



S3 INVESTMENT COMPANY

Company Information & Disclosure Statement For the fiscal year ending June 30, 2010

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
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, 2010:

Common stock – 4,900,000,000 shares authorized and 3,348,312,815 shares issued and outstanding

Series B 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.

Series D Preferred Stock - The Company has 100,000,000 shares of preferred stock authorized, of which 25,000,000 shares are designated as Series D Preferred Stock, of which 25,000,000 shares are issued and outstanding as of June 30, 2010. The Series D Preferred Stock has voting rights with each share being entitled to the voting equivalent of 200 shares of common stock.

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, 2010
- (ii) 4,900,000,000 shares of common stock authorized
- (iii) 3,348,312,815 shares of common stock issued and outstanding
- (iv) 2,079,308,052 shares of common stock in the public float
- (v) There are 3,432 beneficial shareholder of common stock
- (vi) There are 199 shareholders of record of common stock

Preferred stock

- (i) Period ending June 30, 2010
- (ii) 15,000,000 shares of Series B Preferred Stock authorized and 25,000,000 shares of Series D Preferred Stock authorized

- (iii) 12,000,000 shares of Series B Preferred Stock issued and outstanding and 25,000,000 shares of Series D Preferred Stock issued and outstanding
- (iv) No shares of Series B and Series D Preferred Stock in the public float
- (v) There are 10 beneficial shareholders of Series B Preferred Stock and 3 beneficial shareholders of Series D Preferred Stock
- (vi) There are 10 shareholders of record of Series B Preferred Stock and 3 shareholders of Series D Preferred Stock

Part C Business Information

Item VII The name and address of the transfer agent.

Transfer Online
512 SE Salmon Street
Portland, OR 97214
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.

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. To further expand on addressing the needs of its clients, Redwood Capital, Inc., launched The Redwood Asia Fund LP, a private equity fund created by Richard Chiang and Redwood Capital, Inc. The fund, which carries a two percent management fee and twenty percent carry, is designed to seek portfolio investments of small-medium-enterprises (“SMEs”) or formerly state-owned enterprises (“SOEs”) from Redwood Capital, Inc. and through established sources within China. The fund will provide viable exit strategies for its portfolio companies through Redwood Capital, Inc.’s, network of partnerships such as investment banks, through either an APO (Alternative Public Offering), or an IPO (Initial Public Offering).

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 public market listing (NASDAQ, AMEX, NYSE, ASX - Australian Securities Exchange, CSE - Cyprus Stock Exchange, HKEx - Hong Kong Stock Exchange, SZSE – Shenzhen Stock Exchange and TSX - Toronto Stock Exchange) and multiple Registered Follow-On Offerings for additional growth capital.

Redwood Capital has offices in Beijing, China, Hong Kong, Ulaanbaatar – Mongolia and in California, USA. It has partnered with numerous institutional investors and regulated investment banks within North America and Asia to develop a systematic process for qualifying and effectively preparing target Asian companies to gain access to the public 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, NYSE, ASX - Australian Securities Exchange, CSE - Cyprus Stock Exchange, HKEx - Hong Kong Stock Exchange, SZSE – Shenzhen Stock Exchange and TSX - Toronto Stock Exchange).

Redwood has put forth an internal marketing strategy involving its staff and numerous networks throughout Asia 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 a “go to” company in Asia 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, 2010, 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.

Additionally, Redwood Capital, Inc. launched The Redwood Asia Fund LP, a private equity fund created by Richard Chiang and Redwood Capital, Inc. The Redwood Asia Fund, L.P., is a private equity fund with offices in Beijing, Hong Kong, Ulan Bataar, and San Francisco with a focus in seeking portfolio investments in the greater China and Mongolia regions.

As China’s economy experiences sustained macroeconomic growth through a rapidly growing private sector and continuing privatization of the state-owned sector, Chinese companies have an increasing desire to privatize and to go global. An initial public offering (“IPO”) and/or mergers and acquisition (“M&A”) transactions with other Chinese companies backed by private equity or venture capital are active and viable exit options.

The Fund focuses on investment opportunities with low risk/return and favorable economics by having exit strategies in place upon initial investment. Our investment strategy centers around four themes:

- Transforming Economies: We seek to invest in industry sectors that are domestically-driven and correlate with the economic transformation of the applicable country.
- Growing Middle Class: We seek to opportunities in companies and industries the growth of which is fueled by the increasing purchasing power of the middle class.
- Deepening Comparative Advantages: We seek to tap the potential of competitively-positioned companies.
- Emerging Champions: We seek to identify companies proving to be best-in-their class, whether that is regionally or globally.
- The Fund intends to focus primarily on achieving long-term capital gains primarily through direct or indirect investments in equity, equity-related and similar securities (including debt or other securities with equity-like returns or an equity component) of growth, small to medium-sized enterprises that have their principal places of business in China or Mongolia, and a planned timetable for an IPO or APO within 12 to 24 months.

Our target portfolio companies will principally have the following characteristics:

- Minimum of \$25.0 million of revenues in the prior fiscal year.
- Minimum of \$5.0 million in after-tax profits in the prior fiscal year.
- Sustainability of cash flow structure, and a 30% Compound Annual Growth Rate (CAGR) over the next 2 years.
- Discount to fair value, using both relative and absolute valuation measures.
- Quasi-monopolistic powers, such as through entry barrier pricing or special governmental licenses.
- Proprietary technological know-how relating to its core business.
- Internal rate of return (IRR) of new projects exceeds cost of capital.
- Sustainability of business model, and dedicated management.
- Rapid growth within the company's overall market space

The Fund intends to make portfolio investments in the following sectors and subsectors:

- Infrastructure Companies: Building/construction materials, steel, banking, hospital/medical, education, shipping/transportation. Technology & Internet: Payment technologies, software, social media, internet gaming, communications.
- Food & Beverage.
- Traditional Chinese Medicines (TCM).
- Travel & Leisure.
- Conventional Energy: mining/minerals.
- Alternative Green Energy: water/electrical/recycling.
- Special Situations: retailing, gaming, etc.

Redwood Medical is working in China on two related projects.

1. Redwood Capital has a contract with Abaxis to market their Piccolo Xpress Clinical Blood Chemistry Analyzer. You may learn more of Abaxis at their website at www.abaxis.com.

This is an excellent product which allows a quick blood chemistry analysis of 23 different blood components. It requires only a few drops of blood taken from the finger, the ear, or in for infants, the heel. It is highly accurate, and returns results in just 12 minutes. It is small, with a foot print of about one square foot.

We have been successful in having the analyzer approved by the SFDA (China's version of the FDA) for sale in China. However we are still working on getting the reagents which the instrument uses, registered in China. We are several months away from completion. We are initially registering just 4 sets of the 13 reagent sets that Abaxis markets.

2. We are also in the process of obtaining a license in China to market and distribute the Abaxis Piccolo Xpress and the reagents which it uses. This license will also allow us to directly register the remaining 9 reagents sets without using a consulting service. This will save the enterprise several tens of thousands of dollars and considerable time.

Obtaining such a license is not easy to do in China, requiring Redwood Medical to demonstrate its competence, office facilities, a substantial bank account, and so forth. It typically takes three months to obtain this license, if all goes well.

Item X The nature and extent of the issuer's facilities

We lease our U.S. office facilities under a lease expiring September 30, 2011 and requiring monthly payments of \$1,250 plus common area costs. We entered into a new lease for an apartment in Beijing, China, expiring on September 30, 2010, 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, 2011, 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".

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: 304,514,410 shares of common stock or (9.09%) and 6,655,000 shares of Series B Preferred Stock or (55.46%)

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, Bicor 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: 77,000,000 shares of common stock or (2.30%)

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: 147,285,714 shares of common stock or (4.40%)

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, 2010 and 2009 is attached as Exhibit A.

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, 2010 and 2009 is attached as Exhibit A.

Item XIV Beneficial Owners.

The following table sets forth, as of June 30, 2010, 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 ⁽¹⁾	Number of Shares Beneficially Owned	Class	Percentage of Class ⁽²⁾
James Bickel	304,514,410	Common	9.09%
CEO, President and	6,655,000	Series B Preferred ⁽³⁾	55.46%
Chairman	8,333,333	Series D Preferred ⁽⁴⁾	33.33%
Gary Nerison	77,000,000	Common	2.30%
Secretary, Treasurer and	-0-	Series B Preferred	*
Director	-0-	Series D Preferred	*
Mannie Liu	147,285,714	Common	4.40%
Director	-0-	Series B Preferred	*
	-0-	Series D Preferred	*
All directors and executive officers(3 persons)	528,800,124	Common	15.79%
	6,655,000	Series B Preferred ⁽³⁾	55.46%
Chris Bickel	2,000,000	Series B Preferred ⁽³⁾	16.67%
Christopher Berlandier	1,000,000	Series B Preferred ⁽³⁾	8.33%
Chris Wang	1,000,000	Series B Preferred ⁽³⁾	8.33%
Matthew Totty	300,000,000	Common	8.96%
	8,333,333	Series D Preferred ⁽⁴⁾	33.33%
Wu Xiaoxin	300,000,000	Common	8.96%
	8,333,333	Series D Preferred ⁽⁴⁾	33.33%

*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 3,348,312,815 shares of common stock, 12,000,000 shares of Series B Preferred Stock and 25,000,000 shares of Series D Preferred Stock outstanding as of June 30, 2010.
- 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.

- 4) We have twenty five million (25,000,000) shares of Series D Preferred Stock designated. The Series D Preferred Stock has voting rights with each share being entitled to the voting equivalent of 200 shares of common stock.

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

Parsons, Burnett, Bjordahl, LLP
1850 Skyline Tower
10900 NE 4th St
Bellevue, Washington 98004
Phone: 425-451-8036

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)

None.

6. Investor Relations Consultant

None.

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 \$34,024 and \$69,525 as of June 30, 2010 and 2009, 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, 2010, one single customer, China Infrastructure Construction, represented more than 10% of total net sales for the period then ended. During the year ended June 30, 2009 one single customer, Boyuon General Construction 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, 2010 and 2009, 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.

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, 2010 or at June 30, 2009.

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, 2010, as a result of net operating losses incurred during the periods. As of June 30, 2010, we have 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.

Research and development costs

We did not use funds on research and development activities for the period from July 1, 2009 through June 30, 2010.

RESULTS OF OPERATIONS

We have accumulated deficit of \$(11,237,552) as of June 30, 2010 and \$(10,525,683) as of June 30, 2009. 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, 2009 to 2010 our net revenues decreased from \$1,617,059 to \$778,808, representing a decrease of \$838,251. The decrease in revenues was attributed to the ceasing of the capital markets. Redwood Capital, based upon its pipeline at June 30, 2009, had anticipated closing three separate transactions during the fiscal year ending June 30, 2010. Redwood considers the year ending June 30, 2010 to be successful as it was able to close financing for China Infrastructure Construction, 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.

GROSS PROFIT

From June 30, 2009 to 2010 our gross profit decreased from \$1,333,700 to \$722,505, representing a decrease of \$611,195. These costs consist of professional fees associated with the closing process of the China Infrastructure Construction 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.

ADMINISTRATIVE EXPENSES

From June 30, 2009 to 2010, Administrative Expenses decreased from \$95,107 to \$26,080, representing a decrease of \$69,027.

CONSULTING EXPENSES

From June 30, 2009 to 2010, Consulting Expenses increased from \$553,740 to \$1,554,594, representing an increase of \$1,000,854. Due to the invaluable services performed by key management, we awarded stock bonuses during the year ended June 30, 2010, without whose help the company's expansion of services would not have been possible.

INTEREST EXPENSE

From June 30, 2009 to 2010, Interest Expense decreased from \$1,013,906 to \$100,325, resulting in a decrease of \$913,581. The decrease in interest expense is related to the settlement of notes payable in year ending 2010.

PROFESSIONAL FEES

From June 30, 2009 to 2010, Professional fees decreases from \$72,250 to \$71,000, resulting in a decrease of \$1,250.

GENERAL AND ADMINISTRATIVE EXPENSES

From June 30, 2009 to 2010, General and Administrative Expenses increased from \$194,544 to \$214,564, representing an increase of \$20,020. General and administrative expenses consist primarily of administrative personnel costs, local taxes as well as facilities expenses, travel and entertainment expenses, and supplies expense.

DERIVATIVE CHARGES

Derivative recovery/(charges) of \$34,118 and \$619,122 were recognized for the years ended June 30, 2010 and 2009, 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, 2010 and 2009. 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, 2010 we had net working capital of \$770,749 and cash of \$53,676 compared to net working capital of \$183,203 and cash of \$169,583 at June 30, 2009. We have been able to settle notes and other liabilities to increase our net working capital. We were able to fund approximately 70% of our operations during the fiscal year ended June 30, 2010 due to the closing of a key transaction in Redwood Capital. We anticipate that our pipeline of business will enable us to settle our Note which is in default, with no material impact on our working capital or cash.

OPERATING ACTIVITIES

Net cash used in operating activities was \$837,829 for the year ended June 30, 2010, compared to \$388,276 for the year ended June 30, 2009. The primary reason for the increase 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, 2011, as well as to settle our Notes which are in default at June 30, 2010.

INVESTING ACTIVITIES

Net cash provided by investing activities was \$569,454 for the year ended June 30, 2010 compared to \$7,408 for the year ended June 30, 2009. The primary reason for the increase in cash provided is that the cash proceeds from sales of marketable securities increased in the year ended June 30, 2010. Of the securities held, one type is 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, 2011.

FINANCING ACTIVITIES

Cash provided by financing activities was at (\$933,377) for the year ending June 30, 2010 compared to \$438,125 for the year ended June 30, 2009.

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, 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.

During the fiscal year ended June 30, 2010, we had the following common stock transactions:

- 50,333,333 shares were issued to settle liabilities totaling \$18,500. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.
- 44,285,714 shares were issued to settle \$31,000 outstanding accounts payable. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.
- 719,000,000 shares were issued to compensate key employees/consultants for services performed. The shares were issued based upon the exemption from registration found in Section 4(2) of the Securities Act.

Part F Exhibits

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

Item XVIII Material Contracts.

Exhibit	Exhibit Description	Incorporated by reference		
		Securities Exchange	Exhibit	Filing date
10.1	Employment Agreement with James Bickel dated 01/26/07	Commission Form 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.

Incorporated by reference				
Exhibit	Exhibit Description	Securities		
		Exchange	Exhibit	Filing date
		Commission Form		
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



S3 INVESTMENT COMPANY
S3 INVESTMENT COMPANY

Consolidated Financial Statements
June 30, 2010
(unaudited)

S3 Investment Company, Inc.
Consolidated Balance Sheets
(unaudited)

ASSETS

	June 30 2010 (unaudited)	June 30, 2009 (unaudited)
Current Assets		
Cash	\$ 53,676	\$ 169,583
Accounts Receivable	71,589	45,439
Notes Receivable	26,084	-
Prepaid expense	1,146	6,161
Marketable Equity Securities - available for sale	2,374,429	2,240,312
Deferred Transaction Costs	34,024	69,525
Total Current Assets	<u>2,560,947</u>	<u>2,531,020</u>
Property - office equipment net of depreciation	<u>1,600</u>	<u>1,787</u>
Other Assets		
Goodwill	45,000	45,000
Total Other Assets	<u>45,000</u>	<u>45,000</u>
Total Assets	<u>\$ 2,607,547</u>	<u>\$ 2,577,807</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable	\$ 218,280	\$ 86,991
Accrued interest	68,505	201,271
Accrued Expenses	883,177	331,012
Notes Payable	-	29,700
Judgements Payable	37,840	134,717
Convertible Notes Payable, net of unamortized discount	582,397	609,897
Derivative Liability	-	954,229
Total Current Liabilities	<u>1,790,198</u>	<u>2,347,817</u>
Total Liabilities	<u>1,790,198</u>	<u>2,347,817</u>

Stockholders' Equity

Series B Preferred Stock, Authorized 15,000,000 Shares, \$0.001 Par Value, 12,000,000 shares issued and outstanding	12,000	12,000
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Series D Preferred Stock, Authorized 25,000,000 Shares, \$0.001 Par Value, 25,000,000 and 0 shares issued and outstanding, respectively	25,000	-
Common Stock, Authorized 4,900,000,000 Shares, \$0.001 Par Value, 3,348,312,815 Shares Issued and Outstanding	3,348,313	1,762,178
Additional Paid in Capital	8,840,322	9,511,505
Accumulated Comprehensive Income	(170,734)	(530,010)
Retained deficit	(11,237,552)	(10,525,683)
Total Stockholders' Equity	<u>817,348</u>	<u>229,990</u>
Total Liabilities and Stockholders' Equity	\$ <u><u>2,607,546</u></u>	\$ <u><u>2,577,807</u></u>

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

S3 Investment Company, Inc.
Consolidated Statements of Operations

	For the Twelve Months Ended June 30,	
	2010 (unaudited)	2009 (unaudited)
Revenues	\$ 778,808	\$ 1,617,059
Total Revenues	<u>778,808</u>	<u>1,617,059</u>
Project-Related Costs	<u>56,303</u>	<u>283,359</u>
Gross Profit	<u>722,505</u>	<u>1,333,700</u>
Operating Expenses		
Administrative fees	26,080	95,107
Consulting	1,554,594	553,740
Depreciation expense	1,246	1,698
Interest expense	100,325	1,013,906
Investor relations	32,355	35,179
Professional fees	71,000	72,250
General & Administrative expense	<u>214,564</u>	<u>194,544</u>
Total Operating Expenses	<u>2,000,165</u>	<u>1,966,424</u>
Net Gain (Loss) from continuing operations	<u>(1,277,659)</u>	<u>(632,724)</u>
Loss on abandonment of entity		
Recovery/(Loss) from discontinued operations	<u>-</u>	<u>29,602</u>
Total Loss from disposal activities	<u>-</u>	<u>29,602</u>
Other Income (Expense)		
Derivative		
Charges	34,118	619,122
Gain from forgiveness of debt	489,511	12,752
gain from legal settlement	-	90,000
Realized gain on sale of stock	<u>42,161</u>	<u>(3,750)</u>
Total Other Expense	<u>565,790</u>	<u>718,124</u>
Income (Loss) Before Income Taxes	(711,869)	115,002
Income Tax Expense	<u>-</u>	<u>-</u>
Net Gain (Loss)	<u>\$ (711,869)</u>	<u>\$ 115,002</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	Subscription	Accumulated Other Comprehensive	Minority	Retained Earnings
	Shares	Amount	Shares	Amount	Capital	Receivable	Income (Loss)	Interest	(Deficit)
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)		
Series C Preferred cancelled (not required for loan)	(1,000,000)	\$ (1,000)							\$ 1,000
Net Income for the period ended June 30, 2009									115,002
Balance June 30, 2009	12,000,000	\$ 12,000	1,762,177,742	\$ 1,762,178	\$ 9,511,505	\$ -	\$ (530,010)	\$ -	\$ (10,525,683)
Common stock issued in settlement of convertible notes payable			247,500,000	247,500	(123,750)				
Net unrealized loss from investments held for sale for the period ended Sep 30, 2009							\$ 409,771		
Net Income for the period ended Sep 30, 2009									160,393
Balance Sep 30, 2009	12,000,000	\$ 12,000	2,009,677,742	\$ 2,009,678	\$ 9,387,755	\$ -	\$ (120,239)	\$ -	\$ (10,365,290)
Common stock issued in settlement of liability			65,641,026	65,641	(45,641)				
Net unrealized loss from investments held for sale for the period ended Dec 31, 2009							\$ 613,891		
Net Income for the period ended Dec 31, 2009									323,606
Balance Dec 31, 2009	12,000,000	\$ 12,000	2,075,318,768	\$ 2,075,319	\$ 9,342,114	\$ -	\$ 493,652		\$ (10,041,684)
Common stock issued in settlement of liability			459,375,000	459,375	(240,969)				
Preferred Stock issued to key contractors (Jan 20, 2010)	25,000,000	\$ 25,000							
Net unrealized loss from investments held for sale for the period ended Mar 31, 2010							\$ 733,828		
Net Income for the period ended Mar 31, 2010									(155,151)
Balance Mar 31, 2010	37,000,000	\$ 37,000	2,534,693,768	\$ 2,534,694	\$ 9,101,144	\$ -	\$ 1,227,480	\$ -	\$ (10,196,835)
Common stock issued in settlement of liability			50,333,333	50,333	(31,833)				
Common stock issued in settlement of accrued compensation			44,285,714	44,286	(13,286)				
Common stock issued for Bonus to key individuals for valuable services			719,000,000	719,000	(215,700)				
Net unrealized loss from investments held for sale for the period ended Jun 30, 2010							\$ (1,398,214)		
Net Income for the period ended June 30, 2010									(1,040,717)
Balance Jun 30, 2010	37,000,000	\$ 37,000	3,348,312,815	\$ 3,348,313	\$ 8,840,325	\$ -	\$ (170,734)	\$ -	\$ (11,237,552)

S3 Investment Company, Inc.
Consolidated Statements of Cash Flows

	For the Twelve Months Ended June 30	
	2010 (unaudited)	2009 (unaudited)
Cash Flows from Operating Activities:		
Net Gain (Loss)	\$ (711,869)	\$ 115,002
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:		
Depreciation and amortization	1,246	1,699
Accretion of interest	132,766	1,013,906
Forgiveness of interest	(187,340)	
Change in market value	157,279	(619,122)
Expiration/forgiveness of put option	(401,600)	
Stock issued to settle notes payable	449,215	-
Stock issued for services		30,000
Realized gain on investments	(42,161)	3,750
Changes in Operating Assets and Liabilities:		
(Increase) decrease in accounts receivable	(26,150)	(45,439)
(Increase) decrease in prepaid expenses	5,015	(5,863)
Marketable securities received for services		(1,139,118)
Change in capitalized projects	35,501	50,173
Increase in accounts payable and accrued liabilities	954,940	206,736
Net Cash Provided (Used) by Operating Activities	366,842	(388,276)
Cash Flows from Investing Activities:		
Proceeds from sale of securities	570,513	8,667
Purchase of office equipment	(1,059)	(1,259)
Retirement of office equipment		
Net Cash Provided (Used) by Investing Activities	569,454	7,408
Cash Flows from Financing Activities:		
Issuance of promissory note	582,397	200,625
Bridge Loan	(25,000)	
Payment on notes/other payables	(933,377)	(12,500)
Issuance of stock for financing activities	(676,223)	
Proceeds from sale of stock for cash		250,000
Net Cash Provided (Used) by Financing Activities	(1,052,203)	438,125
Increase (decrease) in Cash	(115,907)	57,257
Cash and Cash Equivalents at Beginning of Period	169,583	112,326
Cash and Cash Equivalents at End of Period	\$ 53,676	\$ 169,583
Supplemental cash flow information:		

Non-Cash Investing and Financing Activities:

Stock issued for Services	\$	719,000	\$	30,000
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The accompanying notes are an integral part of these consolidated financial statements.

S3 INVESTMENT COMPANY, INC.
Notes to the Consolidated Financial Statements
June 30, 2010

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 abandoned the operations of Sino UJE, Ltd. The Company recorded a recovery of \$29,602 from the discontinued operations of Sino for the three months ended September 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 \$(11,237,552) as of June 30, 2010. 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., Redwood Capital, Inc., Redwood Group International Ltd., and Redwood Asia Fund, 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, Inc. 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 \$34,024 and \$69,525 as of June 30, 2010 and June 30, 2009, 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.

Marketable Securities

Pursuant to Statement of Financial Accounting Standard No. (“SFAS”) 115 “Accounting for Certain Investments in Debt and Equity Securities” 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, 2010 and June 30, 2009, all marketable securities were classified as available-for-sale-securities and appropriately stated at fair value based on quoted market prices and other observable market data, 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.

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, 2010 or at June 30, 2009.

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.

Research and development costs

The Company invested \$4,800 on research and development activities for Redwood Group International Ltd. for the twelve months ended June 30, 2010. The company did not spend any funds on the same in 2009.

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, which have been paid off at December 31, 2009. At June 30, 2008, these Notes contained interrelated embedded derivatives, which included 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 accreted the put feature incrementally over the life of the Note.

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 was required to record the derivatives at their fair values as of the inception date of the agreements and at a fair value at each subsequent balance sheet date. Any change in the fair value was recorded as non-operating, non-cash income or expense at each reporting date. When the fair value of the derivatives was lower at a subsequent balance sheet date, the Company recorded non-operating, non-cash income.

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 securities of \$(1,453,108), which can be seen in the unrealized loss section of the balance sheet at March 31, 2009.

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 has adopted SFAS No. 141(R) which did not have a material impact on the consolidated financial statements.

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 non-controlling 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 adopted SFAS No. 160 which did not have a material impact on the consolidated financial statements.

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	June 30, 2010	June 30, 2009
Fixed Assets:		
Equipment	\$ 7,503	\$ 6,444
Less Depreciation	(5,903)	(4,657)
Net Equipment	<u>\$ 1,600</u>	<u>\$ 1,787</u>

Depreciation was \$1,246 and \$1,698 for the twelve months ended June 30, 2010 and 2009, 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

Common Stock

During the three months ended June 30, 2010, the Company had the following common stock transactions:

- 50,333,333 shares were issued to settle liabilities totaling \$18,500.
- 44,285,714 shares were issued to settle \$31,000 outstanding accounts payable.
- 719,000,000 shares were issued to compensate key employees/consultants for services performed.

Preferred Stock

During the three months ended June 30, 2010, the Company had the following preferred stock transactions:

None

Warrants

During the twelve months ended June 30, 2010, Hunterwise Financial Group, LLC assigned four warrants to Redwood Capital, Inc.

1) Energroup Holdings Group	57,955 shares of common stock
2) Boyuan Construction Group	21,888 shares of common stock
3) Boyuan Construction Group	10.94 shares of common stock
4) China Infrastructure Construction	46,154 share of common stock

Note 6 – Marketable Securities

The Company's wholly-owned subsidiary, Redwood Capital, Inc., provides investment banking services to Chinese companies seeking access to U.S. and foreign capital. Redwood Capital, Inc. 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.

At June 30, 2010 and June 30, 2009, the Company owns 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, 2010 and June 30, 2009, 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.

At June 30, 2010, the Company held an investment in China Infrastructure Construction Corporation (OTC BB: CHNC), a Company through its subsidiaries in Hong Kong and the People's Republic of China ("PRC" or "China"), engages in production of ready-mixed concrete and other special high-performance concrete for developers and the construction industry in the PRC.

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, 2010	<u>\$ 2,544,164</u>	<u>\$ -</u>	<u>\$ (169,735)</u>	<u>\$ 2,374,429</u>
June 30, 2009	<u>\$ 2,770,322</u>	<u>\$ -</u>	<u>\$ (530,010)</u>	<u>\$ 2,240,312</u>

During the twelve months ended June 30, 2010, the Company realized \$42,161 in gains from the sales of its equity securities.

Of the total shares received, 29% remain restricted from sale due to certain lock-up rules. The Company received 10% of its total Boyuan shares upon the close of the transaction and an additional 15% on September 1, 2009. The Company will receive additional increments of 15% of the total in 6-month intervals beginning March 1, 2010.

During the twelve months ended June 30, 2010, the Company entered into a Note Payable whereby it utilized the securities owed as collateral to secure the funds.

Additionally, the Board of Directors approved a 30% 'securities bonus' from each transaction closed to be set-aside for key contractors as additional amounts payable. As of June 30, 2010, 17% of the bonus shares have been transferred to a key contractors.

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

	June 30, 2010	June 30, 2009
Marketable Securities		
Unrestricted	\$ 74,209	\$ 1,254,673
Restricted as collateral	\$1,439,169	373,119
Restricted as amounts payable	<u>\$861,050</u>	<u>612,520</u>
	<u>\$ 2,374,429</u>	<u>\$ 2,240,312</u>

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	<u>\$ 45,000</u>
Net assets acquired	45,000

Net liabilities assumed:

Common stock	<u>\$ 75,000</u>
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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 balance owed of \$29,700 was reflected as a prior liability, which is shown as a current liability. The Company is in default on this convertible debenture as it has not repaid the outstanding amount at December 31, 2009. The Company has accrued approximately \$21,394 and \$20,206 in interest on this note at December 31, 2009 and June 30, 2009, respectively. Correspondence to contact debt holder has been initiated since year 2008, with no response. This note and accrued interest have been recorded off the balance sheet as of March 31, 2010 as forgiven debt and the interest reversed.

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. At June 30, 2009, the Company had borrowed \$301,667 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 were 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 had to 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. 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, which matured in January 2009. Accordingly, the Company recognized \$40,663 during the three months ending September 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 had; 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 December 31, 2009 nor at June 30, 2009 as the conversion feature had expired in February, 2009.

The Note held a feature whereby the principal could 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. Accordingly, the Company had placed all of its holdings of marketable securities in ENHD into an escrow account as collateral. The Company 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 June 30, 2009, 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 (see Note 10).

The Company settled the debt in August, 2009 as follows:

Cash	\$301,667
Issuance of Common Shares	\$43,251
<u>Issuance of Equity Securities</u>	<u>\$116,032</u>
Total Value of Settlement	\$460,950

The Company issued a total of 86,625,000 shares of common stock for the value of \$43,251 represented above.

Prior to the settlement of the debt, the Company had accrued \$139,340 in interest and penalties related to the Note. The derivative put feature was valued at \$301,667 prior to the settlement of the debt. The total of the principal, interest, penalties and derivative features was \$742,674. As the total value was less than the settled value, the Company recognized \$281,724 in forgiveness of indebtedness which can be seen in the consolidated statement of operations.

Senior Convertible Note B – To obtain bridge funding for reverse merger transactions which Redwood Capital, Inc. has currently in-progress, the Company entered into a note payable with four accredited investors in February, 2008 for up to \$800,000. At June 30, 2009 the Company had borrowed \$280,730, 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 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. As the Note matured on December 19, the beneficial conversion feature is now fully valued.

The Note could be 'put', or sold back to the Company for a value of 300% of the face value of the note, which was payable as 100% of the face value in cash and 200% payable in marketable securities which Redwood Capital, Inc. 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 \$561,460 based upon the anticipated future value of the put option at maturity, which was recorded in the derivatives liability section of the consolidated balance sheets at June 30, 2009.

The Company settled the debt in August, 2009 as follows:

Cash	\$280,730
Issuance of Common Shares	\$80,499
<u>Issuance of Equity Securities</u>	<u>\$215,958</u>
Total Value of Settlement	\$577,187

The Company issued a total of 160,875,000 shares of common stock for the value of \$80,499 represented above.

Prior to the settlement of the debt, the Company had accrued \$41,725 in interest related to the Note. The derivative put feature was valued at \$433,179 prior to the settlement of the debt. The total of the principal, interest, penalties and derivative features was \$755,274. As the total value was less than the settled value, the Company recognized \$178,087 in forgiveness of indebtedness which can be seen in the consolidated statement of operations.

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. At September 30, 2009, the Company had \$27,500 in principal remaining outstanding on this Note. The cash portion of this note was paid in full December, 2009. The stock portion of the note was satisfied with 20,000 Boyuan shares in January, 2010.

Redwood Capital, Inc. Note Payable – On September 11, 2009, the Company's subsidiary, Redwood Capital, Inc., entered into a financing arrangement with Trillion Growth China LP ("Trillion") whereby it borrowed \$582,397. While the financing arrangement carries no stated interest rate, prior to September 11, 2010 (the expiration date of the financing arrangement), Redwood Capital, Inc. has agreed to provide Trillion 282,397 shares of Boyuan General Construction group (currently owned by Redwood Capital, Inc.). In addition to the Boyuan General Construction Group shares, Redwood Capital, Inc. agrees to provide \$300,000 worth of securities to Trillion from the next financing transaction closed by Redwood Capital, Inc. Should the shares earned by Redwood Capital, Inc. 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 Capital, Inc.

On December 11, 2009, S3 Investment Company paid \$27,500 to Desert Hawk Mining Inc. (previously named Lucky Joe Mining) as payoff of the cash portion of Note C.

The following table describes the total net value of current notes payable held by the Company at June 30, 2010 and June 30, 2009:

		June 30, 2010	
		S3I	Total
	Redwood Cap	Debenture	Notes Payable
Principal Value	\$ 582,397	\$ -	\$ 582,397
Discount	-	-	-
Net Value of Notes Payable	\$ 582,397	\$ -	\$ 582,397

June 30,
2010

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

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 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 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, Inc. 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, 2009, the risk free interest rates were approximately 2.135%.

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.

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 March 31, 2009, the fair value of the variable interest conversion feature was equaled the accrued interest as the Note had matured. At September 30, 2008, the fair value of the variable interest conversion features exceeded the current accrued interest by \$59,646. Accordingly, the Company recognized a gain from this derivative activity of \$59,646 for the three months ended September 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. The put feature was fully valued at June 30, 2009 at \$301,667. 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, put feature was fully valued at June 30, 2009 at \$561,460.

The settlement of the A & B Notes prior to September 30, 2009 included an option whereby one of the Note Holders were guaranteed that the shares in Boyuan Construction Group surrendered under the terms of the agreement would not fall below a share price of \$3.50 per share for 9 months. As the share price at the date of the settlement was below \$3.50, the difference was recorded as additional derivative liabilities at December 31, 2009.

The put feature for Note C provides that a total value equal to 100% of the face value of the Note (\$40,000) will be payable at the Note's maturity.

The Redwood Capital, Inc. Note Payable, while no interest is stated, includes a balloon payment whereby Redwood Capital, Inc. must deliver 282,397 shares of Boyuan Construction Group securities it currently holds as well as \$300,000 worth of securities it anticipates receiving from

future closings. The variable nature of the shares to be delivered requires bifurcation and separate valuation as a derivative on the balance sheet at December 31, 2009:

	<u>Note A&B</u>	<u>Redwood Note</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>10,026</u>	<u>148,500</u>	<u>40,000</u>	<u>198,526</u>
Net Value Derivative Liabilities	\$ <u>10,026</u>	\$ <u>148,500</u>	\$ <u>40,000</u>	\$ <u>198,526</u>

	<u>September 30, 2009</u>			
	<u>Note A&B</u>	<u>Redwood Note</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>31,243</u>	<u>148,500</u>	<u>40,000</u>	<u>219,743</u>
Net Value Derivative Liabilities	\$ <u>31,243</u>	\$ <u>148,500</u>	\$ <u>40,000</u>	\$ <u>219,743</u>

	June 30, 2009			
	Note A	Note B	Note C	Total Derivatives Liability
Derivative Liability, Principal conversion feature	\$ -	\$ -	\$ -	\$ -
Derivative Liability, Interest conversion feature	-	-	-	-
Derivative Liability, Put Option	301,667	561,460	40,000	954,229
Net Value Derivative Liabilities	\$ 301,667	\$ 561,460	\$ 40,000	\$ 954,229

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.

Note 12 – Commitments & Contingencies

Operating Leases

The Company leases its U.S. office facilities renewed their lease which expires on September 30, 2010. The Company entered into a lease for an apartment in Beijing, China, which expired on October 15, 2009 and was converted to a month to month lease for purposes of housing customers, guests and consultants, requiring monthly payments of 9,500 Chinese Renmibi (CNY). The Company also leases an office in Beijing under a lease expiring March 9, 2011, requiring monthly payments of 11,000 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 December 31, 2009 are as follows:

Year Ending June 30,	Amount
2010	\$ 13,382
Total future minimum payments	\$ 13,382

Rent expense was \$49,993 and \$53,236 for the twelve months ended June 30, 2010 and 2009, respectively.

Legal Proceedings

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 \$80,100 remains at September 30, 2009. In October, 2009 S3 Investment Company entered into an agreement with Villella and Black Mountain Equities, Inc., where Black Mountain would purchase portions of the debt on a monthly basis for SIVC discounted stock. All parties also agreed to a beginning debt balance on \$90,000 because of no or inconsistent payments prior to October, 2009. As of June 30, 2010, Black Mountain has purchased \$62,777 of debt from S3 Investments in exchange for 198,974,359 common shares of SIVC stock. At June 30, 2010, the balance of the debt to Villella is \$27,222.

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 of which \$10,617 remains at June 30, 2010.

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. During the three months ended September 30, 2008, 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

Subsequent to the fiscal year ended June 30, 2010, the Company issued 30,000,000 shares of common stock for a reduction of debt of \$2,500 and 25,000,000 shares of common stock were issued for consulting services to be rendered.

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: September 29, 2010



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: September 29, 2010

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

Gary Nerison
Chief Financial Officer