3,994
	\$ 1,265,104	\$ 1,956,225
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities, including amounts due to related parties of \$5,800 (\$7,668 at June 30, 2011)	\$ 235,366	\$ 143,070
Notes payable due to bank	50,000	-
Accrued compensation and personnel related payables	46,559	45,258
Total current liabilities	331,925	188,328
Stockholders equity:		
Preferred stock (\$0.001 par value, 10,000,000 shares authorized, none issued and outstanding)	-	-
Common stock (\$0.001 par value, 300,000,000 shares authorized, 10,738,000 shares issued and outstanding)	10,738	10,256
Additional paid-in capital	7,960,777	5,944,872
Prepaid stock compensation	-	(368,000)
Accumulated deficit	(7,038,336)	(3,819,231)

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Total stockholders' equity	933,179	1,767,897
	\$ 1,265,104	\$ 1,956,225

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

Sugarmade, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)

	For the three months ended March 31,		For the nine months ended March 31,	
	2012	2011	2012	2011
Sales revenues, net	\$ 84,498	\$ 1,538	\$ 123,996	\$ 26,531
Cost of goods sold:				
Materials and freight costs	69,207	1,344	82,589	26,449
Provision for inventory obsolescence	-	15,195	-	32,634
	69,207	16,539	82,589	59,083
Gross margin	15,291	(15,001)	41,407	(32,552)
Operating expenses:				
Selling, general and administrative expenses	634,962	238,311	3,246,786	435,351
Amortization of license and supply agreement	4,601	4,601	13,802	13,802
Total operating expenses	639,563	242,912	3,260,588	449,153
Loss from operations	(624,272)	(257,913)	(3,219,181)	(481,705)
Nonoperating income (expense):				
Interest expense:				
Related parties	-	(4,341)	-	(14,223)
Other	(1,146)	(22,704)	(1,146)	(68,067)
Interest income:				
Interest income from shareholder note receivable	-	6,349	-	17,760
Other	-	-	1,222	15
Total nonoperating income (expense)	(1,146)	(20,696)	76	(64,515)
Net loss	\$ (625,418)	\$ (278,609)	\$ (3,219,105)	\$ (546,220)
Basic and diluted net loss per share	\$ (0.06)	\$ (0.18)	\$ (0.31)	\$ (0.35)
Basic and diluted weighted average common shares				

outstanding used in computing net
loss
per share

10,372,000

1,576,214

10,294,385

1,576,214

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

Sugarmade, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended March 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Net loss	\$ (3,219,105)	\$ (546,220)
Adjustments to reconcile net loss to cash flows from operating activities:		
Amortization of license and supply agreement	13,802	13,802
Depreciation expense	1,122	-
Share based compensation	184,177	-
Issuance of common stock for services	1,590,950	-
Interest income from note receivable from stockholder	-	(17,760)
Changes in operating assets and liabilities:		