



# S3 INVESTMENT COMPANY

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## *Company Information & Disclosure Statement For the fiscal year ending June 30, 2009*

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### **Part A      General Company Information**

**Item I      The exact name of the issuer and its predecessor (if any).**

S3 Investment Company, Inc. – March 9, 2005 to present  
S3 Holdings, Inc., Inc. – April 16, 2003 to March 9, 2005  
Formerly Axtion Foods, Inc. – June 30, 2001 to April 16, 2003  
Formerly Retail Windows, Inc. April 19, 2000 to June 30, 2001

**Item II      The address of the issuer's principal executive offices.**

4115 Blackhawk Plaza Circle  
Suite 100  
Danville, CA 94506

Website: [www.s3investments.com](http://www.s3investments.com)  
Phone: 925-648-2080  
Fax: 925-736-2863

**Item III      The jurisdiction(s) and date of the issuer's incorporation or organization.**

S3 Investment Company, Inc. was incorporated in the State of California on April 19, 2000 as Retail Windows, Inc.

## **Part B      Share Structure**

### **Item IV      The exact title and class of securities outstanding.**

As of June 30, 2009:

Common stock – 4,900,000,000 shares authorized and 1,762,177,742 shares issued and outstanding

Preferred Stock - The Company has 100,000,000 shares of preferred stock authorized, of which 15,000,000 shares are designated as Series B Preferred Stock, of which 12,000,000 shares are issued and outstanding. The Series B Preferred Stock does not have voting rights and can be converted into shares of common stock on a 1:1 basis. In lieu of voting rights, the Series B Preferred Stock is entitled to elect two directors at each shareholder meeting.

Trading symbol: SIVC

Cusip number: 78484Q202

### **Item V      Par or stated value and description of the security.**

Par value per common stock is \$0.001 per share. Traditionally the company has not paid any dividends and there are no preemptive rights associated with the common stock. Each share is entitled to one vote. There are no provisions in the charter and or bylaws that would delay, defer and or prevent change in control of issuer.

### **Item VI      The number of shares or total amount of the securities outstanding for each class of securities authorized.**

#### Common stock

- (i) Period ending June 30, 2009
- (ii) 4,900,000,000 shares of common stock authorized
- (iii) 1,762,177,742 shares of common stock issued and outstanding
- (iv) 1,125,331,501 shares of common stock in the public float
- (v) There are 3,312 beneficial shareholder of common stock
- (vi) There are 202 shareholders of record of common stock

#### Preferred stock

- (i) Period ending June 30, 2009
- (ii) 15,000,000 shares of Series B Preferred Stock authorized
- (iii) 12,000,000 shares of Series B Preferred Stock issued and outstanding
- (iv) 0 shares of Series B Preferred Stock in the public float
- (v) There are 10 beneficial shareholder of Series B Preferred Stock
- (vi) There are 10 shareholders of record of Series B Preferred Stock

## **Part C Business Information**

### **Item VII The name and address of the transfer agent.**

Transfer Online  
317 SW Alder Street  
Portland, OR 97204  
Phone: 503.227.2950 FAX: 503.227.6874  
This transfer Agent is registered under the Exchange Act

### **Item VIII The nature of the issuer's business**

S3 Investment Company, Inc. was incorporated under the laws of the State of California with a fiscal year ending June 30. We originally incorporated with the name of Retail Windows, Inc. on April 19, 2000 to engage in any lawful activity as shall be appropriate under laws of the State of California. On June 30, 2001 we amended our Articles of Incorporation to change our name to Axtion Foods, Inc. Prior to April 2003, Axtion Foods, Inc. was engaged in the development, manufacturing and distribution of health bars and health drinks. The business plan was not fully implemented and on April 16, 2003 we changed our name to S3I Holdings, Inc. and acquired 100% of the issued and outstanding capital stock of Securesoft Systems, Inc., a Delaware corporation, making Securesoft Systems, Inc (Securesoft) our wholly-owned subsidiary.

Securesoft Systems, Inc. was incorporated in September 1999. It developed and marketed enterprise compliance and risk management software solutions, but discontinued operations in the last quarter of the fiscal year ended June 30, 2005. It subsequently filed for bankruptcy protection under Chapter 7.

On April 12, 2004 our Board of Directors elected to be regulated as a business development company under the Investment Company Act of 1940. As a business development company ("BDC"), we were required to maintain at least 70% of our assets invested in "eligible portfolio companies", which are loosely defined as any domestic company which is not publicly traded or that has assets less than \$4 million. Based on the BDC format, Securesoft became our first portfolio company. We added two new portfolio Investments in November, 2004: Sino UJE, Ltd. ('Sino'), a Hong Kong company, and Redwood Capital, Inc., a privately held investment advisory group.

In August 2005, the Board of Directors determined that our continued focus on operations outside the United States, and the limited nature of our portfolio, did not lend itself to the structure of a business development company nor require reporting under the Investment Company Act of 1940. Further, our management had several discussions with the Securities and Exchange Commission during which the Commission expressed the opinion that our capital structure was in violation of certain provisions of the Investment Company Act of 1940; namely, that our preferred stock was issued in violation of Section 18 and convertible debentures

were issued in violation of Section 61. On August 26, 2005, the Board of Directors approved a motion to withdraw our election to be treated as Business Development Company under the 1940 Act and on April 5, 2006 our shareholders approved the withdrawal petition. On April 6, 2006, we filed an N-54C, which formally withdrew our BDC election.

As mentioned above, we acquired 51% of the common stock of Sino during November, 2004. Utilizing an extensive distribution network in China, Sino distributed medical and industrial supplies for a group of Original Equipment Manufacturers (OEM's) in Europe and the US that were exclusively represented in China by Sino. In November 2004, Sino was acquired from the Ya-Sheng Group for 4.9% of our outstanding stock. According to the terms of the acquisition, the 4.9% non-dilutive provision was effective through July 2008. As a result, during the fiscal years ending June 30, 2007 and 2008, we issued 49,041,310 additional shares to the Ya-Sheng Group. During the third quarter of 2007 we lost control of Sino UJE, Ltd. Accordingly, we recorded a loss of \$(726,925) from the abandonment of Sino for the fiscal year ending June 30, 2007. Separately, we recorded a loss of \$(79,759) from the discontinued operations of Sino for the fiscal year ended June 30, 2007 and a recovery of \$190,304 for the fiscal year ended June 30, 2008 and a recovery of \$29,602 and \$98,330 for the three months ended September 30, 2008 and 2007, respectively.

Our sole operating subsidiary, Redwood Capital, is a full-service investment banking advisory firm that offers a wide range of U.S. corporate finance and investment banking services to growing, private companies in China. Redwood's services are designed to assist its client companies before, during and after their public offerings. See attached EXHIBIT A "Redwood Capital Business Summary".

**Item IX      The nature of products or services offered.**

Our primary operating subsidiary, Redwood Capital, is a specialist in providing Alternative Public Offerings "APOs" for private Chinese companies through the simultaneous listing on a U.S. or other stock market and PIPE (Private Investment in Public Equity) financing. Its services are designed to prepare, assist and manage client companies through the various stages of the process of a reverse merger into a publicly-traded shell, concurrent capital funding, a progression to a U.S. national market listing (NASDAQ, AMEX, or NYSE) and multiple Registered Follow-On Offerings for additional growth capital.

Redwood Capital has offices in Beijing, China, and in California, USA. It has partnered with numerous institutional investors and regulated investment banks within North America and China to develop a systematic process for qualifying and effectively preparing target Chinese companies to gain access to the U.S. capital markets. This process ensures that qualified companies – referred to as Redwood's "Gold Standard" companies follow an established process to reach their goal of a U.S. national market listing (NASDAQ, AMEX or NYSE).

Redwood has put forth an internal marketing strategy involving its staff and numerous networks throughout China and the U.S. to build a pipeline of potential clients over the next few years. As a result of our actions over the last year, we have seen an influx of opportunities and have quickly become the “go to” company in China for RTO’s and APO’s. Our reputation of honesty and integrity has enabled us to build a pipeline of 3-5 projects at June 30, 2009, and we have additional projects we are currently reviewing. Redwood continues to seek talent and expand our syndicate group of investors and broker-dealers in preparation for additional growth. Despite the US market turmoil, our business outlook remains strong.

**Item X      The nature and extent of the issuer’s facilities**

We lease our U.S. office facilities under a lease expiring September 30, 2009 and requiring monthly payments of \$1,250 plus common area costs. We abandoned a lease of an apartment in Beijing, China during the fiscal year ended June 30, 2009, which resulted in additional rent expense of \$6,433. We entered into a new lease for an apartment in Beijing, China, expiring on September 30, 2009, for purposes of housing customers, guests and consultants, requiring monthly payments of 9,500 Chinese Renmibi (CNY) each month. We also lease an office in Beijing under a lease expiring March 9, 2010, requiring monthly payments of 9,000 CNY. Rent expense for the Chinese facilities is translated into U.S dollars at the current foreign exchange rate on the date due, in accordance with SFAS No. 52, “Foreign Currency Translation”. Future minimum rental payments under the noncancellable operating leases as of June 30, 2009 are as follows:

Year Ending June 30,	Amount
2009	7,990
2010	20,550
Total future minimum payments	28,540

**Part D      Management Structure and Financial Information**

**Item XI      The name of the chief executive officer, members of the board of directors, as well as control persons.**

Full Name: James Bickel  
 Title: President / Chairman of the Board  
 Business Address: 4115 Blackhawk Plaza Circle, Suite 100, Danville, CA 94506  
 Compensation: \$24,000 annual compensation for consideration of serving as chairman of the board of directors and \$96,000 annual compensation for consideration of serving as Chief Executive Officer and President.  
 Ownership: 204,514,410 shares of common stock or (12%) and 6,655,000 shares of Series B Preferred Stock or (55%)

Biography - Mr. Bickel has over 40 years experience in sales and senior management positions with manufacturing based companies, serving as the president of Allison Spring and Manufacturing from 1968 to 1973, Bicolor Machinery and Manufacturing from 1974 to 1979, and Keel Corporation from 1980 to 1986, all California based manufacturing companies of high tech metal parts and assemblies. From 1986 to 2002, Mr. Bickel served as vice president of Uniglobe USA and president of Uniglobe Midpacific, assisting in building a national travel franchise system with over 900 locations and later built golf retail franchise system. From 2002 to 2003, Mr. Bickel acted as vice president and secretary of World Health and Education Foundation and as vice chairman of MedChannel LLC, a medical device company serving radiology and surgical markets. Mr. Bickel served as Chief Operating Officer and Director of Green Globe International, Inc. from 2005 to 2008, a member of the Board of Directors of Sovereign Exploration Associates International Inc. during 2005 and a member of the Board of Directors of Aero Performance Products during 2007. Mr. Bickel has served on the Board of Directors of CLX Medical, Inc. since 2005. Mr. Bickel has served as Chief Executive Officer and President of S3 Investment Company since January 2006 and Chairman of the Board of Directors since January 2007.

Full Name: Gary Nerison

Title: Corporate Secretary, Chief Financial Officer and Director

Business Address: 9000 Crow Canyon Rd., Suite S-233, Danville, CA 94506

Compensation: \$24,000 annual compensation for serving as a member of the board of directors.

Ownership: 31,000,000 shares of common stock or (2%)

Biography - Mr. Nerison is an experienced entrepreneur in commercial real estate and loan brokerage companies. With his rich business commercial real estate background, over the last 36 years, Mr. Nerison has initiated and led to growth several commercial real estate and loan brokerage companies. In 1998, he founded a loan brokerage firm placing venture loans for new business, which he still currently manages. Since 2002, he has been the Co-founder and President of World Health and Education Foundation, a charitable organization. Mr. Nerison attended Augustana College in Sioux Falls, South Dakota with Major in Economics. Mr. Nerison served as a member of the Board of Directors of Aero Performance Products during 2007. Mr. Nerison has served as Secretary and Treasurer of S3 Investment Company since August 2007 and a member of the Board of Directors since December 2005. Mr. Nerison has also served on the Board of Directors of Green Globe International, Inc. since 2005 and Global Travel Exchange since 2006.

Full Name: Manhong Liu

Title: Director

Business Address: 7 Ivy Lane, Natick, MA 01760

Compensation: \$24,000 annual compensation for serving as a member of the board of directors.

Ownership: 28,000,000 shares of common stock or (2%)

Biography - Ms. Liu is the founder (2000), and current chairman and chief economist of VCChina Ltd, a global investment and consultation firm based in Beijing, China. VCChina, Ltd's operations include venture capital investment advisory services,

venture capital investment, consulting services, and educational services. Under Ms. Liu's leadership, VCChina, Ltd has become one of the leading companies in China's venture capital market. Ms. Liu has a doctoral degree of economics of Cornell University. She served as research faculty of Harvard University from 1993 to 1997 and is currently professor and Ph. D. student mentor of Renmin University of China. She is also Financial Advisor to Beijing Municipal Government, Director of Boston China Finance Research Center in USA, Director of VC Research Center of Renmin University of China, and Honorary Vice Director of VC Association of China. Ms. Liu has served as a member of the Board of Directors of S3 Investment Company since February 2007.

Legal History:

Conflicts of Interest: There are no current conflicts of interest among any officers or board members.

**Item XII Financial information for the issuer's most recent fiscal period.**

A balance sheet and statement of income for the two years ending June 30, 2009 and 2008 is attached as Exhibit C.

**Item XIII Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.**

A balance sheet, statement of income and statement of cash flows for the fiscal years ending June 30, 2009 and 2008 is attached as Exhibit C.

**Item XIV Beneficial Owners.**

The following table sets forth, as of June 30, 2009, information about the beneficial ownership of our capital stock with respect to each person known by S3 Investment Company, Inc. to own beneficially more than 5% of the outstanding capital stock, each director and officer, and all directors and officers as a group.

Name and Address <sup>(1)</sup>	Number of Shares Beneficially Owned	Class	Percentage of Class <sup>(2) (3)</sup>
James Bickel CEO, President and Chairman	204,514,410 6,655,000	Common Series B Preferred <sup>(3)</sup>	12% 55%
Gary Nerison Secretary, Treasurer and Director	31,000,000 -0-	Common Series B Preferred	2% *
Mannie Liu Director	28,000,000 -0-	Common Series B Preferred	2% *
All directors and executive officers(3 persons)	263,514,410 6,655,000	Common Series B Preferred	16% 55%
Chris Bickel	2,000,000	Series B Preferred	17%
Christopher Berlandier	1,000,000	Series B Preferred	8%
Chris Wang	1,000,000	Series B Preferred	8%
Wu Xiaoxin	106,000,000	Common	7%

\*Denotes less than 1%

- 1) Unless noted otherwise, the address for all persons listed is c/o the Company at 4115 Blackhawk Plaza Circle, Suite 100, Danville, California, 94506.
- 2) The above percentages are based on 1,762,177,742 shares of common stock and 12,000,000 shares of Series B Preferred Stock outstanding as of June 30, 2009.
- 3) We have fifteen million (15,000,000) shares of Series B Preferred Stock designated. The voting rights of the Series B Preferred Stock are limited in that the Series B Preferred Stock is not entitled to vote on matters presented to the common stock shareholders for approval and can be converted into shares of common stock on a 1:1 basis. In lieu of voting rights, the Holders of the Series B Preferred Stock are entitled to elect two persons to the Board of Directors.

**Item XV      The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure:**

1. Investment Banker

None

2. Promoters

None

3. Counsel

Jean-Pierre, LLC  
23150C Sandalfoot Plaza Drive  
Boca Raton, FL 33428  
Phone: (561) 852-5440

4. Accountant or Auditor

Chisholm, Bierwolf & Nilson, LLP  
533 West 2600 South  
Suite 25  
Bountiful, UT 84010  
Phone: (801) 292-8756

5. Public Relations Consultant(s)

Gemini Financial Communications, Inc.  
29970 Technology Drive, Suite 220-E  
Murrieta, CA 92563  
Phone: (951) 452-6075

6. Investor Relations Consultant

Gemini Financial Communications, Inc.  
29970 Technology Drive, Suite 220-E  
Murrieta, CA 92563  
Phone: (951) 452-6075

7. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement - the information shall include the telephone number and email address of each advisor.

None

## **Item XVI Management's Discussion and Analysis or Plan of Operation.**

The following discussion and analysis should be read in conjunction with our financial statements and the notes referenced in Item XIII above.

Discussion of the loss of Sino UJE, Ltd.

Since December 31, 2006, we have not received any financial statements from the Hong Kong management of Sino UJE, Ltd. (the "Subsidiary"). James Bickel, our Chief Executive Officer, visited the Subsidiary's offices in Hong Kong four (4) times throughout 2007 in an attempt to maintain control of our Subsidiary and its operations. During the visits, Mr. Bickel requested all financial statements, cash reports, and bank statements. Throughout 2007, Mr. Bickel was promised that we would receive the above requested documents by November 11, 2007. No documents were received.

After not receiving documents on November 11, 2007, Mr. Bickel, with permission of the Board, attempted to remove the then manager. Mr. Bickel then requested the financial statements to be delivered to our US office no later than December 31, 2007.

Mr. Bickel then visited the Subsidiary's offices in Hong Kong three (3) times throughout 2008. On every visit, Mr. Bickel requested all financial statements, cash reports, and bank statements.

By April 2, 2008, we still did not receive any financial statements or any other reports necessary for successful or proper management of the Subsidiary as a part of our holdings. During the second quarter of 2008, we discovered that the current management of the Subsidiary had relocated the Subsidiary's offices and did not inform us where the new offices were. Upon discovering that the Subsidiary's offices had been moved to a new, unknown location, Mr. Bickel immediately attempted to contact Li Jun and Wellman Liu, two managers of the Subsidiary. After attempting to contact Li Jun and Wellman Liu, we discovered that the principals had been providing false contact information and other vital information for several years.

By mid 2008, it was discovered that Li Jun and Wellman Liu had been moving the assets of the Subsidiary to a new entity owned by Li Jun and Wellman Liu. Unsure of the status of the Subsidiary and its financial condition, we refused to sign any agreements or leases as owner or on behalf of the Subsidiary.

As of August 31, 2008, all of the Subsidiary bank accounts have been closed. Further, all officers and directors have been removed to the extent we have been able to remove them. The Hong Kong Corporation that held the Subsidiary is in a non-active state and the business operations are no longer in existence.

Because of the above events, we no longer are in control of any of the assets of the Subsidiary. We were able to sell a small part of the Subsidiary in which we had

retained ownership which resulted in a recovery from discontinued operations of \$190,304 for the year ended June 30, 2008. We were additionally able to garnish a domestic bank account in the name of Sino UJE which resulted in a recovery from discontinued operations of \$29,602 for the fiscal year ended June 30, 2009.

### **Sino Share Exchange**

Prior to the realization of loss of control of the Sino UJE entity, the Board of Directors had authorized us to issue common shares to minority interest owners of Sino UJE. It was discovered subsequent to the purchase of Sino UJE, and prior to the realization of loss of control of Sino UJE, that these minority interest owners had not received an equitable share of the purchase of Sino UJE by us. We issued 272,391,430 shares for additional finance costs totaling \$459,879 for the year ended June 30, 2008 to correct this oversight. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.

### **Revenue recognition**

Revenues are recognized from financial services contracts as amounts become billable per their respective contract terms in accordance with Staff Accounting Bulletin (“SAB”) 101, as amended by SAB 104. We consider amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable, and collectability is reasonably assured. Our sole revenue generating operation is through our subsidiary, Redwood Capital. Revenue is generated by providing services to assist private Chinese companies through the various stages of the process of a reverse merger into a publicly-traded shell, and concurrent capital funding (collectively, an Alternate Public Offering, or “APO”). As the total fees to be paid are typically provided as a percentage of the total capital raised from each APO, the fees are typically not fixed until the completion of such transactions. As such, we recognize revenue from each transaction upon the successful closing of each APO.

### **Deferred Transaction Costs**

Once a contractual agreement has been reached, any contractual advances we make on behalf of our clients to certain third parties are deferred during the contractual period and expensed once each transaction has closed. Once expensed, these deferred costs are included in cost of sales.

Deferred amounts are monitored regularly for impairment. Impairment losses are recorded when projected undiscounted operating cash flows of the related contract are not sufficient to recover the carrying amount of contract assets. Deferred transition costs were \$69,525 and \$119,698 as of June 30, 2009 and 2008, respectively, and are included in current assets.

## **Cash and cash equivalents**

We consider all liquid investments with a maturity of three months or less from the date of purchase that are readily convertible into cash to be cash equivalents.

We maintain our cash in bank deposit accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and believe we are not exposed to any significant credit risk on cash and cash equivalents.

## **Concentration of Risk**

All of our revenues are derived from transactions in foreign countries. The economic and political instability of some foreign countries may affect our ability and our customers to complete any Alternative Public Offerings currently in progress. Such circumstances could cause a possible loss of sales, which would affect operating results adversely.

During the period ended June 30, 2009, one single customer, Boyuan General Construction Group, Ltd., represented more than 10% of total net sales for the period then ended. During the year ended June 30, 2008 one single customer, Dalian Chuming Group, Ltd., represented more than 10% of total net sales for the year then ended.

## **Marketable Securities**

Pursuant to Statement of Financial Accounting Standard No. ("SFAS") 115 "*Accounting for Certain Investments in Debt and Equity Securities*" and SFAS 159 "*Fair Value Option for Financial Assets and Liabilities*" we determine the appropriate classification of investment securities at the time they are acquired and evaluate the appropriateness of such classification at each balance sheet date. At June 30, 2009 and 2008, all marketable equity securities were classified as available-for-sale-securities. Marketable equity securities for which there is an active market are carried at estimated fair market value based on market prices with any unrealized holding gains and losses, net of the related deferred tax effect, reported as a separate component of stockholders' equity. Realized gains and losses from sales of securities available for sale are determined on a specific identification basis and are included in other income and expense.

## **Property – office equipment**

Office equipment is depreciated on a straight-line basis over the estimated useful life of the asset of three to five years. Office equipment is stated at cost net of accumulated depreciation and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

## Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount to the estimated future net cash flows. If estimated future undiscounted net cash flows are less than the carrying amount, the asset is considered impaired and expense is recorded at an amount required to reduce the carrying amount to fair value.

## Basic and Diluted Net Income per Share

Basic earnings per share is calculated using the weighted-average number of common shares outstanding during the period without consideration of the dilutive effect of stock warrants and convertible notes. The basic weighted-average number of common shares outstanding was 1,631,279,115 and 847,791,275 for the years ended June 30, 2009 and 2008, respectively. Common stock equivalents related to beneficial conversion features embedded in certain Notes Payable (146,034,247 at June 30, 2008) have not been included in the calculation of loss per share for the year ended June 30, 2008 due to their anti-dilutive effect.

	Income (Loss) (numerator)	Shares (denominator)	Per Share Amount
Basic EPS			
For the year ended June 30, 2009			
Net loss from continuing operations per share	98,938	1,631,279,115	\$0.00
Net income from discontinued operations per share	\$ 29,602	1,631,279,115	\$0.00
Net loss per share	\$ 128,540	1,631,279,115	\$0.00
For the year ended June 30, 2008			
Net loss from continuing operations per share	\$ (1,284,759)	847,791,275	\$0.00
Net income from discontinued operations per share	\$ 190,304	847,791,275	\$0.00
Net loss per share	\$ (1,094,455)	847,791,275	\$0.00

## **Stock-based compensation**

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), "Share-Based Payment". This pronouncement amends SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS No. 123(R) requires that companies account for awards of equity instruments issued to employees under the fair value method of accounting and recognize such amounts in their statements of operations. Under SFAS No. 123(R), the Company is required to measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in the consolidated statements of operations over the service period that the awards are expected to vest.

We account for stock-based compensation issued to non-employees and consultants in accordance with the provisions of SFAS 123(R) and the Emerging Issues Task Force consensus in Issue No. 96-18 ("EITF 96-18"), "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services". Common stock issued to non-employees in exchange for services is accounted for based on the fair value of the services received.

We have no outstanding stock options or warrants at June 30, 2009 or at June 30, 2008.

## **Fair value of financial instruments**

SFAS 159, "*Fair Value Option for Financial Assets and Liabilities*" and SFAS No. 107, "*Disclosures about Fair Value of Financial Instruments*", require that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value as the assets have been valued according to their respective active market quotes.

## **Income Taxes**

We account for income taxes using the liability method as required by SFAS No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are determined based on differences between their financial reporting and tax basis of assets and liabilities. We were not required to provide for a provision for income taxes for the fiscal years ended June 30, 2008, as a result of net operating losses incurred during the periods. As of June 30, 2009, we have available approximately \$2,124,218 of net operating losses ("NOL") available for income tax purposes that may be carried forward to offset future taxable income, if any. These carryforwards expire in various years through 2028.

The components of current income tax expense for the years ended June 30, 2009 and 2008 respectively are as follows:

	As of June 30,	
	2009	2008
Current federal tax expense	\$ -	\$ -
Current state tax expense	-	-
Change in NOL benefits	(176,000)	322,600
Change in valuation allowance	176,000	(322,600)
Income tax expense	\$ -	\$ -

The income tax provision differs from the amount of income tax as determined by applying the U.S federal income tax rate of 34% to pretax income from operations due to the following:

	For the years ended June 30,	
	2009	2008
Net Gain/(Loss)	\$ 128,540	\$ (372,114)
NOL used	(176,000)	(322,688)
Permanent effects	(47,460)	694,804
Taxable temporary differences	-	-
Deductible temporary differences	-	-
Change in deferred tax asset valuation	-	-
Net tax provision	\$ -	\$ -

### **Research and development costs**

We did not spend any funds on research and development activities for the period from July 1, 2008 through June 30, 2009.

### **RESULTS OF OPERATIONS**

We have accumulated deficit of \$(10,526,683) as of June 30, 2009 and \$(10,641,685) as of June 30, 2008. In addition, we are in default on our notes payable.

In order to continue as a going concern and achieve a profitable level of operations, we will require, among other things, additional capital resources. We plan to raise additional capital through the sale of common stock and continuing the practice of issuing common stock as consideration for certain employee and marketing services. We are unable to provide any assurances that we will be successful in accomplishing any of these plans.

### **NET REVENUES**

From June 30, 2008 to 2009 our net revenues decreased from \$2,318,670 to \$1,617,059, representing a decrease of \$701,611. The decrease in revenues was

attributed to the ceasing of the capital markets. Redwood Capital, based upon its pipeline at June 30, 2008, had anticipated closing three separate transactions during the fiscal year ending June 30, 2009. Redwood considers the year ending June 30, 2009 to be successful as it was able to close two rounds of financing for Boyuan Construction Group, which generated approximately \$1.6 million in revenues for the year then ended. Competitors in similar markets were unsuccessful in closing any transactions during the same period due to the unavailability of capital. During the year ended June 30, 2008 Redwood was able to close funding for the Dalian Chuming Group. Redwood Capital received in excess of \$2 million from the transaction, which closed on December 31, 2007. We expect to grow sales to \$4 million ending June 30, 2010 as a result of the current projects in process and those which we are currently closing. Based on our pipeline of future business we are comfortable projecting \$10 million in revenues ending June 30, 2011. The significant increases are mainly due to our increased marketing efforts and deal referrals from current clients.

### **GROSS PROFIT**

From June 30, 2008 to 2009 our gross profit decreased from \$1,680,845 to \$1,333,700, representing a decrease of \$347,145. These costs consist of professional fees associated with the closing process of the Boyuan Construction Group Co's reverse merger by Redwood Capital. These include legal, accounting, broker-dealer and related expenses to prepare the client company for a U.S. listing and PIPE investment. The decrease in gross profit increased relative to the decrease in revenues as we had to incur additional expenses to successfully close the transaction. It was anticipated that the transaction could close in the US; however, due to the economic downturn, Redwood chose to close the transaction on the Toronto Stock Exchange in Canada. As a result, cost of sales increased relative to the revenues anticipated. We expect cost of sales to increase incrementally to \$1.55 million in 2010 as a result of the expended project volume. These expenses are fixed costs associated with each project.

### **ADMINISTRATIVE EXPENSES**

From June 30, 2008 to 2009, Administrative Expenses increased from \$30,129 to \$95,107, representing an increase of \$64,978. Administrative expenses consist primarily of accounting and audit fees. As we had anticipated upgrading its listing status from the Pink Sheets to the OTC:BB market, we had incurred audit fees for the two years ended June 30, 2008 and drafted an S-1 registration statement with the intentions of registering its outstanding common shares with said market. The significance of the economic downturn forced us to reevaluate the benefits of this listing, causing it to reconsider and withdraw our registration statement we had filed in November of 2008. We have elected instead to remain listed with the Pink Sheets listing service and, for the benefit of our shareholders, has upgraded our status with this service to fully-reporting. The two-year audit process was the primary reason for the increase in administrative expenses.

## **CONSULTING EXPENSES**

From June 30, 2008 to 2009, Consulting Expenses decreased from \$606,549 to \$553,740, representing a decrease of \$52,809. Due to Redwood's success in closing the Dalian Chuming transaction, we awarded stock bonuses to our contractors during the year ended June 30, 2008, without whose help the transaction would have been possible. During the year ended June 30, 2009, while we did award a few stock bonuses, because of the economic downturn, these bonuses have decreased, causing the consulting expenses to decrease as well.

## **FINANCING EXPENSES**

From June 30, 2008 to 2009, Financing Expenses decreased from \$658,833 to \$0, representing a decrease of \$658,833. During the year ended June 30, 2008, we converted the minority equity interests in SINO UJE into common shares of our stock (see previous disclosure). This conversion resulted in financing costs of approximately \$459,879. Additionally, we successfully closed two Notes Payable during the year ended June 30, 2008; however, this closing resulted in increased financing costs due to the legal and accounting fees associated. No such transactions occurred during the year ended June 30, 2009.

## **INTEREST EXPENSE**

From June 30, 2008 to 2009, Interest Expense increased from \$637,068 to \$1,013,906, resulting in an increase of \$376,838. The increase in interest expense is related to the accretion of interest generated by the 'put option' feature in the Notes Payable, which were funded during the latter half of the year ended June 30, 2008. The put option features were such that the Note holders would receive either 200% or 300% of the face value of each Note, payable in either common shares of the Company or equity shares received as commission from financing transactions closed. These put options were fully valued at June 30, 2008, which resulted in an increase in interest expense.

## **PROFESSIONAL FEES**

From June 30, 2008 to 2009, Professional fees decreases from \$162,853 to \$72,250, resulting in a decrease of \$90,603. The decrease was due to certain stock awards which were made to the Board of Directors in the year ended June 30, 2008. There were no such stock awards made in the year ended June 30, 2009.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

From June 30, 2008 to 2009, General and Administrative Expenses decreased from \$398,395 to \$194,544, representing a decrease of \$203,851. General and administrative expenses consist primarily of administrative personnel costs, local taxes as well as facilities expenses, travel and entertainment expenses, and supplies expense.

The year-over-year decrease in general and administrative expenses was because, during the year ended June 30, 2008, the Company incurred more frequent traveling between San Francisco and our China headquarters in Beijing, as well as travel to and from current and potential clients. Additionally, during the same period, there was additional legal activity.

## **DERIVATIVE CHARGES**

Derivative recovery/(charges) of \$619,122 and \$(450,564) were recognized for the years ended June 30, 2009 and 2008, respectively, resulting from the change in the fair value measured in the derivative liability of certain beneficial conversion features embedded in our notes payable. The borrowings have provided us working capital as well as Pre-RTO investments into the client companies for the fiscal years ended June 30, 2009 and 2008. These derivatives are now fully mature and have been fully valued. As such, no future impact is expected in our statement of operations.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2009 we had net working capital of \$183,203 and cash of \$169,583 compared to net working capital of \$185,384 and cash of \$112,326 at June 30, 2008. We have been able to better fund our operations during the fiscal year ended June 30, 2009 due to the closing of a key transaction in Redwood Capital. This enabled working capital and cash to remain relatively flat. We anticipate that our pipeline of business will enable us to settle our Notes which are in default, with no material impact on our working capital or cash.

## **OPERATING ACTIVITIES**

Net cash used in operating activities was \$388,276 for the year ended June 30, 2009, compared to \$609,181 for the year ended June 30, 2008. The primary reason for the decrease in cash used was due to the receipt of cash and marketable securities worth \$1,139,118 from Redwood Capital's advisory services provided to the Boyuan Construction Group Co., Ltd in its Alternative Public Offering during the year ended June 30, 2009, compared to securities worth \$1,883,618 received in the fiscal year ended June 30, 2008. We anticipate utilizing the proceeds from sales of these securities held as available-for-sale to fund our operations in the fiscal year ending June 30, 2010, as well as to settle our Notes which are in default at June 30, 2009.

## **INVESTING ACTIVITIES**

Net cash provided by investing activities was \$7,408 for the year ended June 30, 2009 compared to \$56,507 for the year ended June 30, 2008. The primary reason for the decrease in cash provided is that the cash proceeds from sales of marketable securities decreased in the year ended June 30, 2009. Of the securities held, one type are subject to certain restrictions which prevent the full value from being sold. The

second type has not experienced a volume significant to justify the sale of the securities as of yet. We anticipate that once the public markets for these securities to become slightly larger and the volume increases, cash generated from investing activities will increase in the year ended June 30, 2010.

## **FINANCING ACTIVITIES**

Cash provided by financing activities was at \$438,125 for the year ending June 30, 2009 compared to \$642,105 for the year ended June 30, 2008. Such a decrease had much to do with two notes payable we entered into in January and February of 2008. We borrowed a total of \$470,105 to fund our operations as well as to provide bridge financing to cover costs associated with Redwood Capital's current agreements with private Chinese companies which are in-progress at June 30, 2008. We have begun to pay off some of these Notes and continue to negotiate the settlement with the remaining Note Holders. We anticipate a settlement to occur during the first three months of the year ended June 30, 2010.

## **Part E      Issuance History**

### **Item XVII      List of securities offerings and shares issued for services in the past two years.**

During the fiscal year ended June 30, 2008, we had the following common stock transactions:

- 458,500,000 shares were issued for services totaling \$1,483,250. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.
- On June 12, 2008, James Bickel, Chief Executive Officer, transferred 25,000,000 shares of his seasoned stock to Magellan Financial Group to satisfy \$111,599 in past due debt. On June 19, 2008, we reissued 25,000,000 shares to James Bickel to replace the shares he transferred. These shares were valued at \$175,000 and issued in reliance on the exemption from registration found in Section 4(2) of the Securities Act.
- 472,392,571 shares were issued for cash totaling \$172,000. These shares were issued in reliance on the exemption from registration provided by Rule 504 of Regulation D.
- 272,391,430 shares were issued for finance costs totaling \$459,879. Prior to the realization of loss of control of the Sino UJE entity, the Board of Directors had authorized us to issue common shares to minority interest owners of Sino UJE. It was discovered subsequent to the purchase of Sino UJE, and prior to the realization of loss of control of Sino UJE, that these minority interest owners had not received an equitable share of the purchase of Sino UJE by us. This issuance was made to

correct the oversight. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act

- 49,041,310 shares were issued to satisfy the non-dilutive interests related to the purchase of Sino UJE, Ltd., totaling \$181,453. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.

During the fiscal year ended June 30, 2009, we had the following common stock transactions:

- 220,642,431 shares were issued to settle certain Convertible Notes Payable totaling \$132,287. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.
- 5,000,000 shares were issued for services totaling \$30,000. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.
- 100,000,000 shares were issued for cash totaling \$250,000. These shares were issued in reliance on the exemption from registration provided by Rule 504 of Regulation D.

## **Part F      Exhibits**

The following exhibits must be either described in or attached to the disclosure statement:

### **Item XVIII    Material Contracts.**

<b>Exhibit</b>	<b>Exhibit Description</b>	<b>Incorporated by reference</b>		
		<b>Securities Exchange</b>	<b>Exhibit</b>	<b>Filing date</b>
10.1	Employment Agreement with James Bickel dated 01/26/07	S-1	10.1	11/18/2007
10.2	Director Agreement with James Bickel dated 03/01/08	S-1	10.2	11/18/2007
10.3	Director Agreement with Gary Nerison dated 03/01/08	S-1	10.3	11/18/2007
10.4	Director Agreement with Manhong Liu dated 03/01/08	S-1	10.4	11/18/2007
10.5	Bridge Loan Agreement dated 01/28/08	S-1	10.5	11/18/2007
10.6	Bridge Loan Agreement dated 02/19/08	S-1	10.6	11/18/2007
10.7	Amendment No. 1 to Bridge Loan Agreement dated 01/28/08	S-1	10.7	11/18/2007
10.8	Amendment No. 1 to Bridge Loan Agreement dated 02/19/08	S-1	10.8	11/18/2007

10.9	Amendment No. 1 to Put Agreement dated 01/28/08	S-1	10.9	11/18/2007
10.10	Amendment No. 2 to Bridge Loan Agreement dated 1/28/08	S-1	10.10	11/18/2007

**Item XIX Articles of Incorporation and Bylaws.**

<b>Exhibit</b>	<b>Exhibit Description</b>	<b>Incorporated by reference</b>		
		<b>Commission Form</b>	<b>Exhibit</b>	<b>Filing date</b>
		<b>Securities Exchange</b>		
3(i)a	Articles of Incorporation	SB-2	3.1	11/5/2001
3(i)b	Amendment to Articles of Incorporation dated 06/30/01	SB-2	3.3	11/5/2001
3(i)(c)	Amendment to Articles of Incorporation dated 01/16/02	SB-2	3.4	11/5/2001
3(i)(d)	Amendment to Articles of Incorporation dated 07/13/06	8-K	3.3	7/19/2006
3(i)(e)	Amendment to Articles of Incorporation dated 02/12/07	8-K	3.2	02/12/2007
3(i)(f)	Amendment to Articles of Incorporation dated 04/02/03	S-1	3(i)(f)	11/18/2007
3(i)(g)	Amendment to Articles of Incorporation dated 10/06/04	S-1	3(i)(g)	11/18/2007
3(i)(h)	Amendment to Articles of Incorporation dated 04/16/07	S-1	3(i)(h)	11/18/2007
3(i)(i)	Amendment to Articles of Incorporation dated 09/07/07	S-1	3(i)(i)	11/18/2007
3(ii)a	Bylaws	SB-2	3.2	11/5/2001

**Item XX Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**  
None.

**Item XXI Issuer's Certifications.**

See attached EXHIBIT B.

## EXHIBIT A





## **Company Introduction**

Redwood Capital is a full-service investment banking advisory firm that offers a wide range of U.S. corporate finance and investment banking services to growing, private companies in China. Redwood's services are designed to assist our client companies before, during and after their public offerings.

Redwood Capital relies upon our highly experienced management professionals focused on financing the emerging presence of Chinese corporations in the global capital markets.

Redwood Capital is a specialist in providing Alternative Public Offerings "APOs" for private Chinese companies through the simultaneous listing on a U.S. or other stock market and PIPE (Private Investment in Public Equity) financing. Our services are designed to prepare, assist and manage client companies through the various stages of the process of a reverse merger into a publicly-traded shell, concurrent capital funding, a progression to a U.S. national market listing (NASDAQ, AMEX, or NYSE) and multiple Registered Follow-On Offerings for additional growth capital.

Like our Chinese client companies, Redwood Capital management is made up of individuals with a proven track record of business success and deep entrepreneurial and financial experience. Leveraging our collective financial expertise and personal contact networks, we offer a broad spectrum of services covering: Accounting/Finance, Audit Management, Mergers & Acquisitions, Corporate & Securities Law, SEC Compliance, Company Structure, US Capital Markets, Strategic Planning, Strategic Partnering, advisory for Management Buy-Outs and Spin-Offs of Chinese SOE's, Investor Relations, Financial Public Relations, Securities Market Research and Analysis.

Redwood Capital has offices in Beijing, China, and in California, USA. We have partnered with numerous institutional investors and regulated investment banks within North America and China to develop a systematic process for qualifying and effectively preparing target Chinese companies to gain access to the U.S. capital markets. This process ensures that qualified companies – referred to as Redwood's "Gold Standard" companies, follow an established process to reach their goal of a U.S. national market listing (NASDAQ, AMEX or NYSE).

## **Management**

Jim Bickel: Chairman and CEO

Mr. Jim Bickel is a senior management expert and has significant experience with the investment banking industry. With his work experience, Mr. Bickel offers specialized services of strategic planning and capital placement to companies of various sizes in various fields. Mr. Bickel has been traveling to China and doing business in China for more than 20 years.

Charlie Wu: Managing Director - China

Mr. Charlie Wu has long term experience of management. Before joining Redwood, he was the General Manager of GreCon GmbH, a German company, where he led the company successfully for several years. In March 2006, he started the position of Managing Director of Redwood China. Mr. Wu has a bachelor degree in Engineering and his vast experience is in strategic planning, investment banking, business model structured and enterprise management.

Matthew Totty: Director of Research

Mr. Totty has more than 15 years of Wall Street experience in various capacities. He began his career as a broker and later transitioned into an Analyst and Fund Manager. He was one of the founding members of Gunn Allen Financial and while serving as Chief Equity Analyst for that firm, he was identified as the #1 performing Analyst on Wall Street by the Wall Street Journal. Mr. Totty has served as CEO of many companies and brings extensive public company management and analysis experience to the Redwood team.

Mr. Totty has been a contributing analyst to William O'Neil & Co.'s Institutional Research Department, publishers of Investor's Business Daily, Zacks Research and First Call's earnings estimates. Mr. Totty has been an affiliate of the Market Technicians Assoc. (MTA) and a colleague of the International Federation of Technical Analysts (IFTA). Mr. Totty was a former member of the Business Council for the United Nations.



## Core Advantages

- Advantage – Assurance of your financial success with our sincere and professional team

Before starting each project, we perform due diligence to make sure the Company chosen is qualified and the timing is right for them to go public in the foreign capital markets. Once we proceed, we will introduce Chinese and U.S. experts to do the financial audit, legal restructure, and strategic planning, including preparing an institutional quality business plan and road show materials. While the Company is preparing to go public, we are actively pursuing a lead and other investor from our vast network for the PIPE financing and will introduce public relations and investor relations firms to the Company.

*Highly professional:* With a core group of Bilingual management that has significant combined experience both in the U.S. and in China, Redwood Capital offers a full range of professional investment banking services.

*Highly efficient:* Clients will receive their first round of capital simultaneously as they go public, normally within six months. Redwood Capital assures its clients that they will get a clean public shell company without any debt and litigation.

*Long-term cooperation:* We will cooperate with our client in the following processes: 1) the process of going public with a simultaneous financing; 2) post offering advisory services for 18 to 24 months and stock management by a professional IR/PR company; 3) a secondary financing and transfer to a major U.S. stock exchange.

- Advantage – Outstanding financing ability

Our partners include many of the world's largest international investment funds, broker-dealers, financing organizations and individual investors. We have relationships with investors from all sectors and markets, which allows us to finance projects from USD \$15 million to USD \$150 million and even larger financings through our syndicate groups.

- Advantage – Familiar with China culture

The CEO of Redwood Capital, Mr. Jim Bickel has held a variety of senior management positions in American companies for many years managing over 100 offices nationwide and in China. Redwood also has a cordial relationship with Chinese government and the various entities and officials relating to the financial markets in China. Over the past 18 years, Mr. Bickel and our staff has experience in China markets segments as varied as plastics, alternative energy, precious metal, raw materials, finance, real estate, paper production, tobacco, food, wood, chemicals, shipping, IT, healthcare, education, fire protection, and medical supply. Redwood's Beijing office employs local bilingual Chinese people who understand China and will make you feel part of the Redwood family.

- Advantage – Based in American capital markets, focused in China

Redwood Capital, headquartered in America, provides a direct link from the largest investment pool in the world directly to Chinese private companies through our office in Beijing, China. With the majority of Redwood's employees being locals in China, we are focused on helping private companies in China expand by providing a full range of U.S. corporate finance, investment banking and business advisory services. Through our network of highly skilled and specialized professionals, our in-depth practice and research, Redwood can provide effective financial services to our clients.

## Business Scope

### PIPE Investment

A Private Investment in Public Equity, often called a "PIPE" deal, involves the selling of U.S. publicly traded shares to private investors. Redwood Capital focuses on high-growth Chinese enterprises exploiting the domestic sales market. Together with overseas investors, Redwood Capital is dedicated to support qualified small- and mid-cap Chinese companies through a PIPE investment simultaneously closed with the Reverse Take-Over or "RTO" of an existing U.S.-traded public shell company. Redwood Capital targets Chinese domestic industries experiencing relative strength and benefiting from current economic conditions. Together with the proper timing and structure of the PIPE funding, we provide the greatest opportunity for investors to realize a positive return on their investment.



## **Reverse Take-Over**

The Reverse Take-Over (RTO) or Reverse Merger with an existing public shell company is the primary process for the initial public listing of private Chinese companies. The RTO is the first step to achieve an eventual U.S. national market listing (NASDAQ, AMEX or NYSE). Only “Gold Standard” companies are chosen to pursue this process with Redwood.

“Gold Standard” private Chinese companies are defined as:

- Private companies seeking public listing status
- Profitable growth history
- Greater than USD \$15,000,000 annual revenue and greater than USD \$5,000,000 in annual net after-tax profits in the current year
- Clean, GAAP-ready financials
- Attractive business model to the U.S. investment community
- Initial APO capital raise no less than USD \$15,000,000, with an expected Follow-On raise.

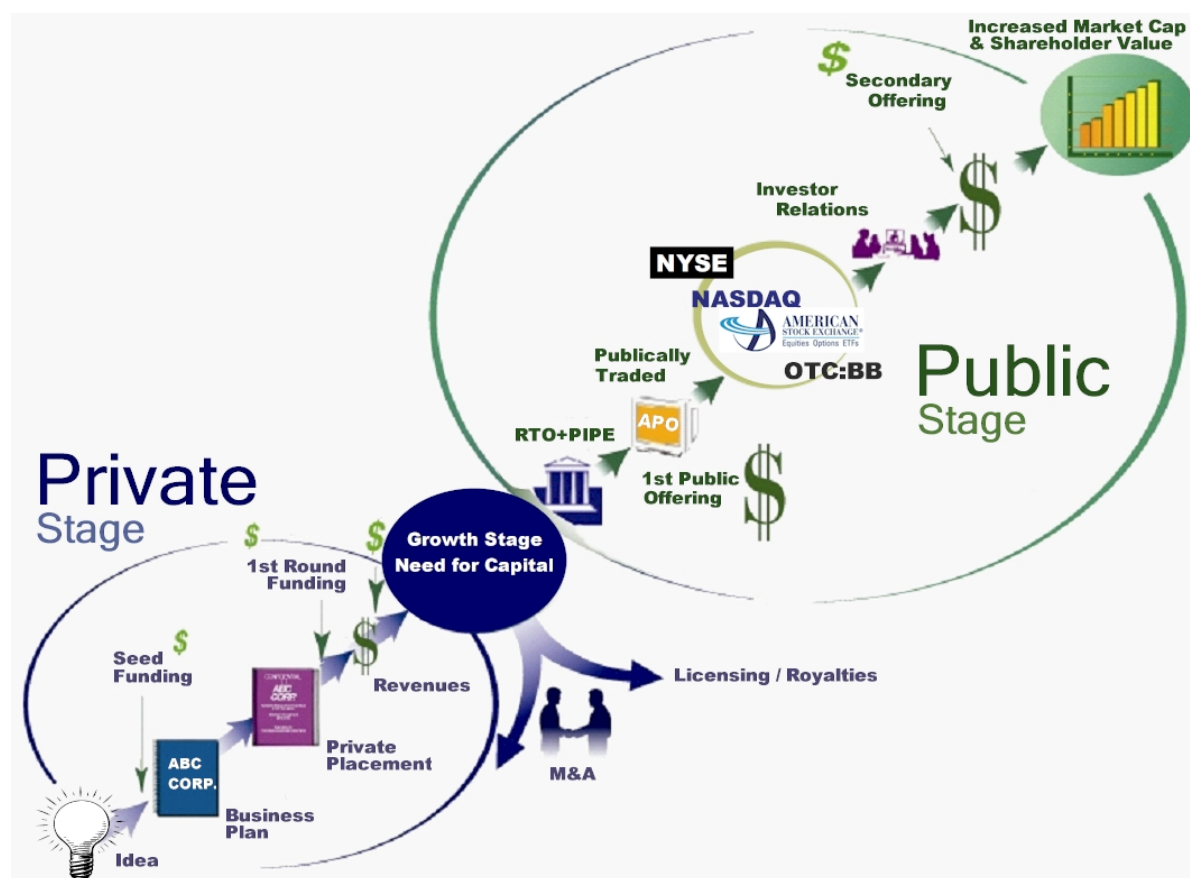
An RTO with a simultaneous PIPE financing is termed an Alternative Public Offering or “APO”, which is Redwood’s expertise.

## **Strategic Planning**

Strategic planning is critical to a successful reverse merger. Becoming a public company listed in the U.S. capital markets is a major step for any private company, its owners and shareholders. The finances, management and organization of the client company – based on what is expected by Wall Street - are important areas that must be set up correctly. Redwood’s staff has more than 15 years experience working with Chinese companies in China to create successful Wall Street offerings.

The preparation of private Chinese companies prior to a reverse merger is extremely important. The Chinese client must have a strong growth strategy and long-term objectives that are attractive to the U.S. investment community. Redwood works closely with its client companies to ensure they have an attractive, profit-driven plan and help implement the needed changes or restructuring of the client company to better meet long-term objectives.

Deciding on and implementing a capitalization structure that meets international standards prior to any reverse merger is another key element. Redwood’s strategic planning services include working with its clients to insure a capitalization structure is in place that meets not only the company’s objectives and those of Wall Street investors, but also those of Chinese and U.S. regulatory organizations. Areas of consideration for a proper capitalization structure prior to any reverse merger include but are not limited to: planned future acquisitions, APO and Follow-On capital raise, shareholder base and makeup, employee stock options and investor warrants, any many other issues.



### Corporate and Securities Law

Planning and implementing a proper strategic plan, structuring and executing a reverse merger, and creating a successful publicly-traded company on Wall Street all require a great deal of client understanding of legal matters. Key legal matters involve general corporate law, SEC regulations, and securities laws. Redwood Capital has in-house expertise and partners in China and the U.S. that are seasoned experts of corporate and SEC law – before, during and after a reverse merger.

Legal aspects of the reverse merger transaction include:

- Reverse Merger Structure and Share Exchange Agreements
- Disclosure, Books and Records Requirements of a U.S. Public Company
- Shareholder Actions Documents
- State and Federal Filings of Transactions

### SEC and FINRA Filings

- Form 10 or Form 10-SB
- Forms 10-K or 10-KSB, 10-Q or 10-QSB, 8-K
- Registration Statements Form S-1
- 15c2-11 Disclosures
- Trading Documents
- Listing Applications

### SEC Accounting

Accurate and timely SEC and U.S. GAAP financial statements and accounting systems are requirements for all U.S. publicly-traded companies. Redwood Capital has a network of SEC and U.S. GAAP educated and licensed



accountants, both in China and the U.S., that provide these services to our clients. We work with our clients to set up the company's independent auditors that can perform their work from their Chinese offices while overseen by their U.S. parent offices.

### **Investor/Public Relations**

All public companies in the U.S. capital markets have an obligation to communicate with shareholders and investors to properly reflect the activity of the company, the outlook for the future, and to help with capital raising efforts. Redwood Capital works directly with our clients before, during and after the reverse merger process to insure that the public relations campaign is done properly, professionally and thoroughly. This process of communicating with the public must be done in a way that is familiar to the Wall Street investment community and in a way that is appropriate under SEC guidelines. Areas of our cooperative work with our clients include but are not limited to:

- Annual Reports
- Quarterly Reports
- News Releases
- Radio and TV Interviews
- Feature Stories
- Company Profiles
- "Road Show" Presentations
- Reporting Services
- Conference Calls
- Analyst Reports
- Brokerage Firm and Analyst Presentations

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### **Growth Strategy**

Redwood has put forth an internal marketing strategy involving our staff and our numerous networks throughout China and the US to build a pipeline of potential clients over the next few years. As a result of our actions over the last year, we have seen an influx of opportunities and have quickly become the "go to" company in China for RTO's. Our reputation of honesty and integrity has enabled us to sign four new clients this year as of the end of September 30, 2008, and we have additional projects we are currently reviewing. Redwood continues to seek talent and expand our syndicate group of investors and broker-dealers in preparation of additional growth. Despite the US market turmoil, our business outlook remains strong.

### **Statement of Operations**

Redwood has put forth an internal marketing strategy involving our staff and our numerous networks throughout China and the US to build a pipeline of potential clients over the next few years. As a result of our actions over the last year, we have seen an influx of opportunities and have quickly become the "go to" company in China for RTO's. Our reputation of honesty and integrity has enabled us to sign four new clients this year as of the end of September 30, 2008, and we have additional projects we are currently reviewing. Redwood continues to seek talent and expand our syndicate group of investors and broker-dealers in preparation of additional growth. Despite the US market turmoil, our business outlook remains strong.



*Your Financial Partner*<sup>SM</sup>  
**Merchant Banking and Advisory Services**



# *Investment Banking Credentials*



- **Main Offices: Beijing, China – San Francisco, California**
- **Turn-key Funding and Listing Specialists**
- **A Large Network of Partner Broker/Dealers in US and Canada**
- **A track record of successful Deals and Follow-on Offerings in the last 5 Years and most recently Redwood closed a \$48M RTO with a \$4.1M Debenture Offering listed on the TSX-V exchange in the first quarter of 2009**
- **Four Past Deals Up an Average 65%**
- **Post-Closing Follow-up and Servicing**
- **Top Tier Institutional and Retail Investors**

*Your Financial Partner*

# Recent China Deals



**础明CHUMING**  
Dalian, China  
17,000,000  
PIPE financing  
Alternative Public Offering



Financial Advisor  
Exclusive Placement Agent



**北京新奥燃气有限公司**  
Beijing Sinogas Co.  
Beijing, China  
9,300,000  
PIPE financing  
Alternative Public Offering



Financial Advisor



**Wuhan Blower Co.**  
Wuhan, China  
24,000,000  
PIPE financing  
Alternative Public Offering



Financial Advisor



**FUSHI**  
Copperweld, Inc.  
Dalian, China  
12,000,000  
PIPE financing  
Alternative Public Offering



Financial Advisor

**Dalian Chuming  
(ENHD – OTC:BB)**

- \$17m APO
- \$50m Follow-On  
Planned Q4'09
- \$67m Total  
Invested
- \$4.40/share to  
\$5.00 now

**Beijing Sinogas Co.  
(SGAS – OTC:BB)**

- \$9.3m APO
- \$19m Follow-On
- \$28m Total Invested
- \$2.74/share to  
\$7.25

**Wuhan General Group  
(WUHN - NASDAQ)**

- \$24m APO
- \$2.33/share to  
\$17.50

**Fushi Copperweld, Inc.  
(FSIN - NASDAQ)**

- \$12m APO
- \$20m Follow-On
- \$40m Follow-On
- \$70m Invested
- \$2.82/share to \$27.59

# ***Your Financial Partner***



- **We provide all turn-key advisory services from the pre-audit through the funding process and public listing, including: business plan, legal restructure, audit, banking, IR/PR and more**
- **Our interests are aligned with the shareholders of the Company, to make the Company more valuable**
- **Our investors are long-term Institutions and Banks**
- **We aid the Company with Post-Offering services at no additional expense**
- **We all have the same goals; funding, valuation and appreciation of capital**

# *Equity and Debt Experience*

- **Initial capital raises between \$15-\$150M**
- **Secondary offerings between \$30-\$300M**
- **Pre-APO equity raises \$2-\$10M**
- **Pre-APO debt offerings \$5-\$15M**
- **Traditional and Convertible Debt offerings up to \$300M**
- **And other creative financing alternatives to meet your company needs**



# Multi-National Legal Support

## Top-tier Partner Legal Firms

**Loeb & Loeb LLP** is a multi-service national law firm with nearly 300 attorneys focusing as a leading law firm in the areas of securities offerings; mergers and acquisitions; and more. The firm represents multi-national, *Fortune* 100 companies in the firm's core practice areas, and serves as primary outside counsel to a multitude of mid-market clients. They were the first to do an APO in China in the 1990's and today they've worked with more China based APOs and SPACs than any other firm in China in 2008.

**Global Law Office** ("Global") is a large law firm in the People's Republic of China (the "PRC"). Founded in 1984 under the auspices of China Council for the Promotion of International Trade, Global was the first law firm established following the PRC's implementation of reform and opening to the outside world. Global was converted into a private partnership in early 2001.

# *Multi-National Accounting Support*

## **Deloitte. Our Audit Partner**

Firm history - Deloitte was a pioneer with a vision. Recognizing business opportunities in China, they opened an office in Shanghai as early as 1917, becoming the first foreign accounting organization to establish a presence in this dynamic and prosperous city.

Our Hong Kong presence since 1972 is the result of a number of successful mergers. Deloitte Touche Tohmatsu results from a 1989 merger between Deloitte Haskins & Sells International and Touche Ross International, which combined with the premier Japanese audit firm of Tohmatsu Awoki & Sanwa in 1975. Spicer & Oppenheim joined our international network in Hong Kong SAR and the UK in 1991. In 1997, Deloitte Touche Tohmatsu merged with the largest Chinese firm of Certified Public Accountants in Hong Kong SAR, Kwan Wong Tan and Fong.

In 2004, Deloitte unveiled its five-year plan to invest US\$150 million in the Chinese Mainland, Hong Kong SAR and Macau SAR. This is the most significant investment Deloitte has made in a single market in its more than 100 years history. In 2005, Deloitte China announced two mergers with leading local China CPA firms - Beijing Pan-China and Shenzhen Pan-China Schinda in the Mainland which have a rich portfolio of clients, and serve large state-owned enterprises, financial institutions and local Chinese clients. The mergers contribute to Deloitte's vision for growth in China and our capability in serving the growing local market.

Since the 1980s we have increased our presence and now have more than 8,000 people in 11 offices including Beijing, Dalian, Guangzhou, Hangzhou, Hong Kong, Macau, Nanjing, Shanghai, Shenzhen, Suzhou and Tianjin.

# Contacts

## Investment Committee

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**Jim Bickel, Chairman and CEO**

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**Bios**

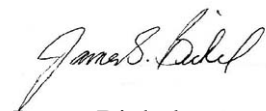
[http://www.redwoodcapinc.com/en/our\\_team.htm](http://www.redwoodcapinc.com/en/our_team.htm)

**EXHIBIT B**  
**CERTIFICATION**

I, James Bickel, certify that:

1. I have reviewed this disclosure statement of S3 Investment Company, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 24, 2009



James Bickel  
Chief Executive Officer

## CERTIFICATION

I, Gary Nerison, certify that:

1. I have reviewed this disclosure statement of S3 Investment Company, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 24, 2009

A handwritten signature in black ink, appearing to read 'G. Nerison', with a stylized flourish at the end.

Gary Nerison  
Chief Financial Officer

# EXHIBIT C



**S3 INVESTMENT COMPANY**

S3 INVESTMENT COMPANY

**Consolidated Financial Statements**

**June 30, 2009**

S3 Investment Company, Inc.  
Consolidated Balance Sheets

	<u>ASSETS</u>	
	June 30, 2009	June 30, 2008
	<u>(unaudited)</u>	<u></u>
<b>Current Assets</b>		
Cash	\$ 169,583	\$ 112,326
Accounts Receivable	45,439	-
Prepaid expense	6,161	298
Marketable Equity Securities - available for sale	2,240,312	1,643,617
Deferred Transaction Costs	69,525	119,698
Total Current Assets	<u>2,531,020</u>	<u>1,875,939</u>
Property - office equipment net of depreciation	<u>1,787</u>	<u>2,227</u>
<b>Other Assets</b>		
Goodwill	<u>45,000</u>	<u>45,000</u>
Total Other Assets	<u>45,000</u>	<u>45,000</u>
Total Assets	<u>\$ 2,577,807</u>	<u>\$ 1,923,166</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)</u>		
<b>Current Liabilities</b>		
Accounts payable	\$ 86,991	\$ 169,393
Accrued interest	201,271	36,442
Accrued Expenses	331,012	23,872
Notes Payable (see Note 8)	29,700	29,700
Judgements Payable	134,717	152,717
Convertible Notes Payable, net of unamortized discount (see Note 9)	609,897	376,404
Derivative Liability (see Note 10)	954,229	902,027
Total Current Liabilities	<u>2,347,817</u>	<u>1,690,555</u>
Total Liabilities	<u>2,347,817</u>	<u>1,690,555</u>
 Commitments (see Note 12)		
<b>Stockholders' Equity/(Deficit)</b>		
Preferred Stock, Authorized 100,000,000 Shares, \$0.001 Par Value, 13,000,000	13,000	13,000
Common Stock, Authorized 4,900,000,000 Shares, \$0.001 Par Value, 1,762,177,742		
Shares Issued and Outstanding	1,762,178	1,436,535
Additional Paid in Capital	9,511,505	9,424,761
Accumulated Comprehensive Income	(530,010)	-
Accumulated deficit	(10,526,683)	(10,641,685)
Total Stockholders' Equity/(Deficit)	<u>229,990</u>	<u>232,611</u>
Total Liabilities and Stockholders' Equity/(Deficit)	<u>\$ 2,577,807</u>	<u>\$ 1,923,166</u>

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

S3 Investment Company, Inc.  
Consolidated Statements of Operation and Comprehensive Income

	For the Twelve Months Ended June 30,	
	2009	2008
	(unaudited)	
Revenues	\$ 1,617,059	2,318,670
Total Revenues	<u>1,617,059</u>	<u>2,318,670</u>
Project-Related Costs	<u>283,359</u>	<u>637,825</u>
Gross Profit	<u>1,333,700</u>	<u>1,680,845</u>
Operating Expenses		
Administrative fees	95,107	30,129
Consulting	553,740	606,549
Depreciation expense	1,698	1,632
Financing costs	-	658,833
Interest expense	1,013,906	637,068
Investor relations	35,179	55,879
Professional fees	72,250	162,853
General & Administrative expense	194,544	398,395
Total Operating Expenses	<u>1,966,424</u>	<u>2,551,338</u>
Net Gain (Loss) from operations	(632,724)	(870,493)
Other Income (Expense)		
Loss on sale of asset	-	(500)
Derivative recovery/(charges)	619,122	(450,564)
Gain from forgiveness of debt	12,752	-
Gain from legal settlement	90,000	-
Realized gain (loss) on sale of stock	(3,750)	36,798
Total Other Income (Expense )	<u>718,124</u>	<u>(414,266)</u>
Net Gain (Loss) from Continuing Operations	85,400	(1,284,759)
Discontinued Operations		
Loss on abandonment of entity	-	-
Recovery/(Loss) from discontinued operations	29,602	190,304
Total Gain (Loss) from Discontinued Operations	<u>29,602</u>	<u>190,304</u>
Income (Loss) Before Income Taxes	115,002	(1,094,455)
Income Tax Expense	-	-
Net Gain (Loss)	<u>\$ 115,002</u>	<u>(1,094,455)</u>
Net loss from continuing operations per share	<u>\$ 0.00</u>	<u>(0.00)</u>
Net loss from discontinued operations per share	<u>\$ 0.00</u>	<u>0.00</u>
Net loss per share	<u>\$ 0.00</u>	<u>(0.00)</u>
Weighted Average Shares Outstanding	<u>1,631,279,115</u>	<u>847,791,275</u>
Comprehensive Income (Loss)		
Net Gain (Loss)	\$ 115,002	(1,094,455)
Unrealized gain (loss) from investments held for sale	-	-
Net Accumulated Other Comprehensive Income	<u>\$ 115,002</u>	<u>(1,094,455)</u>

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

S3 Investment Company, Inc.  
Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock		Additional Paid in Capital	Subscription Receivable	Accumulated		
	Shares	Amount	Shares	Amount			Other Comprehensive Income (Loss)	Minority Interest	Retained Earnings (Deficit)
Balance June 30, 2006	13,000,000	\$ 13,000	13,333,333	13,333	7,048,086	(40,491)	207,707	\$ 585,849	(6,144,731)
Cash received for stock subscription	-	-	-	-	-	40,491	-	-	-
Stock issued for services	-	-	87,710,000	87,710	1,435,754	-	-	-	-
Common stock issued for cash			42,500,000	42,500	208,414				
Common stock issued for cancellation of debt			15,666,667	15,667	595,000				
Net unrealized loss from investments held for sale for the period ended June 30, 2007							(176,422)		
NetLoss for the period ended June 30, 2007	-	-	-	-	-	-		(585,849)	(3,402,499)
Balance June 30, 2007	13,000,000	\$ 13,000	159,210,000	\$ 159,210	\$ 9,287,254	\$ -	\$ 31,285	\$ -	\$ (9,547,230)
Common stock issued for services			458,500,000	\$ 458,500	\$ 43,000				
Common stock issued for cash			472,392,571	\$ 472,393	\$ (300,393)				
Common stock issued in compliance with anti-dilutive provisions			49,041,310	\$ 49,041	\$ 132,412				
Common stock issued for litigation settlement			25,000,000	\$ 25,000	\$ 75,000				
Common stock issued for financing			272,391,430	\$ 272,391	\$ 187,488				
Net unrealized loss from investments held for sale for the period ended June 30, 2008							\$ (31,285)		
NetLoss for the period ended June 30, 2008									\$ (1,094,455)
Balance June 30, 2008	13,000,000	\$ 13,000	1,436,535,311	\$ 1,436,535	\$ 9,424,761	\$ -	\$ -	\$ -	\$ (10,641,685)
Common stock issued for services			5,000,000	\$ 5,000	\$ 25,000				
Common stock issued for cash			100,000,000	\$ 100,000	\$ 150,000				
Common stock issued in settlement of convertible notes payable			220,642,431	\$ 220,643	\$ (88,256)				
Net unrealized loss from investments held for sale for the period ended June 30, 2009							\$ (530,010)		
NetLoss for the period ended June 30, 2008 (unaudited)									\$ 115,002
Balance June 30, 2009 (unaudited)	-	\$ 13,000	1,762,177,742	\$ 1,762,178	\$ 9,511,505	\$ -	\$ (530,010.00)	\$ -	\$ (10,526,683)

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

S3 Investment Company, Inc.  
Consolidated Statements of Cash Flows

	For the Twelve Months Ended June 30,	
	2009	2008
	(unaudited)	
<b>Cash Flows from Operating Activities:</b>		
Net Gain (Loss)	\$ 115,002	\$ (1,094,455)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation and amortization	1,699	1,632
Accretion of interest	1,013,906	435,996
Change in fair value of derivative liability	(619,122)	612,331
Stock issued for services	30,000	501,500
Stock issued for litigation settlement	-	100,000
Issuance of common stock for financing activities	-	459,879
Issuance of stock in accordance with prior-year litigation settlement	-	181,453
Marketable securities received for services	(1,139,118)	(1,883,618)
Realized loss/(gain) on investments	3,750	(36,798)
Changes in Operating Assets and Liabilities:		
Decrease (increase) in prepaid expenses	(5,863)	672
Increase in receivables	(45,439)	-
Decrease (increase) in deferred transaction costs	50,173	84,641
Increase (decrease) in accounts payable and accrued liabilities	206,736	28,586
Net Cash Provided (Used) by Operating Activities	(388,276)	(608,181)
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of marketable securities	8,667	57,587
Purchase of office equipment	(1,259)	(1,580)
Retirement of office equipment	-	500
Net Cash Provided (Used) by Investing Activities	7,408	56,507
<b>Cash Flows from Financing Activities:</b>		
Payments made on accrued expenses	-	-
Issuance of notes payable	200,625	590,105
Repayment of note payable	(12,500)	(120,000)
Proceeds from sale of common stock for cash	250,000	172,000
Net Cash Provided by Financing Activities	438,125	642,105
Increase (decrease) in Cash	57,257	90,431
Cash and Cash Equivalents at Beginning of Period	112,326	21,895
Cash and Cash Equivalents at End of Period	\$ 169,583	\$ 112,326
<b>Supplemental cash flow information:</b>		
<b>Cash Paid For:</b>		
Interest	\$ 30,000	\$ 246,945
Income Taxes	-	-
<b>Non-Cash Investing and Financing Activities:</b>		
Stock issued for Services	\$ -	\$ 501,500
Stock issued for litigation settlements	-	281,453
Stock issued for financing activities	132,387	459,879
Marketable securities transferred for interest payment	-	240,000

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

**S3 INVESTMENT COMPANY, INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2009**  
**(unaudited)**

**Note 1 – Organization and Business Activities**

This summary of significant accounting policies of S3 Investment Company, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

S3 Investment Company, Inc. was incorporated under the laws of the State of California. The Company originally incorporated with the name of Retail Windows, Inc. on April 19, 2000 to engage in any lawful activity as shall be appropriate under laws of the State of California. On June 30, 2001 it amended its Articles of Incorporation to change name to Axtion Foods, Inc. Prior to April 2003, Axtion Foods, Inc. was engaged in the development, manufacturing and distribution of health bars and health drinks. The business plan was not fully implemented and on April 16, 2003 it changed its name to S3I Holdings, Inc. and acquired 100% of the issued and outstanding capital stock of Securesoft Systems, Inc., a Delaware corporation, making Securesoft Systems, Inc (Securesoft) a wholly-owned subsidiary of the Company.

Securesoft Systems, Inc., was incorporated in September 1999. It developed and marketed enterprise compliance and risk management software solutions, but discontinued operations in the last quarter of the fiscal year ended June 30, 2005. It subsequently filed for bankruptcy protection under Chapter 7.

On April 12, 2004 the Company's Board of Directors elected to be regulated as a business development company under the Investment Company Act of 1940. As a business development company ("BDC"), the Company was required to maintain at least 70% of its assets invested in "eligible portfolio companies", which are loosely defined as any domestic company which is not publicly traded or that has assets less than \$4 million. Based on the BDC format, Securesoft became the first portfolio company. The Company added two new portfolio Investments in November, 2004: Sino UJE, Ltd. ('Sino'), a Hong Kong company, and Redwood Capital, Inc., a privately held investment advisory group.

In August 2005, the Board of Directors determined that the Company's continued focus on operations outside the United States, and the limited nature of the Company's portfolio, did not lend itself to the structure of a business development company nor require reporting under the Investment Company Act of 1940. Further, the Company's management had several discussions with the Securities and Exchange Commission during which the Commission expressed the opinion that the Company's capital structure was in violation of certain provisions of the Investment Company Act of 1940; namely, that the Company's preferred stock was issued in violation of Section 18 and convertible debentures were issued in violation of Section 61. On

August 26, 2005, the Board of Directions approved a motion to withdraw the Company's election to be treated as Business Development Company under the 1940 Act and on April 5, 2006 the Company's shareholders approved the withdrawal petition. On April 6, 2006, the Company filed an N-54C, which formally withdrew the Company's BDC election.

As mentioned above, the Company acquired 51% of the common stock of Sino during November, 2004; however, during the fiscal year 2007 the Company lost control of Sino UJE, Ltd. The Company recorded a recovery of \$29,602 from the discontinued operations of Sino for the fiscal year ended June 30, 2009 and a recovery of \$190,304 for the fiscal year ending June 30, 2008.

The Company's sole operating business is its wholly-owned subsidiary, Redwood Capital, Inc., which was acquired during November, 2004. Redwood Capital, Inc. provides specialized advisory and capital market services primarily to clients in China. The Company's focus is to introduce private companies in China to the American capital markets through its extensive investment banking relationships.

## **Note 2 - Going Concern**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the company as a going concern. However, the Company has an accumulated deficit of \$(10,513,145) as of June 30, 2009 (unaudited) including income of \$128,540 for the period ended June 30, 2009 and a loss of \$(1,094,455) for the year ended June 30, 2008. In addition, the Company is in default on its convertible notes payable. These conditions raise substantial doubt as to the Company's ability to continue as a going concern.

In order to continue as a going concern and achieve a profitable level of operations, the Company will require, among other things, additional capital resources. Management's plans to obtain such resources for the Company include raising additional capital through the sale of common stock and continuing the practice of issuing common stock as consideration for certain employee and marketing services. Management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraphs and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

## **Note 3 - Summary of Significant Accounting Policies**

### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of S3 Investment Company, Inc. and Redwood Capital, Inc. (collectively the "Company"). All significant inter-company accounts and transactions have been eliminated in consolidation.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue recognition**

Revenues are recognized from financial services contracts as amounts become billable per their respective contract terms in accordance with Staff Accounting Bulletin (“SAB”) 101, as amended by SAB 104. The Company considers amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable, and collectability is reasonably assured. The Company’s sole revenue generating operation is through its subsidiary, Redwood Capital. Revenue is generated by providing services to assist private Chinese companies in raising capital in the United States and Canada. As the total fees to be paid are typically provided as a percentage of the total capital raised, the fees are typically not fixed until the completion of such transactions. As such, the Company recognizes revenue from each transaction upon the successful closing of each closed transaction.

**Deferred Transaction Costs**

Once a contractual agreement has been reached, any contractual advances the Company makes on behalf of its clients to certain third parties are deferred during the contractual period and expensed once each transaction has closed. Once expensed, these deferred costs are included in cost of sales.

Deferred amounts are monitored regularly for impairment. Impairment losses are recorded when projected undiscounted operating cash flows of the related contract are not sufficient to recover the carrying amount of contract assets. Deferred transition costs were \$69,525, and \$119,698 as of June 30, 2009 and 2008, respectively, and are included in current assets.

**Cash and cash equivalents**

The Company considers all liquid investments with a maturity of three months or less from the date of purchase that are readily convertible into cash to be cash equivalents.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Concentration of Risk**

All of the Company’s revenues are derived from transactions in foreign countries. The economic and political instability of some foreign countries may affect the ability of the Company and its customers to complete any Alternative Public Offerings currently in progress. Such circumstances could cause a possible loss of sales, which would affect operating results adversely.

During the period ended June 30, 2009, one single customer, Boyuan General Construction Group, Ltd., represented more than 10% of total net sales for the period then ended. During the

year ended June 30, 2008 one single customer, Dalian Chuming Group, Ltd., represented more than 10% of total net sales for the years then ended.

### **Marketable Equity Securities**

Pursuant to Statement of Financial Accounting Standard No. (“SFAS”) 115 “*Accounting for Certain Investments in Debt and Equity Securities*” and SFAS 159 “*Fair Value Option for Financial Assets and Liabilities*” management determines the appropriate classification of investment securities at the time they are acquired and evaluates the appropriateness of such classification at each balance sheet date. At June 30, 2009 and 2008, all marketable equity securities were classified as available-for-sale-securities. Marketable equity securities for which there is an active market are carried at estimated fair market value based on market prices with any unrealized holding gains and losses, net of the related deferred tax effect, reported as a separate component of stockholders' equity. Realized gains and losses from sales of securities available for sale are determined on a specific identification basis and are included in other income and expense.

### **Property – office equipment**

Office equipment is depreciated on a straight-line basis over the estimated useful life of the asset of three to five years. Office equipment is stated at cost net of accumulated depreciation and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

### **Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount to the estimated future net cash flows. If estimated future undiscounted net cash flows are less than the carrying amount, the asset is considered impaired and expense is recorded at an amount required to reduce the carrying amount to fair value.

### **Basic and Diluted Net Income per Share**

Basic earnings per share is calculated using the weighted-average number of common shares outstanding during the period without consideration of the dilutive effect of stock warrants and convertible notes. The basic weighted-average number of common shares outstanding was 1,631,279,115 and 847,791,275 for the years ended June 30, 2009 and 2008, respectively. Common stock equivalents related to beneficial conversion features embedded in certain Notes Payable (146,034,247 at June 30, 2008) have not been included in the calculation of loss per share for the year ended June 30, 2008 due to their anti-dilutive effect.

	Income (Loss)	Shares	Per Share
	(numerator)	(denominator)	Amount
Basic EPS			
For the year ended June 30, 2009			
Net loss from continuing operations per share	\$ 98,938	1,631,279,115	\$0.00
Net income from discontinued operations per share	\$ 29,602	1,631,279,115	\$0.00
Net loss per share	\$ 128,540	1,631,279,115	\$0.00
For the year ended June 30, 2008			
Net loss from continuing operations per share	\$ (1,284,759)	847,791,275	\$0.00
Net income from discontinued operations per share	\$ 190,304	847,791,275	\$0.00
Net loss per share	\$ (1,094,455)	847,791,275	\$0.00

### **Stock-based compensation**

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), “*Share-Based Payment*”. This pronouncement amends SFAS No. 123, “Accounting for Stock-Based Compensation”, and supersedes APB Opinion No. 25, “*Accounting for Stock Issued to Employees*”. SFAS No. 123(R) requires that companies account for awards of equity instruments issued to employees under the fair value method of accounting and recognize such amounts in their statements of operations. Under SFAS No. 123(R), the Company is required to measure compensation cost for all stock-based awards at fair value on the date of grant and recognize compensation expense in the consolidated statements of operations over the service period that the awards are expected to vest.

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of SFAS 123(R) and the Emerging Issues Task Force consensus in Issue No. 96-18 (“EITF 96-18”), “*Accounting for Equity Instruments that are*

*Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services".* Common stock issued to non-employees in exchange for services is accounted for based on the fair value of the services received.

The Company had no outstanding stock options or warrants at June 30, 2009 or 2008.

### **Fair value of financial instruments**

SFAS 159, "*Fair Value Option for Financial Assets and Liabilities*" and SFAS No. 107, "*Disclosures about Fair Value of Financial Instruments*", require that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value as the assets have been valued according to their respective active market quotes.

### **Income Taxes**

The Company accounts for income taxes using the liability method as required by SFAS No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are determined based on differences between their financial reporting and tax basis of assets and liabilities. The Company was not required to provide for a provision for income taxes for the fiscal years ended June 30, 2008, as a result of net operating losses incurred during the periods. As of June 30, 2009, the Company has available approximately \$2,124,218 of net operating losses ("NOL") available for income tax purposes that may be carried forward to offset future taxable income, if any. These carryforwards expire in various years through 2028.

The components of current income tax expense for the years ended June 30, 2009 and 2008 respectively are as follows:

	As of June 30,	
	2009	2008
Current federal tax expense	\$ -	\$ -
Current state tax expense	-	-
Change in NOL benefits	(176,000)	322,600
Change in valuation allowance	176,000	(322,600)
Income tax expense	\$ -	\$ -

The income tax provision differs from the amount of income tax as determined by applying the U.S federal income tax rate of 34% to pretax income from operations due to the following:

	For the years ended June 30,	
	2009	2008
Net Gain/(Loss)	\$ 128,540	\$ (372,114)
NOL used	(176,000)	(322,688)
Permanent effects	(47,460)	694,804
Taxable temporary differences	-	-

Deductible temporary differences	-	-
Change in deferred tax asset valuation	-	-
	<u>-</u>	<u>-</u>
Net tax provision	\$ <u>-</u>	\$ <u>-</u>

### **Research and development costs**

The Company did not spend any funds on research and development activities for the years ended June 30, 2009 nor 2008.

### **Derivative Financial Instruments**

The Company's derivative financial instruments consist of embedded derivatives related to the Convertible Notes Payable ("the Notes") entered into in January, 2008. These Notes contain interrelated embedded derivatives, which include a variable conversion feature, a variable interest feature, and a fixed-price put feature.

Based on the complex nature of the terms of the variable conversion and interest features, the Company chose to employ a Black-Scholes model to value these features. Due to the less complex nature of the fixed-price put feature, the Company is accreting the put feature based upon the number of days the Note is outstanding

Under the provisions of EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" and SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*", as a result of entering into the Notes, the Company is required to record the derivatives at their fair values as of the inception date of the agreement and at a fair value of each subsequent balance sheet date and to classify all other non-employee stock options and warrants as derivative liabilities and mark them to market at each reporting date until the maturation date of the derivative has expired. Any change in the fair value will be recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivatives is lower at the subsequent balance sheet date, the Company will record a non-operating, non-cash income. In the event that the Company is required to convert the debentures into common stock, the Company is required to eliminate the pro rata portion of the derivative liability associated with the conversion, with a corresponding entry recorded to additional paid-in-capital.

### **Recently Issued Accounting Pronouncements**

In April, 2009, the FASB issued Final Staff Positions ('FSP') 107-1, "*Interim Disclosures about Fair Value of Financial Instruments*", 115-2, "*Recognition and Presentation of Other-Than-Temporary Impairments*", and 157-4, "*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*", to improve guidance and disclosures on fair value measurements and impairments. These FSP's apply to all instruments which have no active markets which are accessible at their respective measurement date. These FSP's are effective for periods beginning April 1, 2009; however, early adoption is encouraged. The Company has adopted these FSP's for the period beginning January 1, 2009, which resulted in a fair value adjustment in marketable

equity securities of \$(530,010), which can be seen in the unrealized loss section of the balance sheet at June 30, 2009.

On January 12, 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. Emerging Issues Task Force (EITF) 99-20-1, "*Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20*" (FSP EITF 99-20-1). FSP EITF 99-20-1 changed the guidance for the determination of whether an impairment of certain non-investment grade, beneficial interests in securitized financial assets is considered other-than-temporary. The adoption of FSP EITF 99-20-1, effective December 31, 2008, did not have a material impact on the Company's financial condition and results of operations.

On December 11, 2008, the FASB issued FSP No. FAS 140-4 and FIN 46(R)-8, "*Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*" (FSP FAS 140-4 and FIN 46(R)-8). FSP FAS 140-4 and FIN 46(R)-8 amends statement of Financial Accounting Standards (SFAS) No. 140 "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125*" (SFAS 140) to require public entities to provide additional disclosures about transferors' continuing involvements with transferred financial assets. It also amends FASB Interpretation (FIN) No. 46 (revised December 2003) "*Consolidation of Variable Interest Entities – an interpretation of ARB No. 51*" (FIN 46R) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. The expanded disclosure requirements for FSP FAS 140-4 and FIN 46(R)-8 are effective for the Company's financial statements for the year ending June 30, 2009. The adoption of FSP FAS 140-4 and FIN 46(R)-8 did not impact the Company's financial condition and results of operations.

On October 10, 2008, the FASB issued FSP No. 157-3, "*Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*" (FSP 157-3). FSP 157-3 clarifies how SFAS No. 157 "*Fair Value Measurements*" (SFAS 157) should be applied when valuing securities in markets that are not active. The adoption of FSP 157-3, effective September 30, 2008, did not have a material impact on the Company's financial condition and results of operations.

On September 15, 2008, the FASB released exposure drafts which would amend SFAS 140 and FIN 46R. As written, the proposed amendments would, among other things, eliminate the concept of a qualifying special purpose entity (QSPE) and change the standards for consolidation of VIEs. The changes would be effective for both existing and newly created entities as of January 1, 2010. If adopted as written, the amendments would likely result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Consolidated Balance Sheet of the Corporation (e.g., credit card securitization trusts). Management is currently evaluating the impact the exposure drafts would have on the Company's financial condition and results of operations if adopted as written.

In December 2007, the FASB issued SFAS No. 141(R), "*Business Combinations*". This Statement provides greater consistency in the accounting and financial reporting of business

combinations. It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose the nature and financial effect of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS No. 141(R) no later than the first quarter of fiscal 2010 and are currently assessing the impact the adoption will have on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements". This Statement amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company will adopt SFAS No. 160 no later than the first quarter of fiscal 2010 and are currently assessing the impact the adoption will have on its financial position and results of operations.

#### **Note 4 – Fixed Assets**

Provision for depreciation of property and equipment is computed on the straight-line method for financial reporting purposes. Depreciation is based upon estimated useful lives as follows:

##### Fixed Asset Schedule

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Fixed Assets:		
Equipment	\$ 6,444	\$ 5,185
Less Depreciation	<u>(4,657)</u>	<u>(2,958)</u>
Net Equipment	<u><u>\$ 1,787</u></u>	<u><u>\$ 2,227</u></u>

Depreciation for the periods ending June 30, 2009 and 2008 was \$1,787 and \$1,632, respectively.

Maintenance, repairs, and renewals which neither materially add to the value of the property and equipment nor appreciably prolong its life are charged to expense as incurred.

#### **Note 5 - Stockholders' Equity (Deficit)**

##### **Common Stock**

During the fiscal year ended June 30, 2009, the Company had the following common stock transactions:

- 220,642,431 shares were issued to settle certain Convertible Notes Payable totaling \$132,287. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.
- 5,000,000 shares were issued for services totaling \$30,000. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.
- 100,000,000 shares were issued for cash totaling \$250,000. These shares were issued in reliance on the exemption from registration provided by Rule 504 of Regulation D.

## **Preferred Stock**

The Company has 100,000,000 shares of preferred stock authorized, of which 13,000,000 shares were outstanding in two different designated series as of June 30, 2009 and 2008.

Series B Preferred Stock, of which 15,000,000 shares are designated and 12,000,000 shares are outstanding, does not have voting rights and can be converted into shares of common stock on a 1:1 basis. In lieu of voting rights, the Series B Preferred Stock is entitled to elect two directors at each shareholder meeting.

Series C Preferred Stock, of which 1,000,000 shares are designated and 1,000,000 shares are outstanding, was issued to James Bickel, Chief Executive Officer, in May 2006 as consideration for personally guaranteeing an advance on a warrant purchase agreement. The Series C Preferred shares entitle the holder to 1,000 votes per share on all shareholder matters. During the fiscal year ended June 30, 2009, the Board of Directors unanimously voted and approved to cancel the Series C Preferred Stock, as such action was in the best interest of the Company.

## **Warrants**

There was no warrant activity for the fiscal year ended June 30, 2009.

## **Note 6 – Marketable Equity Securities**

The Company's wholly-owned subsidiary, Redwood Capital, provides investment banking services to Chinese companies seeking access to U.S. and foreign capital. Redwood receives, as payment for services, both cash consideration and common shares of stock in the respective entities. The stock received is carried as an investment and reflects the fair market value of the stock on the date received.

For the fiscal year ending June 30, 2009, for services provided, the Company received equity securities in Boyuan General Construction Group (CDNX: BOY.V) ('Boyuan'). The Company has classified these securities as available-for-sale and accounts for them at fair value, as determined by the Toronto Stock Exchange. As these securities are traded in Canadian dollars, the Company additionally translates the securities into US dollars at each balance sheet date, with any resulting gains or losses accumulating in 'Other Comprehensive Income'.

At June 30, 2009 and 2008, the Company held an investment in Energroup Holdings (OTC BB: ENHD), a Company which reversed merged with the Dalian Chuming Group, a pork processing company based in China. The Company has classified these securities as available-for-sale and accounts for them at fair value, as determined by the OTC BB stock exchange.

The following table summarizes the equity investments held by the Company:

Equity Securities Classified as Available-for-Sale				
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
June 30, 2009	\$ 2,770,322	\$ -	(530,010)	\$ 2,240,312
June 30, 2008	\$ 1,643,618	\$ -	\$ -	\$ 1,643,618

During the fiscal years ended June 30, 2009 and 2008, the Company realized \$(3,750) in losses from the sales of its marketable equity securities and \$36,798 in gains from the sales of its equity securities, respectively.

For the fiscal year ending June 30, 2009, there were no material translation adjustments resulting from the translation of Canadian dollars into US dollars.

Of the 798,002 shares received in Boyuan, 287,291 remain restricted from sale due to certain lock-up rules as determined by the Toronto Stock Exchange. The Company received 33,022 shares upon the initial close of the first capital raise it helped to transact, and will receive increments of 49,533 of the total in 6-month intervals beginning September 1, 2009.

The Company has set aside some of the above securities for its contractors whose services are critical to the closing of each transaction. The Board of Directors has approved as much as 30% of each amount of securities received to be set-aside for these contractors as additional amounts payable. As of June 30, 2009, these amounts have been set aside; however, no amounts have been paid as of yet.

The following table summarizes the amount of securities held in escrow and/or set-aside as amounts payable to its contractors, reported at fair market value:

	June 30, 2009	June 30, 2008
<b>Marketable Securities</b>		
Unrestricted	\$ 1,254,673	\$ -
Restricted in escrow	373,119	1,643,618
Restricted as amounts payable	612,520	-
	\$ 2,240,312	\$ 1,643,618

## Note 7 - Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired through acquisitions. In accordance with SFAS No. 142 issued in June 2001, goodwill recorded by the Company has not been amortized and will be evaluated on an annual basis, or sooner if deemed necessary, in connection with other long-lived assets, for potential impairment.

During the fiscal year ending Jun 30, 2005, the Company acquired the business and all related assets of Redwood Capital, Inc. The purchase price of \$120,000 was satisfied by the Company issuing common and preferred stock. The acquisition was an arm's length transaction and has been accounted for using the purchase method.

The following table summarizes the estimated fair value of the assets acquired and equity assumed at the date of acquisition. The purchase price allocation is based upon management's best estimate of the relative fair values of the identifiable assets acquired and liabilities assumed.

Net assets acquired:

Goodwill	\$	45,000
Net assets acquired		45,000

Net liabilities assumed:

Common stock	\$	75,000
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Net liabilities assumed

	\$	\$75,000
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## Note 8 – Notes Payable

The Company executed a note payable with a private third party for \$95,000 during May 2000. The note bears interest at 8% per year and matured May 2001. The Company has made ongoing payments against the note and presently has a balance owed of \$29,700, which is shown as a current liability in the accompanying consolidated financial statements. The Company is in default on this convertible debenture as it has not repaid the outstanding amount at June 30, 2009. The Company has accrued approximately \$20,206 and \$17,830 in interest on this note at June 30, 2009 and 2008, respectively.

### *Action View Bridge Note*

In August of 2007, the Company entered into a Bridge Financing arrangement with Action View International, Inc. whereby the Company would have access to up to \$130,000. The financing arrangement had a maturity date of March 31, 2008 and interest rate of 5.7%. The Company borrowed a total of \$120,000 during the fiscal year ending June 30, 2008 and paid interest of approximately \$6,945. The financing arrangement also included a guaranteed return of principal equal to twice the borrowed principal amount. To satisfy the terms of the agreement, the Company transferred shares of common stock it had held as investment securities with an equivalent value of \$240,000 in March of 2008 to Action View's purchaser, Hybristic Equity

Partners, Ltd., which was recognized as additional interest expense during the fiscal year ended June 30, 2008.

## **Note 9 – Convertible Notes Payable**

### ***Senior Convertible Notes A & B***

***Senior Note A:*** To obtain funding for the Company's ongoing operations, the Company entered into a note payable with four accredited investors in January, 2008 of up to \$600,000. The terms of the note are such that the Company could borrow an initial \$100,000 and have the ability to draw down \$60,000 per month based upon certain milestones, including the completion of its annual audit and filing of a subsequent registration statement.

At June 30, 2009 and 2008 the Company had borrowed \$301,667 and \$280,000, respectively, from the Note, which bears interest at 10% per annum from the date of issuance. Effective July 1, 2008, as a result of not accomplishing a listing on the OTCBB stock listing, which was a milestone required in the lending documents, the interest rate increased to 12% per annum. Both principal and interest on the note are convertible into common stock at the rate of 60% of the lowest daily closing bid price of the Company's common stock during the 5 trading days prior to the conversion date, but in no event less than \$0.0006 per share, which expires on the maturity date of the Note, December 2008. The Company determined that the beneficial conversion feature of both the principal and interest represents derivative liabilities which must be bifurcated from the Note and separately stated. Due to their complex nature, the Company used the Black-Scholes model to value the beneficial variable principal and interest conversion features (see Note 10). The initial fair value assigned to the variable principal conversion feature of Note A was \$161,766, which was recorded as a discount to the Note. This discount was amortized to interest expense over the term of the Note. Accordingly, the Company recognized \$161,766 for the year ended June 30, 2009 and \$68,065 for the year ended June 30, 2008 in amortized interest expense, bringing the total net value of the Note discount to \$0 at June 30, 2009 and \$93,701 at June 30, 2008. As no interest had accrued at the date of issuance, the Company did not assign a value to this conversion feature at the date of issuance. It has; however assigned a value to this feature to the extent that its value exceeds or is less than the total accrued interest at June 30, 2008 (see Note 10). The Company had no additional accrual at June 30, 2009, as the derivative had been fully valued and had accrued \$8,469 at June 30, 2008 in additional interest relating to this Note.

The Note matures one year from the date of issuance and can be 'put', or sold back to the Company for a value of 200% of the face value of the note, payable in marketable securities (Energroup Holdings, or 'ENHD' stock) owned by the Company at June 30, 2008. Accordingly, the Company has placed all of its holdings of marketable securities in ENHD into an escrow account as collateral. The Company has determined this put-feature to be derivative in nature, which requires bifurcation and separate statement. Due to the fixed nature of the put value, the Company has accreted a liability of \$301,667 and \$117,814 at June 30, 2009 and 2008, respectively, based upon the anticipated future value of the put option at maturity, which is recorded in the derivatives liability section of the consolidated balance sheets at June 30, 2009 and 2008 (see Note 10).

The call option provides the Company with the right to prepay the outstanding note at any time, provided that the Company provides three days advance written notice. An event of default includes the failure by the Company to become listed on a stock exchange such as the OTC:BB by July 1, 2008. As a result of default, the Lenders may accelerate the obligation of the Company to pay the principal or interest on the notes when due. As of July 1, 2008, the Company is in default on this Note. Additionally, as of June 30, 2009, the Company has not yet paid back the principal nor interest on this Note, putting it into further default. The Company is currently in negotiations with the lenders to settle this Note and anticipates settling sometime prior to September 30, 2009.

In February, 2009, to settle outstanding amount owed to one of the lenders, the Company issued 55,555,000 shares of common stock to settle \$33,333 worth of outstanding principal and 17,060,333 to settle \$10,236 worth of interest accumulated.

**Senior Convertible Note B** – To obtain bridge funding for reverse merger transactions which Redwood Capital has currently in-progress, the Company entered into a note payable with four accredited investors in February, 2008 for up to \$800,000. The terms of the note are such that the Company could borrow an initial \$115,000 and have the ability to draw down amounts ranging from \$100,000 to \$150,000 based upon certain milestones, most notably subsequent stages of such reverse merger transactions.

At June 30, 2009 and 2008 the Company had borrowed \$280,730 and \$190,105, respectively, from the Note, which bears interest at 10% per annum from the date of issuance. Interest on the note is convertible into common stock at the rate of 60% of the of the monthly closing bid price of the Common Stock on the last trading day of such month. The Company determined that this beneficial conversion feature represents a derivative liability which must be bifurcated from the Note and separately stated. As no interest had accrued at the date of issuance, the Company determined that no discount related to this beneficial conversion feature had occurred (see Note 10) at the date of issuance. The Company values this feature at each reporting date up to the Note's maturity and, to the extent that it exceeds or is less than the total accrued interest, records a value to derivative liability (see Note 10). As the Note matured on December 19, the beneficial conversion feature is now fully valued. At June 30, 2008, the Company had accrued \$5,367, in interest related to this Note.

The Note matures on December 19, 2008 and can be 'put', or sold back to the Company for a value of 300% of the face value of the note, which is payable as 100% of the face value in cash and 200% payable in marketable securities which Redwood Capital is anticipated to receive upon closing its reverse merger transactions which are currently in-progress. The Company has determined this put-feature to be derivative in nature, which requires bifurcation and separate statement. Due to the fixed nature of the put value, the Company has accreted a liability of \$842,190 and \$165,091 based upon the anticipated future value of the put option at maturity, which is recorded in the derivatives liability section of the consolidated balance sheets at June 30, 2009 and 2008, respectively (see Note 10).

As of the date of this report, the Company is in default on this Note and is in negotiations with the lenders to settle the outstanding amounts. The Company anticipates settlement to occur prior to September 30, 2009.

In February, 2009, to settle outstanding amount owed to one of the lenders, the Company issued 25,000,000 shares of common stock to settle \$15,000 worth of outstanding principal and 17,472,100 to settle \$10,483 worth of interest accumulated.

**Note C** – On October 14, 2008, the Company borrowed \$40,000 in bridge capital from certain accredited investors. The Note bears no monthly interest; however, it does contain a balloon payment of \$40,000 in addition to the principal, at its maturity, which will be at the closing of the Company’s next financial transaction closing. The balloon payment of \$40,000 is payable in shares of common stock anticipated to be received at the next financial transaction closing. The Company has accreted \$40,000 in additional interest expense during the year ended June 30, 2009 due to the short-term nature of this borrowing. At June 30, 2009, the Company had \$27,500 in principal remaining outstanding on this Note.

The following table describes the total net value of current notes payable held by the Company at June 30, 2009 (unaudited) and at June 30, 2008:

	June 30, 2009			
	Note A	Note B	Note C	Total Notes Payable
Principal Value	\$ 301,667	\$ 280,730	\$ 27,500	\$ 609,897
Discount	-	-	-	-
Net Value of Notes Payable	<u>\$ 301,667</u>	<u>\$ 280,730</u>	<u>\$ 27,500</u>	<u>\$ 609,897</u>

	June 30, 2008		
	Note A	Note B	Total Notes Payable
Principal Value	\$ 280,000	\$ 190,105	\$ 470,105
Discount	(93,701)	-	(93,701)
Net Value of Notes Payable	<u>\$ 186,299</u>	<u>\$ 190,105</u>	<u>\$ 376,404</u>

The Company has recorded \$93,701 and \$68,065 in interest expense related to the accretion of the discount on Note A in the consolidated statements of operation and comprehensive income

during the fiscal years ended June 30, 2009 and 2008, respectively. The Company has recorded \$163,167 and \$17,898 in interest expense related to the principal values of both notes for the fiscal years ending June 30, 2009 and 2008, respectively.

### **Note 10 – Derivative Liabilities**

Both Senior Note A and B include certain beneficial conversion features and put options. The features, described below, are as follows:

- The variable principal conversion feature, which allows the investor to convert Note A into common stock at the rate of 60% of the lowest daily closing bid price of the Company's common stock during the 5 trading days prior to the conversion date, but in no event less than \$0.0006 per share. The variable interest rate provision which allows the investor to convert the interest accrued on Note AA into common stock at the rate of 60% of the lowest daily closing bid price of the Company's common stock during the 5 trading days prior to the conversion date, but in no event less than \$0.0006 per share;
- The variable interest rate provision which allows the investor to convert the interest accrued on Note B into common stock at the rate of 60% of the of the monthly closing bid price of the Common Stock on the last trading day of such month
- The put features, which allows the investor to convert the face value of each Note into securities held, or to be earned, by Redwood Capital and/or cash at each Note's maturity.

The Company determined that the above features represented derivative liabilities which required bifurcation from the Notes. Due to the complexity of the beneficial variable principal and interest conversion features, the Company determined that the Black-Scholes model would be required to value the derivatives at the issuance date and subsequently at each reporting date. The following key assumptions were used to calculate the fair value of the beneficial principal and interest features:

#### ***Black Scholes Valuation Model Features***

***Stock Price:*** This is the stock price as of the respective valuation date.

***Exercise Price:*** The exercise price used in the valuation analysis was set according to the terms of the Notes. The exercise price is set at a rate of 60% of the lowest daily closing bid price of the Company's common stock during the 5 trading days prior to the conversion date, but in no event less than \$0.0006 per share for one Note, and 60% of the lowest daily closing bid price of the Company's common stock on the last trading day of the month for Note B

***Volatility:*** Volatility is a measure of the standard deviation of the stocks continuously compounded return over the life of the security. The ideal volatility for an accurate calculation of fair value is the future volatility of the security. This cannot be known with certainty, so an approximation is derived using historical return volatility for a period of time equal to the remaining life of the instrument as a proxy, and professional judgment. As part of our valuation, we performed an analysis of the historical volatility of

returns for the Company's stock. Based on our analysis, we chose standard deviations of 331% at June 30, 2008 as our best estimates of future volatility.

**Risk-Free Rate:** The appropriate risk free rate is the interest rate of a U.S. treasury note with a maturity equal to the maturity of the respective security. At June, 2008, the risk free interest rates were approximately 2.135%, respectively.

**Time to Maturity:** The time to maturity is measured based on the remaining term of the security as of the valuation date.

At the issuance date, the variable principle conversion feature was valued at \$161,766. As the Note matured prior to June 30, 2009, this beneficial conversion feature has been fully valued. At June 30, 2008, the fair value of the variable principle conversion feature was \$612,330. Accordingly, the Company recognized a gain from the derivative charge for the fiscal year ended June 30, 2009 of \$612,330 and additional expenses related to this derivative charge of \$450,564 for the year ended June 30, 2008.

As no interest had accrued at the issuance of Note A and B, the Company did not value the variable interest conversion feature at the issuance date. At June 30, 2009, the fair value of the variable interest conversion feature was equaled the accrued interest as the Note had matured. At June 30, 2008, the fair value of the variable interest conversion features exceeded the current accrued interest by \$6,791. Accordingly, the Company recognized a gain from this derivative activity of \$6,792 for the fiscal year ended June 30, 2009 and additional interest expense related to this derivative charge of \$6,791 for the year ended June 30, 2008.

Due to the fixed-value nature, the put feature for each Note was accreted based upon the known future value of each put. The put feature for Note A provides that a total value equal to 200% of the face value of the Note may be put at the Note's maturity. Accordingly, the Company has accreted \$301,667 and \$117,814 as additional interest expense in the derivatives liability section of the consolidated balance sheets at June 30, 2009 and June 30, 2008, respectively. The put feature for Note B provides that a total value equal to 300% of the face value of the Note may be put at the Note's maturity. Accordingly, the Company has accreted \$561,460 and \$165,091 as additional interest expense in the derivatives liability section of the consolidated balance sheets at June 30, 2009 and June 30, 2008, respectively. The put feature for Note C provides that a total value equal to 100% of the face value of the Note will be payable at the Note's maturity.

The following table summarizes the derivative liabilities held by the Company at June 30, 2009 and 2008:

June 30,  
2009 (unaudited)

	<u>Note A</u>	<u>Note B</u>	<u>Note C</u>	<u>Total Derivatives Liability</u>
Derivative Liability, Principal conversion feature \$	-	\$ -	\$ -	\$ -
Derivative Liability, Interest conversion feature	-	-	-	-
Derivative Liability, Put Option	<u>301,667</u>	<u>561,460</u>	<u>40,000</u>	<u>954,229</u>
Net Value Derivative Liabilities	\$ <u>301,667</u>	\$ <u>561,460</u>	\$ <u>40,000</u>	\$ <u>954,229</u>

June 30,  
2008

	<u>Note A</u>	<u>Note B</u>	<u>Total Derivatives Liability</u>
Derivative Liability, Principal conversion feature \$	612,330	\$ -	\$ 612,330
Derivative Liability, Interest conversion feature	4,744	2,048	6,792
Derivative Liability, Put Option	<u>117,814</u>	<u>165,091</u>	<u>282,905</u>
Net Value Derivative Liabilities	\$ <u>734,888</u>	\$ <u>167,139</u>	\$ <u>902,027</u>

The Company has recorded a total of \$619,122 in derivative recovery and \$9,752 as a reduction of interest expense for the fiscal year ended June 30, 2009. The Company also recorded \$450,564 in derivative charges and \$289,696 as additional interest expense in the consolidated statements of operation and comprehensive income related to the valuation of the above derivative liabilities during the fiscal year ended June 30, 2008.

During the fiscal year ended June 30, 2009, the Company issued 55,555,000 shares of common stock to satisfy \$33,333 derived from the Put Value of Note A, and 50,000,000 shares of common stock to satisfy \$30,000 derived from the Put Value of Note B.

### **Note 11 – Supplemental Disclosure of Cash Flows**

The Company prepares its statements of cash flows using the indirect method as defined under the Financial Accounting Standard No. 95.

The Company paid \$0 for income taxes during the fiscal years ended June 30, 2009 and 2008 and \$0 and \$246,945 in interest during the fiscal years ended June 30, 2009 and 2008, respectively.

### **Note 12 – Commitments & Contingencies**

#### **Operating Leases**

The Company leases its U.S. office facilities under a lease expiring September 30, 2009 and requiring monthly payments of \$1,250 plus common area costs. The Company abandoned a lease of an apartment in Beijing, China during the fiscal year ended June 30, 2009, which resulted in additional rent expense of \$6,433. The Company entered into a new lease for an apartment in Beijing, China, expiring on September 30, 2009, for purposes of housing customers, guests and consultants, requiring monthly payments of 9,500 Chinese Renmibi (CNY) during the fiscal year ended June 30, 2009. The Company also leases an office in Beijing under a lease expiring March 9, 2010, requiring monthly payments of 9,000 CNY. Rent expense for the Chinese facilities is translated into U.S dollars at the current foreign exchange rate on the date due, in accordance with SFAS No. 52, “Foreign Currency Translation”. Future minimum rental payments under the noncancellable operating leases as of June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
<u>2009</u>	<u>\$ 7,990</u>
2010	20,550
Total future minimum payments	\$ 28,540

Rent expense was \$53,236 and \$41,786 for the fiscal years ended June 30, 2009 and 2008, respectively. Future annual minimum lease payments total \$29,550 (translated using the spot rate at June 30, 2009) through the year ending June 30, 2010.

#### **Legal Proceedings**

S3I Holdings, Inc. and Securesoft were named defendants in a case entitled Radford v. Yamamoto, Berlandier, S3I, Securesoft and Grant. Radford filed complaint on February 10, 2004 alleging nonpayment of back wages. Defendants answered the complaint on July 9, 2004. Stipulated mediation before an arbitrator was to have been completed on November 17, 2004. However, Radford filed a motion to have the case moved to state court for adjudication. On June 7, 2005 the Company filed a motion with the Court of Appeal of the State of California Fourth Appellate District, Division One, to compel mediation before an arbitrator. On June 15, 2006,

the Company agreed to settle the suit for \$42,000, which was completely paid by the Company prior to June 30, 2008.

S3 Investment Company, Inc., S3I Holdings, Inc. and Securesoft were named defendants in a case entitled *Villella V. Yamamoto, Berlainder, et al.* Villella filed the complaint on April 13, 2005. Notice of service was not properly given to the Company until August of 2005. The Company filed a cross-complaint for damages against Villella on September 20, 2005. The Company agreed to a settlement in the amount of \$183,000, of which \$120,000 remains at June 30, 2009. The Company paid \$30,000 towards this debt subsequent to June 30, 2009.

On October 1, 2006, the Company entered into a Consulting Agreement with Merriman Curhan Ford & Co (“Merriman”). The Consulting Agreement set forth, among other things, the circumstances under which the Company would make certain scheduled payments to Merriman and described certain other financial obligations of the Company in consideration for Merriman’s financial advisory services. On September 7, 2007, the Company filed an action against Merriman in the Superior Court of the State of California, for the City and County of San Francisco, titled *S3 Investment Company, Inc., a California corporation v. Merriman Curhan Ford & Co., et al.*, Case No. CGC-07-466952 (“Complaint”). The Complaint alleged causes of action against Merriman for breach of contract, fraud, negligent misrepresentation, intentional and negligent interference with prospective economic relations. This case was settled in July 2008. Terms of the settlement agreement are confidential, but the Company does not believe the settlement had a material effect on our financial position, financial results or cash flows.

Effective March 1, 2008, the Company entered into a Settlement Agreement with Luce, Forward, Hamilton & Scripps, LLP, whom had previously provided legal services to the Company on a number of different matters, in the amount of \$38,607. The Company agreed to pay this amount in monthly installments of \$2,000. The Company has paid \$18,000 and \$6,000 towards the total amount outstanding as of June 30, 2009 and 2008, respectively.

### **Employment agreement**

On January 26, 2007, the Company entered into an Employment Agreement with James Bickel, President. Pursuant to the Employment Agreement, Mr. Bickel will serve as President for an employment term through January 26, 2009. Mr. Bickel is entitled to an annual base salary of \$96,000. Mr. Bickel is also Chairman of the Board of Directors of the Company. Mr. Bickel is responsible for the remittance of any appropriate withholding taxes as a result of this Employment Agreement.

The Company is currently in negotiations with Mr. Bickel to renew his contract and expects no material changes from the above.

### **Note 13 – Discontinued Operations**

Since December 31, 2006, The Company has not received any financial statements from the Hong Kong management of Sino UJE, Ltd. (the “Subsidiary”). Representatives from the Company have visited the Subsidiary’s offices in Hong Kong four (4) times throughout 2007 in an attempt to maintain control of this Subsidiary and its operations. During the visits, Company representatives requested all financial statements, cash reports, and bank statements. Throughout

2007, the Company was promised that it would receive the above requested documents by November 11, 2007. No documents were received.

After not receiving documents on November 11, 2007, the Company, with permission of the Board, attempted to remove the then manager. The Company then requested the financial statements to be delivered to our US office no later than December 31, 2007.

The Company then visited the Subsidiary's offices in Hong Kong three (3) times throughout 2008. On every visit, the Company requested all financial statements, cash reports, and bank statements.

By April 2, 2008, the Company had still not received any financial statements or any other reports necessary for successful or proper management of the Subsidiary as a part of its holdings. During the second quarter of 2008, the Company discovered that the current management of the Subsidiary had relocated the Subsidiary's offices and did not inform the Company where the new offices were. Upon discovering that the Subsidiary's offices had been moved to a new, unknown location, the Company immediately attempted to contact Li Jun and Wellman Liu, two managers of the Subsidiary. After attempting to contact Li Jun and Wellman Liu, the Company discovered that the principals had been providing false contact information and other vital information during the fiscal year ended June 30, 2007.

By mid 2008, it was discovered that Li Jun and Wellman Liu had been moving the assets of the Subsidiary to a new entity owned by Li Jun and Wellman Liu. Unsure of the status of the Subsidiary and its financial condition, the Company refused to sign any agreements or leases as owner or on behalf of the Subsidiary.

As of August 31, 2008, all of the Subsidiary bank accounts have been closed. Further, all officers and directors have been removed to the extent the Company has been able to remove them. The Hong Kong Corporation that held the Subsidiary is in a non-active state and the business operations are no longer in existence.

Because of the above events, the Company is no longer in control of any of the assets of the Subsidiary. The Company was able to sell a small part of the Subsidiary in which it had retained ownership which resulted in a recovery from discontinued operations of \$190,304 for the year ended June 30, 2008. During the nine months ended March 31, 2009, the Company was able to garnish the remaining cash held in the US from the entity, which resulted in a recovery from discontinued operations of \$29,602.

#### **Note 14 – Subsequent Events**

The Company paid \$30,000 towards the settlement of Mr. Fred Vilella during July 2009, bringing the remaining settlement to approximately \$90,000.

On August 10, 2009, the Company entered into a debt settlement agreement with the remaining Note Holders of both the Company's Senior A and B Promissory Notes. The terms of the settlement were such that the Note Holders agreed to receive an aggregate amount of \$582,397 in cash; 247,500,000 shares of the Company's common stock; 46,272 shares of Energroup

Holdings Corp. from Redwood Capital's portfolio of available-for-sale-securities; and 99,000 shares of Boyuan Construction Group from Redwood Capital's portfolio of available-for-sale securities. For the above consideration, the remaining Note Holders forgive any and all outstanding debt (not withstanding the put options listed below).

On August 10, 2009, the Company entered into a put option with one Note Holder whereby if the Note Holder is unable to liquidate their respective share of Energroup Holding securities at a price of \$3.50 per share or higher, the Note Holder may put these shares back to the Company in exchange for an equal value of securities which Redwood anticipates receiving in future transactions. The value of this put option is \$35,996 and will remain valued in the current liabilities section as 'Put Option Value' on the Company's balance sheet at September 30, 2009. As the option price remains fixed, no additional valuation of the option is required.

On August 10, 2009, the Company entered into 3 additional 90d-day option agreements with the remaining Note Holders whereby each Note Holder may put an aggregate \$148,500 back to the Company to receive an equal value of the Company's common shares, common shares in Energroup Holding, or cash. The value of this 90-day put option will remain valued in the current liabilities section as 'Put Option Value' on the Company's balance sheet at September 30, 2009. As the option price remains fixed, no additional valuation of the option is required.

On September 11, 2009, the Company's subsidiary, Redwood Capital, entered into a financing arrangement with Trillion Growth China LP ("Trillion") whereby it borrowed \$582,397. The Company intends to use the funds to pay off its existing A and B Notes Payable, as listed above. While the financing arrangement carries no stated interest rate, prior to September 11, 2010 (the expiration date of the financing arrangement), Redwood has agreed to provide Trillion 282,397 shares of Boyuan General Construction group (currently owned by Redwood capital). In addition to the Boyuan General Construction Group shares, Redwood agrees to provide \$300,000 worth of securities to Trillion from the next financing transaction closed by Redwood. Should the shares earned by Redwood be received without the same conditions and with the same protective covenants as any other investor, Trillion will receive \$300,000 worth of securities at a discount of 60% of the price received by Redwood. The Company will value this option at its full, fixed price of \$300,000 in the current liabilities section as 'Put Option Value' on the Company's balance sheet at September 30, 2009.