

Sugarmade, Inc.
Form 10-Q
May 15, 2013

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, 2013

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.

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Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller Smaller reporting
reporting company) 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 13, 2013 there were 9,238,526 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, 2013

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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 quarterly report regarding our future strategy, future operations, projected financial position, estimated future revenues, projected costs, future prospects, the future of our industry 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 quarterly report, 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. 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 quarterly report under the caption "Risk Factors," below, and elsewhere in this quarterly report which you should review carefully. Please consider our forward-looking statements in light of those risks as you read this quarterly report.

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Condensed Consolidated Balance Sheets

	March 31, 2013 (Unaudited)	June 30, 2012
Assets		
Current assets:		
Cash	\$ 158,335	\$ 192,100
Accounts receivable, net	28,820	18,700
Inventory, net	262,432	88,798
Other current assets	19,130	45,125
Total current assets	468,717	344,723
Equipment, net	3,788	5,257
Other assets	3,994	3,994
Total assets	\$ 476,499	\$ 353,974
Liabilities and Stockholders' Deficit		
Current liabilities:		
Note payable due to bank	\$ 150,000	\$ 150,000
Accounts payable and accrued liabilities	361,798	221,020
Accrued interest, including amounts due to related parties of \$29,195	55,892	-
Notes payable due to shareholder	86,000	-
Accrued compensation and personnel related payables	343,339	43,722
Production line of credit	284,000	-
Total current liabilities	1,281,029	414,742
Convertible notes payable, net	363,413	-
Convertible notes payable to related parties, net	118,621	-
Total liabilities	1,763,063	414,742
Stockholders' deficit:		
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, 10,538,526 and 10,288,526 shares issued and outstanding at March 31, 2013 and June 30, 2012, respectively)	10,539	10,289
Additional paid-in capital	8,406,610	8,069,581
Accumulated deficit	(9,703,713)	(8,140,638)
Total stockholders' deficit	(1,286,564)	(60,768)

Total liabilities and stockholders' deficit	\$476,499	\$353,974
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The accompanying notes are an integral part of these condensed consolidated financial statements

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

	For the three months ended		For the nine months ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Revenues, net	\$51,645	\$84,498	\$165,569	\$123,996
Cost of goods sold:				
Materials and freight costs	36,161	69,207	111,162	82,589
Provision for inventory obsolescence	-	-	40,851	-
Total cost of goods sold	36,161	69,207	152,013	82,589
Gross margin	15,484	15,291	13,556	41,407
Operating expenses:				
Selling, general and administrative expenses	327,870	634,962	1,442,549	3,246,786
Amortization	-	4,601	-	13,802
Total operating expenses	327,870	639,563	1,442,549	3,260,588
Loss from operations	(312,386)	(624,272)	(1,428,993)	(3,219,181)
Non-operating income (expense):				
Interest expense:				
Related parties	(35,349)	-	(53,004)	-
Other	(44,684)	(1,146)	(81,468)	(1,146)
Total Interest Expense	(80,033)	(1,146)	(134,472)	(1,146)
Interest income:				
Other	124	-	390	1,222
Total non-operating income (expense)	(79,909)	(1,146)	(134,082)	76
Net loss	\$(392,295)	\$(625,418)	\$(1,563,075)	\$(3,219,105)
Basic and diluted net loss per share	\$(0.04)	\$(0.06)	\$(0.15)	\$(0.31)
Basic and diluted weighted average common shares outstanding used in computing net loss per share	10,538,526	10,372,000	10,492,906	10,294,385

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

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Sugarmade, Inc. and Subsidiary

Condensed Consolidated Statements of Cash Flows (Unaudited)
For the nine months ended March 31, 2013 and 2012

	2013	2012
Operating activities:		
Net loss	\$(1,563,075)	\$(3,219,105)
Adjustments to reconcile net loss to cash flows from operating activities:		
Amortization	-	13,802
Depreciation	1,469	1,122
Share based compensation	142,191	184,177
Issuance of common stock for services	98,545	1,590,950
Issuance of warrants with convertible notes	96,543	-
Changes in operating assets and liabilities:		
Accounts receivable	(10,120)	(48,250)
Inventory	(173,634)	(121,751)
Other assets	25,995	(255,367)
Accounts payable and accrued liabilities	140,778	92,296
Accrued interest	55,892	-
Accrued compensation and personnel related payables	299,617	1,301
Net cash used in operating activities	(885,799)	(1,760,825)
Investing activities:		
Purchase of equipment	-	(27,143)
Net cash flows used in investing activities	-	(27,143)
Financing activities:		
Proceeds from issuances of common stock and warrants	-	609,260
Borrowings from note payable to bank		