

# **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

## **SUGARMADE INC.**

20529 E. Walnut Drive N.  
Walnut, CA 91789

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888-982-1628  
www.sugarmade.com  
[SIC 5110]

## **Quarterly Report**

**For the period ended September 30, 2023 (the “Reporting Period”)**

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

13,192,334,158 as of September 30, 2023

13,192,334,158 as of June 30, 2023

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

### **Change in Control**

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes: ☐ No: ☒

### **1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Sugarmade Inc.

Formerly known as Diversified Opportunities, Inc. filing through July 19, 2011

Formerly known as Enlighten Software Solutions, Inc. filing through March 15, 2001

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<sup>1</sup> “Change in Control” shall mean any events resulting in:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Formerly known as Software Professional, Inc. filing through May 31, 1996

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Delaware

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address of the issuer's principal executive office:

20529 E. Walnut Drive N., Walnut, CA 91789

The address(es) of the issuer's principal place of business:

☒ Check if principal executive office and principal place of business are the same address:

\_\_\_\_\_

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

\_\_\_\_\_

## 2) Security Information

### Transfer Agent

Name: Nevada Agency and Transfer Company  
Phone: 775-322-0626  
Email: info@natco.com  
Address: 50 West Liberty Street, Suite 880, Reno, NV 89501

### Publicly Quoted or Traded Securities:

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol:	<u>SGMD</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>865040109</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>20,000,000,000</u>	as of date: <u>September 30, 2023</u>
Total shares outstanding:	<u>13,192,334,158</u>	as of date: <u>September 30, 2023</u>
Total number of shareholders of record:	<u>270</u>	as of date: <u>September 30, 2023</u>

*All additional class(es) of publicly quoted or traded securities (if any):*

Trading symbol:	<u>SGMD</u>	
Exact title and class of securities outstanding:	<u>Blank Check Preferred Stock</u>	
CUSIP:	<u>865040109</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>7,000,000</u>	as of date: <u>September 30, 2023</u>
Total shares outstanding:	<u>0</u>	as of date: <u>September 30, 2023</u>
Total number of shareholders of record:	<u>0</u>	as of date: <u>September 30, 2023</u>

Trading symbol:	SGMD	
Exact title and class of securities outstanding:	Series B Preferred Stock	
CUSIP:	865040109	
Par or stated value:	\$0.001	
Total shares authorized:	2,999,999	as of date: September 30, 2023
Total shares outstanding:	2,541,000	as of date: September 30, 2023
Total number of shareholders of record:	4	as of date: September 30, 2023

Trading symbol:	SGMD	
Exact title and class of securities outstanding:	Series C Preferred Stock	
CUSIP:	865040109	
Par or stated value:	\$0.001	
Total shares authorized:	1	as of date: September 30, 2023
Total shares outstanding:	1	as of date: September 30, 2023
Total number of shareholders of record:	1	as of date: September 30, 2023

### **Security Description:**

*The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:*

**1. For common equity, describe any dividend, voting and preemption rights.**

The Common Stock shall have voting rights such that each share of Common Stock duly authorized, issued and outstanding shall entitle its holder to one vote.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

The authorized number of Preferred Stock is Ten Million (10,000,000), of which Seven Million (7,000,000) shares are Blank Check Preferred.

Series B Preferred Stock is designated at par value of \$0.001 per share of the corporation. The number of authorized shares of the Series B Preferred Stock shall be Two Million, Nine Hundred and Ninety-Nine Thousand, Nine Hundred and Ninety-Nine (2,999,999) shares. The share of Series B Preferred Stock shall have a number of votes at any time equal to the number of shares of Common Stock into which such shares of Series B Preferred Stock could be converted immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent and shall have voting rights and powers equal to the voting rights and powers of the Common Stock and shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Corporation. Each Series B Preferred Stock shall be redeemable into One Thousand (1,000) shares of Common Stock. The Series B Preferred Stock will participate in all dividends and distributions, if any, on an as converted to Common Stock basis. The Series B Preferred Stock shall have on demand conversion rights at any time Ninety Days (90 Days) after acquisition of any such Series B Preferred Stock. The Series B Preferred Stock shall provide SENIOR liquidations rights to the holders as (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Series B Preferred Stock shall receive PREFERENCE in any payment or distribution and shall hold a position that is SENIOR to any other class of common or preferred shares. (b) Non-Cash Consideration.

Series C Preferred Stock is designated at par value of \$0.001 per share of the corporation. The number of authorized shares of the Series C Preferred Stock shall be One (1) share. The share of Series C Preferred Stock shall have a number of votes at any time equal to (i) the number of votes then held or entitled to be made by all other equity securities of the Corporation, including, without limitation, the common stock, par value \$0.001 per share, of the Corporation, debt securities of the Corporation or pursuant to any other agreement, contract or understanding of the Corporation, plus (ii) one (1). The Series C Preferred Stock shall vote on any matter submitted to the holders of the Common Stock, or any class thereof, as applicable, on such matter for as long as the share of Series C Preferred Stock is issued and outstanding. The Series C Preferred Stock shall not have the right to vote on any matter as to which solely another class of Preferred Stock of the Corporation is entitled to vote pursuant to the certificate of designations of such other class of Preferred Stock of the Corporation. The Series C Preferred Stock shall not be convertible into shares of any other class of stock of the Corporation. The Series C Preferred Stock shall not be entitled to receive any dividends paid on any other class of stock of the Corporation. In the event of any liquidation, dissolution or winding up of the Corporation, either voluntarily or involuntarily, a merger or consolidation of the Corporation wherein the Corporation is not the surviving entity, or a sale of all or substantially all of the assets of the Corporation, the Series C Preferred Stock shall not be entitled to receive any distribution of any of the assets or surplus funds of the Corporation and shall not participate with the Common Stock or any other class of stock of the Corporation therein. In addition to any other rights and restrictions provided under applicable law, without first obtaining the affirmative vote or written consent of the Series C Holder, with the share of Series C Preferred Stock having one vote on such matter, the Corporation shall not amend or repeal any provision of this Certificate of Designations, including by merger, consolidation or otherwise, and any such act or transaction entered into without such vote or consent shall be null and void ab initio, and of no force or effect.

**3. Describe any other material rights of common or preferred stockholders.**

None

4. Describe any material modifications to the rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None

### 3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

#### A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding as of June 30, 2022: <u>Opening Balance</u> Common Stock: <u>7,402,535,677</u> Preferred B Stock: <u>2,541,500</u> Preferred C Stock: <u>1</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.  *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
7/2/2021	New	84,864,007	Common Stock	\$ 0.0014	Yes	Bellridge Capital LP - Robert Kilmov	Conversion of note	Restricted	4(2)
7/2/2021	New	660,571,429	Common Stock	\$ 0.0010	No	Ryan Santiago	Business combination	Restricted	4(2)
8/5/2021	New	54,121,904	Common Stock	\$ 0.0011	Yes	Bellridge Capital LP - Robert Kilmov	Conversion of note	Restricted	4(2)
8/12/2021	New	173,386,826	Common Stock	\$ 0.0008	Yes	K&J Funds LLC - Todd Violette	Conversion of note	Restricted	4(2)
8/12/2021	New	63,227,711	Common Stock	\$ 0.0011	Yes	Bellridge Capital LP - Robert Kilmov	Conversion of note	Restricted	4(2)
10/13/2021	New	200,000,000	Common Stock	\$ 0.0012	No	Firstfire Global Opportunities Fund LLC - Eli Fireman	Subscription Agreement	Restricted	4(2)
10/28/2021	New	169,999,999	Common Stock	\$ 0.0012	No	Firstfire Global Opportunities Fund LLC - Eli Fireman	Subscription Agreement	Restricted	4(2)

11/12/2021	New	214,285,714	Common Stock	\$ 0.0007	Yes	K&J Funds LLC - Todd Violette	Conversion of note	Restricted	4(2)
1/5/2022	New	300,000,000	Common Stock	\$ 0.0011	No	May Davis Partners Acquisition Company, LLC. - Owen May	Commitment	Restricted	4(2)
1/6/2022	New	100,000,000	Common Stock	\$ 0.0009	Yes	SRAX, Inc. - Randy Clark	Conversion of note	Restricted	4(2)
1/12/2022	New	26,190,000	Common Stock	\$ 0.0010	No	J.H. Darbie & Co. Inc. - Xavier Vicuna	Commitment	Restricted	4(2)
2/14/2022	New	200,000,000	Common Stock	\$ 0.0004	Yes	May Davis Partners Acquisition Company, LLC. - Owen May	Conversion of note	Restricted	4(2)
2/23/2022	New	150,000,000	Common Stock	\$ 0.0003	Yes	K&J Funds LLC - Todd Violette	Conversion of note	Restricted	4(2)
3/25/2022	New	400,000,000	Common Stock	\$ 0.0002	Yes	K&J Funds LLC - Todd Violette	Conversion of note	Restricted	4(2)
4/1/2022	New	847,000,000	Common Stock	\$ 0.0002	Yes	May Davis Partners Acquisition Company, LLC. - Owen May	Conversion of note	Restricted	4(2)
4/14/2022	New	107,101,681	Common Stock	\$ 0.0002	No	Dutchess Capital Growth Fund LP - Michael Novielli	Subscription Agreement	Restricted	4(2)
5/13/2022	New	85,563,846	Common Stock	\$ 0.0002	No	Dutchess Capital Growth Fund LP - Michael Novielli	Subscription Agreement	Restricted	4(2)
5/19/2022	New	200,000,000	Common Stock	\$ 0.0004	Yes	May Davis Partners Acquisition Company, LLC. - Owen May	Commitment	Restricted	4(2)
6/1/2022	New	81,452,115	Common Stock	\$ 0.0001	No	Dutchess Capital Growth Fund LP - Michael Novielli	Subscription Agreement	Restricted	4(2)
6/9/2022	New	305,088,667	Common Stock	\$ 0.0001	Yes	K&J Funds LLC - Todd Violette	Conversion of note	Restricted	4(2)
8/1/2022	New	58,060,618	Common Stock	\$ 0.0001	No	Dutchess Capital Growth Fund LP - Michael Novielli	Subscription Agreement	Restricted	4(2)
9/14/2022	New	96,694,544	Common Stock	\$ 0.0001	No	Dutchess Capital Growth Fund LP - Michael Novielli	Subscription Agreement	Restricted	4(2)
10/5/2022	New	73,223,964	Common Stock	\$ 0.0001	No	Dutchess Capital Growth Fund LP - Michael Novielli	Subscription Agreement	Restricted	4(2)
1/30/2023	New	420,000,000	Common Stock	\$ 0.0001	Yes	Mast Hill Fund LP - Patrick Hassani	Conversion of note	Restricted	4(2)
Shares Outstanding on Date of This Report: Date <u>9/30/2023</u>									

<b>Ending Balance</b> Common Stock: <u>13,192,334,158</u> Preferred B Stock: <u>2,541,500</u> Preferred C Stock: <u>1</u>	
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**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

None

## B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder.  *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
08/24/12	\$ 25,000	\$ 25,000	\$ 32,926	02/24/13	75% of the average of 30 days prior to the conversion date.	Jeff Salzwedel	Loan
09/18/12	\$ 25,000	\$ 25,000	\$ 32,692	03/18/13	75% of the average of 30 days prior to the conversion date.	George Mainas	Loan
12/21/2012	\$ 100,000	\$ 100,000	\$127,232	06/21/13	75% of the average of 30 days prior to the conversion date.	New Novus Capital - Larry M. Paulson	Loan
11/16/2018	\$ 40,000	\$ 40,000	\$ 15,542	11/15/2019	0.007 per share	Henry Lee	Loan
12/3/2018	\$ 35,000	\$ 35,000	\$ 13,517	12/2/2019	0.007 per share	Henry Lee	Loan
10/8/2020	\$ 300,300	\$ 231,000	\$210,945	4/9/2021	50% of lowest trading price in 20 days prior to conversion - In default rate	K&J Funds LLC - Todd Violette	Loan with default
10/13/2020	\$ 357,500	\$ 275,000	\$249,733	4/13/2021	50% of lowest trading price in 20 days prior to conversion - In default rate	K&J Funds LLC - Todd Violette	Loan with default
2/15/2021	\$ 100,000	\$ 100,000	\$108,500	9/15/2021	Not a convertible note	Manny	Loan
5/12/2021	\$3,466,000	\$3,976,000	\$392,758	5/12/2024	Not a convertible note	Lemon Glow Company - Ryan Santiago	Business Combination
6/14/2021	\$ 215,000	\$ 300,000	\$ 3,669	6/11/2024	Lesser of \$0.0036 and 85% of the lesser of a. 5days VWAP on the trading day preceding the conversion date and b. the VWAP on the conversion date.	SRAX, Inc. - Randy Clark	Loan
11/10/2021	\$ 41,443	\$ 277,903	\$ 15,964	11/10/2022	60% of the lowest trading price during 20 trading days prior conversion date	May Davis Partners Acquisition Company, LLC. - Owen May	Loan

1/1/2022	\$ 450,000	\$ 450,000	\$ 7,853	1/1/2025	Lesser of \$0.001 and 85% of the lesser of a. 5days VWAP on the trading day preceding the conversion date and b. the VWAP on the conversion date.	SRAX, Inc. - Randy Clark	Loan
1/5/2022	\$ 471,297	\$ 485,000	\$ 34,745	1/5/2023	0.0001 per share	Mast Hill Fund LP - Patrick Hassani	Loan
3/23/2022	\$ 198,000	\$ 198,000	\$ 32,418	3/23/2023	65% of the lowest trading price in the 20 trading days prior the conversion date	Henry Lee	Loan
6/8/2022	\$ 220,000	\$ 220,000	\$ 28,594	6/8/2023	65% of the lowest trading price in the 20 trading days prior the conversion date	Caprimo Holdings, LLC - Brian Leesk	Loan
6/28/2022	\$ 110,000	\$ 110,000	\$ 14,297	6/28/2023	65% of the lowest trading price in the 20 trading days prior the conversion date	Caprimo Holdings, LLC - Brian Leesk	Loan
8/1/2022	\$ 120,000	\$ 120,000	\$ 11,178	8/1/2023	65% of the lowest trading price during 20 trading days prior conversion date	WNDR Group Inc. - Angela Chen	Debt Settlement
8/1/2022	\$ 95,000	\$ 110,000	\$ 9,917	8/1/2023	65% of the lowest trading price during 20 trading days prior conversion date	Guan Ray. LTD. - Lucas Huang	Debt Settlement
11/14/2022	\$ 532,000	\$ 532,000	\$ 37,313	11/14/2023	0.0001 per share	Mast Hill Fund LP - Patrick Hassani	Loan
10/5/2022	\$ 100,000	\$ 100,000	\$ 1,973	10/5/2023	75% of the average 3 lowest trading prices during 10 trading days prior conversion date	Tim Kang	Loan
2/21/2023	\$ 122,500	\$ 122,500	\$ 5,934	2/21/2024	0.00005 per share	Mast Hill Fund LP - Patrick Hassani	Loan

Use the space below to provide any additional details, including footnotes to the table above:

None

#### 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.  
(Please ensure that these descriptions are updated on the Company's Profile on [www.otcm Markets.com](http://www.otcm Markets.com)).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

As of the date of this filing, we are involved in several business sectors and business ventures:

The company currently generates its revenue primarily through subsidiaries, with the vast majority of revenue as of June 30, 2023, derived from CarryOutSupplies.com. We are no longer engaged in the Cannabis Delivery Business through Nug ave. However, we anticipate fully entitling our 640-acre land, which will have the capacity to cultivate up to 32 acres of cannabis canopy. The company expects to generate income from this property upon acquiring a 10-year cultivation license. At the time of this filing, we are optimistic about receiving the 10-year permit before spring 2024, which aligns well with our planting schedule.

Paper and paper-based products: The supply of consumable products to the quick-service restaurant sub-sector of the restaurant industry, and as an importer and distributor of non-medical personal protection equipment to business and consumers, via our Carry Out Supplies subsidiary. Carry Out Supplies is a producer and wholesaler of custom printed and generic supplies, servicing more than 2,000 quick-service restaurants. The primary products are plastic cold cups, paper coffee cups, yogurt cups, ice cream cups, cup lids, cup sleeves, edible packaging, food containers, soup containers, plastic spoons, and similar products for this market sector. This subsidiary, which was formed in 2009.

Cannabis products delivery services: Following the end of the COVID cannabis delivery boom, along with a challenging cannabis retail climate from inflation, the black market, increased marketing expenses, and the cannabis excise tax moving from distribution to retail, the company has decided to reduce investments in retail operations. The company made this decision as we see more promising opportunities to increase shareholder equity by pivoting the business strategy to deploy capital to invest in cannabis real estate, cultivation, and wholesale sectors vs. cannabis retail operations.

After discussions with ECGI, Inc. and the management of Nug Avenue, we could not find a path to short term profitability. The company then decided to cease investing in Nug Avenue, which ultimately led to Nug Avenue discontinuing operations.

In the process of pivoting our business strategy, the company exchanged its 32% stake in Indigo Dye Group Corp. ("Indigo") for 50,000 shares in Practical Possibilities, Inc., along with a \$242,682 investment in the form of a promissory note that yields 12% interest annually. This agreement granted us a 33% ownership in Practical Possibilities, a distribution and indoor cultivation company located in Santa Rosa, California. As of the date of this filing, the company has not made any payments on the note's balance. Should the company decide against investing the cash portion of the agreement, a reduction in our ownership percentage may be necessary. Up to this filing date, the remaining shareholders and Sugarmade have not yet reached a decision regarding this potential adjustment.

Selected cannabis and hemp projects: On May 12, 2021, the Company entered into a Merger Agreement by and between Carnaby Spot Bay Corp, a California corporation and a wholly owned subsidiary of the Company ("Merger Sub"), Lemon Glow Company and Ryan Santiago as shareholder representative, pursuant to which Merger Sub would merge with and into Lemon Glow, with Lemon Glow being the surviving corporation (the "Merger"). Upon the closing of the merger, Lemon Glow was merged into the Company. The purpose of the transactions was to establish a licensed and permitted entity which Sugarmade would cultivate, manufacture, and distribute cannabis to the California markets. At the time of the transactions, none of Lemon Glow, Merger Sub, or Sugarmade was permitted and licensed for such activities.

On October 28, 2021, Lemon Glow obtained a conditional Use Permit (UP) number from the Community Development Department of the County of Lake, California, which the Company believes is an important step towards the conditional UP for commercial cannabis cultivation at its property. The issuance of the conditional UP number by the County of Lake allows the Company to proceed with the state cannabis cultivation license application, and potentially obtain certain applicable permits, such as from the Department of Cannabis Control, Department of Food and Agriculture, Department of Pesticide Regulation, Department of Fish and Wildlife, The State Water Resources Control Board, Board of Forestry and Fire Protection, Central Valley or North Coast Regional Water Quality Control Board, Department of Public Health, and Department of Consumer Affairs, as may be required. The Company believes that obtaining the conditional UP number by the County of Lake could be the first step toward full approval to cultivate cannabis on up to 32 acres out of the total 640 acres of the property.

- B. List any subsidiaries, parent company, or affiliated companies.

Our Company operates much of its business activities through our subsidiaries, SWC Group, Inc., a California corporation ("SWC"), NUG Avenue, Inc., a California corporation and 70% owned subsidiary of the Company ("NUG Avenue"), and Lemon Glow Company, Inc., a California corporation and wholly owned subsidiary of the Company ("Lemon Glow").

- C. Describe the issuers' principal products or services.

As of the date of this filing, we are involved in several business sectors and business ventures:

Paper and paper-based products: The supply of consumable products to the quick-service restaurant sub-sector of the restaurant industry, and as an importer and distributor of non-medical personal protection equipment to business and consumers, via our Carry Out Supplies subsidiary. Carry Out Supplies is a producer and wholesaler of custom printed and generic supplies, servicing more than 2,000 quick-service restaurants. The primary products are plastic cold cups, paper coffee cups, yogurt cups, ice cream cups, cup lids, cup sleeves, edible packaging, food containers, soup containers, plastic spoons, and similar products for this market sector. This subsidiary, which was formed in 2009.

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After discussions with ECGI, Inc. and the management of Nug Avenue, we could not find a path to short term profitability. The company then decided to cease investing in Nug Avenue, which ultimately led to Nug Avenue discontinuing operations.

In the process of pivoting our business strategy, the company exchanged its 32% stake in Indigo Dye Group Corp. ("Indigo") for 50,000 shares in Practical Possibilities, Inc., along with a \$242,682 investment in the form of a promissory note that yields 12% interest annually. This agreement granted us a 33% ownership in Practical Possibilities, a distribution and indoor cultivation company located in Santa Rosa, California. As of the date of this filing, the company has not made any payments on the note's balance. Should the company decide against investing the cash portion of the agreement, a reduction in our ownership percentage may be necessary. Up to this filing date, the remaining shareholders and Sugarmade have not yet reached a decision regarding this potential adjustment.

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The Company believes that obtaining the conditional UP number by the County of Lake could be the first step toward full approval to cultivate cannabis on up to 32 acres out of the total 640 acres of the property.

As of the date of this filing, Sugarmade is working diligently on satisfying the conditions required by the County of Lake to allow the Company to cultivate cannabis. It is the Company's intention to begin such activities at the earliest time possible, assuming permits are ultimately issued. Upon issuance, the company will determine the amount of acreages to grow initially based on market demand and pre-orders. However, no such license or permits have yet been issued, and applications are still pending. There can be no assurance that any such license or permits will be issued in the near future or at all.

Once licensing and permits are issued, the company plans to divide the 32 canopy grow acres between four separate grow areas. These separate grow areas will allow the company to start with a single area and expand with demand. While waiting for demand to rise, dividing into separate grow areas will also provide an opportunity to lease the other grow areas to 3rd party or through partnership under Managed Service Agreement to generate additional revenue for the company.

We believe the market demand will increase upon federal legalization allowing for interstate commerce of cannabis. Opening the doors for out of state licensees to purchase California grown cannabis flowers.

Once fully completed, we estimate the output of 32 acres of canopy, will have the capacity of 64 tons of dry flower or 300 tons of fresh frozen, requiring approximately 300,000 sq ft of storage space. We will continue to make plans to build more storage space while concurrent with the licensing process.

## 5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties, or facilities, clearly describe them as above and the terms of their leases.

On May 12, 2021, the company acquired a real estate property comprising 640 acres in Clearlake Oaks, California, of which up to 32 acres are eligible for cannabis cultivation. As of the date of this filing, we have completed all required surveys and have progressed through most of the process to acquire a 10-year cultivation license with the County of Lake. This license will enable cultivation on up to 32 acres of land and open multiple revenue generation avenues for the company. We are highly optimistic that the licensing process is nearing completion and anticipate receiving our license before the upcoming spring, which will align with next year's planting season.

On February 23, 2018, the Company entered into lease agreement for a new office space as part of the plan to expand operation, the lease commenced on March 1, 2018. The term of the lease is for five (5) years with 1 month free on the 1st year of the term. The monthly rent on the 1st year will be \$11,770 with a 3% increase for each subsequent year. Total commitment for the full term of the lease will be \$737,367.

The Company's warehouse along with ancillary office space is located at 20529 East Walnut Drive North, Diamond Bar, California, where we lease approximately 11,627 square feet of combined space. The lease term is for five (5) years and two (2) months ending on April 30, 2025. The current monthly rental payment for the facility is \$13,022. As of the date of this filing, this property became the Company's headquarters.

On February 1, 2021, the Company entered into lease agreement with Magnolia Extracts, LLC dba Nug Ave-Lynwood, a California limited liability company for a certain regulatory permit issued by the City of Lynwood authorizing commercial retailer non-storefront operations at 11118 Wright Road, Lynwood, CA 90262. The lease was set to commence on February 1, 2021. The lease payment shall equal \$10,000 per month and the lease term is on month-by-month basis. Parties have agreed that the first month's rent payment shall equal \$7,000.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for a 2021 Ford Transit Connect Van. The lease payment shall be \$926 monthly on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for two 2021 Hyundai Accent. The lease payment shall be \$612 monthly per vehicle on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for a 2021 Hyundai Accent. The lease payment shall be \$616 monthly on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

## 6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuer's securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Jimmy Chan</u>	CEO/CFO/Director	<u>Lower Lake, CA</u>	<u>37,708,235</u> <u>500,000</u>  <u>1</u>	<u>Common Stock</u>  Series B Preferred  Series C Preferred	<u>4.49%</u> <u>19.68%</u>  <u>100%</u>	<u>Jimmy Chan</u>
<u>Ryan Santiago</u>	<u>Owner of more than 5%</u>	<u>Santa Rosa, CA</u>	<u>285,714,286</u>  <u>1,000,000</u>	<u>Common Stock</u>  Series B Preferred	<u>2.17%</u>  <u>39.35%</u>	<u>Ryan Santiago</u>
<u>SBMS Capital Inc.</u>	<u>Owner of more than 5%</u>	<u>Alhambra, CA</u>	<u>700,000</u>	<u>Series B Preferred</u>	<u>27.54%</u>	<u>Steve Ho</u>
<u>May Davis Partners Acquisition</u>	<u>Owner of more than 5%</u>	<u>New York, NY</u>	<u>784,106,458</u>	<u>Common Stock</u>	<u>6.50%</u>	Owen May
<u>Jamie Steigerwald</u>	<u>Director, COO</u>	<u>Lake Forest, CA</u>	-	-	-	<u>Jamie Steigerwald</u>
<u>Christopher Dieterich</u>	<u>Independent Director</u>	<u>Los Angeles, CA</u>	-	-	-	<u>Christopher Dieterich</u>
<u>Darren Kenny</u>	<u>Independent Director</u>	<u>Aliso Viejo, CA</u>	-	-	-	<u>Darren Kenny</u>

## 7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities.

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

From time to time and in the course of business, we may become involved in various legal proceedings seeking monetary damages and other relief. The amount of the ultimate liability, if any, from such claims cannot be determined. As of December 31, 2022, there were no legal claims pending or threatened against the Company that, in the opinion of our management, would be likely to have a material adverse effect on our financial position, results of operations or cash flows. However, as of the date of this filing, we were involved in the following legal proceedings.

On December 11, 2013, the Company was served with a complaint from two convertible note holders and investors in the Company. On February 21, 2017, the Company signed a settlement agreement with the plaintiffs in the matter of Hannan vs. Sugarmade. Under the terms of the settlement agreement, the Company agreed to pay the plaintiffs \$227,000 to settle all claims against the Company, which included the payoff of two notes outstanding. The parties had estimated the value of the notes at approximately \$80,000. Third parties had purchased the two notes during the year ended June 30, 2020. As of September 30, 2023 and June 30, 2023, there remains a balance, plus accrued interest due under the notes of \$227,000, respectively. No payment has been made.

On April 1st, 2021, the Company entered a Payment (Installment) Agreement with a former employee to settle a dated labor case that was awarded by the Labor Commissioner in the State of California back on May 14, 2014 for an amount of \$55,126.65. The company agreed to pay \$58,756 at 10% annual interest rate accrue, the balance will be split into 18 equal payments of \$3,528.71. As of September 30, 2023 and June 30, 2023, there remains a balance of \$23,598, respectively.

There can be no assurances the ultimate liability relative to these lawsuits will not exceed what is outlined above.

## 8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Dieterich & Associates  
Address 1: 815 Moraga Drive,  
Address 2: Los Angeles, CA 90049  
Phone: 310-312-6888  
Email: [venturelaw@gmail.com](mailto:venturelaw@gmail.com)

Accountant or Auditor

Name: TAAD, LLP  
Firm: TAAD, LLP  
Address 1: 20955 Pathfinder Road, Suite 370,  
Address 2: Diamond Bar, CA 91765  
Phone: 909-569-4690  
Email: [andy@taadllp.com](mailto:andy@taadllp.com)

## 9) Financial Statements

- A. The following financial statements were prepared in accordance with:

☐ IFRS  
☒ U.S. GAAP

- B. The following financial statements were prepared by (name of individual)<sup>2</sup>:

Name: **Jimmy Chan**

<sup>2</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Title: **CEO, CFO**

Relationship to Issuer: **Owner**

Describe the qualifications of the person or persons who prepared the financial statements:

Mr. Jimmy Chan is an experienced business executive who has been instrumental in growing multiple business operations. Since he was assigned as CEO and Chairman of the Board of Sugarmade, Inc in October 2014, he has grown the business's asset and operation substantially. He is also the founder of CarryOutSupplies.com, a company that revolutionized custom-printed food containers for the frozen dessert market, a sub-sector of the quick service restaurant industry, which merged with Sugarmade during 2014. Through his experiences in various businesses operations, he has developed a strong expertise in international trade, Regulated Cannabis Industry and The Capital Market. In the early stage of his career, he started numerous other businesses, including a real estate investment operation that accumulated a substantial portfolio of residential properties.

**Sugarmade, Inc. and Subsidiary  
Consolidated Balance Sheets**

	<b>September 30, 2023</b>	<b>June 30, 2023</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	2,534	48,702
Accounts receivable, net	107,237	18,695
Inventory, net	292,112	257,483
Other current assets	369,385	389,494
Right of use asset, current	142,700	138,907
Current assets under discontinued operations	70,723	70,723
Total current assets	984,691	924,004
<b>Noncurrent assets:</b>		
Property, plant and equipment, net	3,254,050	3,272,167
Intangible asset, net	10,637,649	10,645,699
Goodwill	757,648	757,648
Right of use asset, noncurrent	127,853	127,853
Cost method investments in affiliates	441,407	441,407
Non-current assets under discontinued operations	967	1,128
Total noncurrent assets	15,219,574	15,245,902
<b>Total assets</b>	<b>16,204,265</b>	<b>16,169,906</b>
<b>Liabilities and Stockholders' Deficiency</b>		
<b>Current liabilities:</b>		
Note payable due to bank	25,982	25,982
Accounts payable and accrued liabilities	2,000,389	2,108,813
Customer deposits	385,507	810,548
Customer overpayment	102,472	-
Other payables	265,830	310,824
Accrued interest	1,490,765	1,431,184
Notes payable - Current	320,000	320,000
Lease liability - Current	155,142	150,068

Loans payable - Current	1,491,019	1,182,593
Loan payable - Related Parties, Current	1,090,746	666,753
Convertible notes payable, Net, Current	3,130,237	2,873,046
Derivative liabilities, net	5,072,307	4,870,999
Warrants liabilities	1,058	1,058
Shares to be issued	299,327	297,577
Current liabilities under discontinued operations	655,111	675,320
Total curent liabilities	16,485,892	15,724,765
<b>Non-Current liabilities:</b>		
Loans payable, noncurrent	538,528	545,989
Note payable, noncurrent	4,821,857	4,824,446
Convertible notes payable, Net, Noncurrent	194,037	286,019
Lease liability	100,094	140,880
Total noncurrent liabilities	5,654,516	5,797,334
<b>Total liabilities</b>	<b>22,140,408</b>	<b>21,522,099</b>
<b>Stockholders' equity (deficiency):</b>		
Blank Check Preferred stock, \$0.001 par value, 7,000,000 shares authorized 0 and 0 shares issued outstanding as of September 30, 2023 and June 30, 2023		
Series B Preferred stock, \$0.001 par value, 2,999,999 shares authorized 2,541,500 and 2,541,500 shares issued outstanding as of September 30, 2023 and June 30, 2023		
	2,542	2,542
Series C Preferred stock, \$0.001 par value, 1 share authorized, 1 and 1 share issued outstanding as of September 30, 2023 and June 30, 2023		
Common stock, \$0.001 par value, 1,990,000,000 shares authorized, 13,192,334,158 and 11,825,389,576 shares issued and outstanding at September 30, 2023 and June 30, 2023, respectively		
	13,192,333	13,192,333
Additional paid-in capital	70,562,218	70,562,218
Share to be issued, Common stock	40,008	40,008
Accumulated deficit	(89,064,643)	(88,480,693)
Total stockholders' equity (deficiency)	(5,267,542)	(4,683,593)
Non-Controlling Interest	(668,601)	(668,601)
<b>Total stockholders' equity (deficiency)</b>	<b>(5,936,143)</b>	<b>(5,352,194)</b>
<b>Total liabilities and stockholders' equity (deficiency)</b>	<b>16,204,265</b>	<b>16,169,906</b>

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

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

	<b>For the Three Months Ended</b>	
	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Revenues, net	443,528	\$ 709,151
Revenues, Related Party, net	-	631
Cost of goods sold	238,666	462,909
Gross profit	204,862	246,873
Selling, general and administrative expenses	281,930	291,019
Marketing and research expense	3,526	26,663
Professional expense	113,643	87,496
Salaries and wages	52,230	48,477
Stock compensation expense	-	66,500
Total operating expenses	451,329	520,155
Loss from continuing operations	(246,467)	(273,282)
Non-operating income (expense):		
Other (expense) income	41,348	15,091
Interest expense	(52,497)	(193,046)
Change in fair value of derivative liabilities	(201,308)	3,697,931
Warrant Expense	-	2,042
Amortization of debt discount	(148,541)	(289,801)
Amortization of intangible assets	-	(483)
Other Expense - Gain on debt extinguishment	-	112,051
Total non-operating expenses, net	(337,322)	3,343,785
Equity Method Investment Loss	-	
Loss before income taxes	(583,789)	3,070,503

Income tax expense	-	-
Net loss from continuing operations	\$ (583,789)	\$ 3,070,503
<b>Discontinued Operations:</b>		
Loss from discontinuing operations	\$ (161)	\$ (1,693,677)
Net loss	\$ (583,950)	\$ 1,376,826
Less: net loss attributable to the noncontrolling interest	-	(3,000)
Net loss attributable to SugarMade Inc.	(583,950)	1,379,826
Basic net income (loss) per share	\$ (0.00)	\$ 0.00
Diluted net income (loss) per share	\$ (0.00)	\$ 0.00
Basic and diluted weighted average common shares outstanding	12,381,001,274	11,930,425,109

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

Sugarmade, Inc. and Subsidiary  
Consolidated Statements of Changes in Stockholders' Equity

	Preferred Stock - Series B		Preferred Stock - Series C		Common stock		Additional paid-in capital	Shares to be issued, common shares	Subscription Receivable - CS	Common Shares Subscribed	Accumulated deficit	Non Controlling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount							
Balance at June 30, 2023	2,541,500	\$ 2,542	1	\$ -	13,192,334,158	\$ 13,192,333	70,562,218	\$ -	\$ 0	\$ 40,008	\$ (88,480,693)	(668,601)	\$ (5,352,194)
Net loss	-	-	-	-	-	-	-	-	-	-	(583,950)	-	(583,950)
Balance at September 30, 2023	2,541,500	\$ 2,542	1	\$ -	13,192,334,158	\$ 13,192,333	70,562,218	\$ -	0	40,008	(89,064,643)	(668,601)	(5,936,144)

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

	Preferred Stock - Series B		Preferred Stock - Series C		Common stock		Additional paid-in capital	Shares to be issued, common shares	Subscription Receivable - CS	Common Shares Subscribed	Accumulated deficit	Non Controlling Interest	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount							
Balance at June 30, 2022	2,541,500	\$ 2,542	1	\$ -	11,825,389,576	\$ 11,825,388	\$ 71,260,522	-	\$ (10,042)	\$ 40,008	\$ (85,437,392)	(651,900)	\$ (2,970,874)
Shares issued for Cash	-	-	-	-	154,755,162	154,755	(135,395)	-	-	-	-	-	19,360
Subscription receivable	-	-	-	-	-	-	-	-	10,042	-	-	-	10,042
Net loss	-	-	-	-	-	-	-	-	-	-	3,073,503	(3,000)	3,070,503
Balance at September 30, 2022	2,541,500	\$ 2,542	1	\$ -	11,980,144,738	\$ 11,980,143	71,125,127	\$ -	\$ 0	\$ 40,008	\$ (82,363,889)	(654,900)	\$ 129,031

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

**Sugarmade, Inc. and Subsidiary**  
**Condensed Unaudited Consolidated Statements of Cash Flows**

	<b>For The Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (583,950)	\$ 3,073,503
Non-controlling interest	-	(3,000)
Adjustments to reconcile net loss to cash flows from operating activities:		
Gain on debt extinguishment	-	(112,051)
Amortization of debt discount	148,541	289,801
Stock based compensation	1,750	4,000
Change in fair value of derivative liability	201,308	(3,697,931)
Change in exercise of warrant	-	(2,042)
Depreciation	18,117	45,563
Amortization of intangible assets	8,050	483
Imputed interest of lease liabilities	(39,505)	(3,959)
Interest Expense - financing cost	16,668	-
Changes in assets and liabilities:		
Accounts receivable	(88,542)	(62,275)
Intangible assets	-	
Inventory	(34,629)	25,666
Prepayment, deposits and other receivables	20,109	(76,589)
Other assets	-	(30,000)
Other payables	(44,994)	(49,603)
Accounts payable and accrued liabilities	(108,424)	141,546



Customer deposits	(21,604)	(26,954)
Interest Payable	59,581	168,890
Net cash used in continued operations	<b>(447,524)</b>	<b>(314,952)</b>
Net cash used in discontinued operations	(20,209)	-
<b>Net cash used in operating activities</b>	<b>(467,733)</b>	<b>(314,952)</b>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	-	-
Net cash used in continued operations	-	-
Net cash used in discontinued operations	161	-
<b>Net cash used in investing activities</b>	<b>161</b>	-
<b>Cash flows from financing activities:</b>		
Proceeds from shares issuance	-	19,360
Proceeds (Repayment) from(to) notes payable	(2,589)	343,933
Subscription receivable	-	10,042
Proceeds (Repayment) from(to) loans payable	-	(39,411)
Proceeds (Repayment) from(to) loans payable - related parties	423,993	(50,311)
Repayment of convertible notes	-	(48,459)
Net cash provided by continued operations	<b>421,404</b>	<b>235,154</b>
Net cash provided by discontinued operations	-	-
<b>Net cash provided by financing activities</b>	<b>421,404</b>	<b>235,154</b>
<b>Net increase (decrease) in cash</b>	<b>(46,168)</b>	<b>(79,798)</b>
Cash paid during the period for:		
<b>Cash, beginning of period</b>	<b>48,702</b>	<b>161,014</b>
<b>Cash, end of period</b>	<b>\$ 2,534</b>	<b>\$ 81,216</b>
<b>Cash paid interest</b>	-	-
<b>Supplemental information —</b>		
<b>Supplemental disclosure of non-cash financing activities —</b>		
Shares issued for conversion of convertible debt	-	1,009,236
Reduction in derivative liability due to conversion	-	1,613,889
Debt discount related to convertible debt	-	1,383,584
Note issued for service	-	500,000

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

**Sugarmade Inc.**  
**Notes to Consolidated Financial Statements**

**Note 1. Description of Business**

**Name Change**

Sugarmade, Inc. (hereinafter referred to as "we", "us" or the "Company") was originally incorporated on June 5, 1986 in California as Lab, Inc., and later that month, on June 24, 1986 changed its name to Software Professionals, Inc. On May 21, 1996, the Company changed its name to Enlighten Software Solutions, Inc. On June 20, 2007, Enlighten Software Solutions, Inc. was incorporated in Delaware for the purpose of merging with Enlighten Software Solutions, Inc. a California corporation so as to effect a redomicile to Delaware. On January 24, 2008, the Company changed its name to Diversified Opportunities, Inc. On May 9, 2011 we closed on a Share Exchange Agreement with Sugarmade, Inc., a California corporation founded in 2010, and on June 24, 2011 changed our name to Sugarmade, Inc.

**Company Overview**

On October 24, 2014 we acquired SWC Group, Inc., a California corporation doing business as, CarryOutSupplies.com ("Carry Out Supplies").

Our Company operates much of its business activities through our subsidiaries, SWC Group, Inc., a California corporation ("SWC"), NUG Avenue, Inc., a California corporation and 70% owned subsidiary of the Company ("NUG Avenue"), and Lemon Glow Company, Inc., a California corporation, and wholly owned subsidiary of the Company ("Lemon Glow").

Shares of our common stock are quoted on the OTC Pink tier of OTC Markets. Our trading symbol is "SGMD". Our corporate website is [www.sugarmade.com](http://www.sugarmade.com).

As of the date of this filing, we are involved in several business sectors and business ventures:

**Paper and paper-based products:** The supply of consumable products to the quick-service restaurant sub-sector of the restaurant industry, and as an importer and distributor of non-medical personal protection equipment to business and consumers, via our Carry Out Supplies subsidiary. Carry Out Supplies is a producer and wholesaler of custom printed and generic supplies, servicing more than 2,000 quick-service restaurants. The primary products are plastic cold cups, paper coffee cups, yogurt cups, ice cream cups, cup lids, cup sleeves, edible packaging, food containers, soup containers, plastic spoons, and similar products for this market sector. This subsidiary, which was formed in 2009.

**Cannabis products delivery services:** Following the end of the COVID cannabis delivery boom, along with a challenging cannabis retail climate from inflation, the black market, increased marketing expenses, and the cannabis excise tax moving from distribution to retail, the company has decided to reduce investments in retail operations. The company made this decision as we see more promising opportunities to increase shareholder equity by pivoting the business strategy to deploy capital to invest in cannabis real estate, cultivation, and wholesale sectors vs. cannabis retail operations.

After discussions with ECGI, Inc. and the management of Nug Avenue, we could not find a path to short-term profitability. The company then decided to cease investing in Nug Avenue, which ultimately led to Nug Avenue discontinuing operations.

As part of pivoting our business strategy, the company exchanged its 32% ownership in Indigo Dye Group Corp. ("Indigo") via a Stock and Note Purchase Agreement. This exchange was for 50,000 shares in Practical Possibilities, Inc., and a \$242,682 investment as a promissory note yielding 12% interest per annum. This transaction secured a 33% ownership stake in Practical Possibilities, a distribution and indoor cultivation company based in Santa Rosa, California. As of the date of this filing, the company has not made any payments towards the balance of the note. In the event if the company decides to not invest the cash portion of the agreement, we may have to reduce our ownership percentage. As of the date of this filing, the remaining of the shareholders and Sugarmade have not decided on the adjustment yet.

Selected cannabis and hemp projects: On May 12, 2021, the Company entered into a Merger Agreement by and between Carnaby Spot Bay Corp, a California corporation and a wholly owned subsidiary of the Company ("Merger Sub"), Lemon Glow Company and Ryan Santiago as shareholder representative, pursuant to which Merger Sub would merge with and into Lemon Glow, with Lemon Glow being the surviving corporation (the "Merger"). Upon the closing of the merger, Lemon Glow was merged into the Company. The purpose of the transactions was to establish a licensed and permitted entity which Sugarmade would cultivate, manufacture, and distribute cannabis to the California markets. At the time of the transactions, none of Lemon Glow, Merger Sub, or Sugarmade was permitted and licensed for such activities.

On October 28, 2021, Lemon Glow obtained a conditional Use Permit (UP) number from the Community Development Department of the County of Lake, California, which the Company believes is an important step towards the conditional UP for commercial cannabis cultivation at its property. The issuance of the conditional UP number by the County of Lake allows the Company to proceed with the state cannabis cultivation license application, and potentially obtain certain applicable permits, such as from the Department of Cannabis Control, Department of Food and Agriculture, Department of Pesticide Regulation, Department of Fish and Wildlife, The State Water Resources Control Board, Board of Forestry and Fire Protection, Central Valley or North Coast Regional Water Quality Control Board, Department of Public Health, and Department of Consumer Affairs, as may be required. The Company believes that obtaining the conditional UP number by the County of Lake could be the first step toward full approval to cultivate cannabis on up to 32 acres out of the total 640 acres of the property.

As of the date of this filing, Sugarmade is working diligently on satisfying the conditions required by the County of Lake to allow the Company to cultivate cannabis. It is the Company's intention to begin such activities at the earliest time possible, assuming permits are ultimately issued. Upon issuance, the company will determine the amount of acreage to grow initially based on market demand and pre-orders. However, no such license or permits have yet been issued, and applications are still pending. There can be no assurance that any such license or permit will be issued in the near future or at all.

Once licensing and permits are issued, the company plans to divide the 32 canopy grow acres between four separate grow areas. These separate grow areas will allow the company to start with a single area and expand with demand. While waiting for demand to rise, dividing into separate grow areas will also provide an opportunity to lease the other grow areas to 3rd party or through partnership under Managed Service Agreement to generate additional revenue for the company.

We believe the market demand will increase upon federal legalization allowing for interstate commerce of cannabis. Opening the doors for out of state licensees to purchase California grown cannabis flowers.

Once fully completed, we estimate the output of 32 acres of canopy, will have the capacity of 64 tons of dry flower or 300 tons of fresh frozen, requiring approximately 300,000 sq ft of storage space. We will continue to make plans to build more storage space while concurrent with the licensing process.

### **Going Concern**

The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations, in which it has not been successful, and/or obtaining additional financing from its shareholders or other sources, as may be required.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. Such assumptions contemplate the realization of assets and satisfaction of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Management endeavors to increase revenue-generating operations. While the Company's priority is on generating cash from operations, management also seeks to raise additional working capital through various financing sources, including the sale of the Company's equity and/or debt securities, which

may not be available on commercially reasonable terms to our Company, or which may not be available at all. If such financing is not available on satisfactory terms, we may be unable to continue our business as desired and our operating results will be adversely affected. In addition, any financing arrangement may have potentially adverse effects on us and/or our stockholders. Debt financing (if available and undertaken) will increase expenses, must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility. If we issue equity securities to raise additional funds, the percentage ownership of our existing stockholders will be reduced, and the new equity securities may have rights, preferences, or privileges senior to those of the current holders of our common stock.

## **Note 2. Basis of Presentation and Summary of Significant Accounting Policies**

### **Basis of Presentation**

The condensed consolidated financial statements have been prepared in accordance with GAAP and include the accounts for the Company and its wholly-owned subsidiaries: SWC Group Inc, Lemon Glow, Sugarrush, Sugarrush 5058, and its majority owned subsidiary, NUG Avenue. All significant intercompany transactions and balances have been eliminated in consolidation.

### **Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of expenses in the financial statements and accompanying notes. Actual results could differ from those estimates. Key estimates generally included in the financial statements include the valuation of deferred income tax assets, equity instruments, stock-based compensation and useful life of property and equipment.

The preparation of financial statements in conformity with GAAP requires our 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 significantly from those estimates.

### **Revenue recognition**

We recognize revenue in accordance with ASC No. 606, Revenue Recognition. Sugarmade applied a five-step approach in determining the amount and timing of revenue to be recognized: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied.

Substantially all the Company's revenue is recognized at the point in time that control of the products is transferred to the customer. The Company receives customer deposits in advance of delivery of products to customers; these are contract liabilities that are recognized to revenue when the Company fulfilled the performance obligations. The Company receives payments from customers either in advance, upon delivery, or after delivery in accordance with open account credit terms set forth by management. The Company's contracts with customers do not provide for returns, refunds, and product warranties.

### **Leases**

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update ("ASU") No. 2016-02, which requires lessees to recognize the rights and obligations created by leases on the balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-11, Targeted Improvements, ASU No. 2018-10, Codification Improvements to Topic 842, and ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations.

The new standard became effective April 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. The Company adopted the new standard on July 1, 2019 using the modified retrospective transition approach as of the effective date of the initial application. The new standard provides a number of optional practical expedients in transition. The Company elected the "package of practical expedients", which permits entities not to reassess under the new lease standard prior conclusions about lease identification, lease classification and initial direct costs. The Company does not expect to elect the use-of-hindsight or the practical expedient pertaining to land easements.

The most significant effects of the adoption of the new standard relate to the recognition of new ROU assets and lease liabilities on our balance sheet for office operating leases and providing significant new disclosures about our leasing activities.

The new standard also provides practical expedients for an entity's ongoing accounting. The Company has also elected the short-term leases recognition exemption for all leases that qualify. This means that the Company will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets and lease liabilities, for existing short-term leases of those assets in transition. The Company also currently expects to elect the practical expedient to not separate lease and non-lease components for its leases. All existing leases are reported under this rule.

Under ASC 840, leases were classified as either capital or operating, and the classification significantly impacted the effect the contract had on the company's financial statements. Capital lease classification resulted in a liability that was recorded on a company's balance sheet, whereas operating leases did not impact the balance sheet.

### **Property and equipment**

OTC Markets Group Inc.

OTC Pink Basic Disclosure Guidelines (v4.0 January 1, 2023)

Property and equipment is stated at the historical cost, less accumulated depreciation. Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the assets for both financial and income tax reporting purposes as follows:

Machinery and equipment	3-5 years
Furniture and equipment	1-15 years
Vehicles	2-5 years
Leasehold improvements	5-30 years
Building	31.5 years
Production molding	5 years

Expenditures for renewals and betterments are capitalized while repairs and maintenance costs are normally charged to the statement of operations in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset.

Upon sale or disposal of an asset, the historical cost and related accumulated depreciation or amortization of such asset were removed from their respective accounts and any gain or loss is recorded in the statements of income.

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, no impairment expenses for property, plant, and equipment was recorded in operating expenses during the period ended September 30, 2023 and June 30, 2023.

#### **Impairment of Long-Lived Assets**

Long-lived assets, which include property, plant and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Recoverability of long-lived assets to be held and used is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the assets. Fair value is generally determined using the asset's expected future discounted cash flows or market value, if readily determinable. Based on its review, there was \$0 impairment loss of its long-lived assets as of September 30, 2023 and June 30, 2023, respectively.

#### **Income taxes**

The Company accounts for income taxes using the asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in the tax law. For deferred tax assets, management evaluates the probability of realizing the future benefits of such assets. The Company establishes valuation allowances for its deferred tax assets when evidence suggests it is unlikely that the assets will be fully realized.

The Company recognizes the tax effects of an uncertain tax position only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date and then only in an amount more likely than not to be sustained upon review by the tax authorities. Income tax positions that previously failed to meet the more likely than not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more likely than not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. The Company classifies potential accrued interest and penalties related to unrecognized tax benefits within the accompanying consolidated statements of operations and comprehensive income (loss) as income tax expense.

#### **Goodwill and Intangible Assets**

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for under the acquisition method. Intangible assets represent purchased intangible assets including developed technology and in-process research and development, technologies acquired or licensed from other companies, customer relationships, non-compete covenants, backlog, and trademarks and tradenames. Purchased finite-lived intangible assets are capitalized and amortized over their estimated useful lives. Technologies acquired or licensed from other companies, customer relationships, non-compete covenants, backlog, and trademarks and tradenames are capitalized and amortized over the lesser of the terms of the agreement or estimated useful life. We capitalized the cannabis cultivation license acquired as part of a business combination.

#### **Stock-based compensation**

Stock-based compensation cost to employees is measured at the date of grant, based on the calculated fair value of the stock-based award, and will be recognized as expense over the employee's requisite service period (generally the vesting period of the award). We estimate the fair value of employee

stock options granted using the Binomial Option Pricing Model. Key assumptions used to estimate the fair value of stock options will include the exercise price of the award, the fair value of our common stock on the date of grant, the expected option term, the risk-free interest rate at the date of grant, the expected volatility and the expected annual dividend yield on our common stock. We use our company's own data among other information to estimate the expected price volatility and the expected forfeiture rate. Stock-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the stock-based payment, whichever is more readily determinable.

### **Loss per share**

We calculate basic loss per share by dividing our net loss by the weighted average number of common shares outstanding for the period, without considering common stock equivalents. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period and the weighted average number of dilutive common stock equivalents, such as options and warrants. Options and warrants are only included in the calculation of diluted earning per share when their effect is dilutive.

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

ASC Topic 820 defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - unobservable inputs which are supported by little or no market activity.

The Company used Level 3 inputs for its valuation methodology for the derivative liabilities in determining the fair value using the Binomial option-pricing model for the period ended September 30, 2023 and June 30, 2023.

### **Derivative instruments**

The fair value of derivative instruments is recorded and shown separately under current liabilities. Changes in the fair value of derivatives liability are recorded in the consolidated statement of operations under non-operating income (expense).

Our Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a weighted average Binomial option-pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

### **Discontinued operations**

Following the end of the COVID cannabis delivery boom, along with a challenging cannabis retail climate from inflation, the black market, increased marketing expenses, and the cannabis excise tax moving from distribution to retail, the company has decided to reduce investments in retail operations. The company made this decision as we see more promising opportunities to increase shareholder equity by pivoting the business strategy to deploy capital to invest in cannabis real estate, cultivation, and wholesale sectors vs. cannabis retail operations.

After discussions with ECGI, Inc. and the management of Nug Avenue, we could not find a path to short-term profitability. The company then decided to cease investing in Nug Avenue, which ultimately led to Nug Avenue discontinuing operations.

The Company has reclassified its previously issued financial statements to segregate the discontinued operations as of the earliest period reported.

### **New accounting pronouncements**

On March 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-02, *Financial Instruments — Credit Losses (Topic 326), Troubled Debt Restructurings ("TDRs") and Vintage Disclosures*. ("ASU 2022-02") The amendments in this update eliminate the accounting guidance for TDRs while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The amendments in this update also require that an entity disclose current-period gross write offs by year of origination for financing receivables and net investments in leases. The ASU is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of the ASU would be applied prospectively. Early adoption is also permitted, including adoption in an interim period. The Company evaluated the new requirement and believed the current analysis of the allowance for loan losses provides little incremental value for analysis purposes. Therefore, the Company does not expect this requirement to materially affect its consolidated financial statements.

### **Cash**

Cash and cash equivalents consist of amounts held as bank deposits and highly liquid debt instruments purchased with an original maturity of three months or less.

From time to time, we may maintain bank balances in interest bearing accounts in excess of the \$250,000 currently insured by the Federal Deposit Insurance Corporation for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). We have not experienced any losses with respect to cash. Management believes our Company is not exposed to any significant credit risk with respect to its cash.

As of September 30, 2023 and June 30, 2023, the Company held cash in the amount of \$2,534 and \$48,702, respectively.

### Inventory

Inventory consists of finished goods paper and paper-based products such as paper cups and food containers ready for sale and is stated at the lower of cost or market. We value our inventory using the weighted average costing method. Our Company's policy is to include as a part of inventory any freight incurred to ship the product from our contract manufacturers to our warehouses. Outbound freights costs related to shipping costs to our customers are considered period costs and reflected in selling, general and administrative expenses. We regularly review inventory and consider forecasts of future demand, market conditions and product obsolescence.

If the estimated realizable value of our inventory is less than cost, we make provisions in order to reduce its carrying value to its estimated market value. On a consolidated basis, as of September 30, 2023 and June 30, 2023, the balance for the inventory totaled \$292,112 and \$257,483, respectively. \$0 was charged for obsolete inventory for the period ended September 30, 2023 and June 30, 2023, respectively.

### Other Current Assets

As of September 30, 2023 and June 30, 2023, other current assets consisted of the following:

	As of	
	June 30, 2023	June 30, 2023
Prepaid deposit	\$ 304,737	\$ 296,687
Prepayments for inventory	51,708	50,708
Prepaid expenses	12,940	42,099
Others	-	-
Total	\$ 369,385	\$ 389,494

### Property, Plant and Equipment

As of September 30, 2023 and June 30, 2023, property, plant and equipment consisted of the following:

	June 30, 2023	June 30, 2023
Office and equipment	\$ 97,203	\$ 97,203
Motor vehicles	228,346	228,346
Building	197,609	197,609
Land	2,554,766	2,554,766
Leasehold improvement	423,329	423,329
Total	3,765,853	3,765,853
Less: accumulated depreciation	(511,803)	(493,686)
Plant and Equipment, net	\$ 3,54,050	\$ 3,272,167

For the period ended September 30, 2023 and 2022, depreciation expenses amounted to \$18,117 and \$45,563, respectively.

### Intangible Asset

On April 1, 2017, the Company entered into a distribution and intellectual property assignment agreement with Wagner Bartosch, Inc. ("Wagner") for use of their Divider'™ used in frozen desserts and other related uses. In lieu of cash payment under the agreement, the Company was obliged to issue common shares of the Company valued at \$75,000 for acquiring the use right of the distribution and intellectual property. The Company amortized this use right as

an intangible asset over 10 years and recorded \$161 and \$1,875 amortization expense for the period ended September 30, 2023 and June 30, 2023, respectively.

On May 17, 2021, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") by and between Merger Sub, Lemon Glow and Mr. Ryan Santiago as shareholder representative, pursuant to which, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub would merge with and into Lemon Glow, with Lemon Glow being the surviving corporation (the "Merger"). The Company valued the cannabis cultivation license from Lemon Glow at \$10,637,000, with a remaining economic life of 9 years as of June 30, 2022. This intangible asset has not been put into service, and accordingly, management has not started to amortize this asset as of June 30, 2023 due to the pending status of the conditional use permit.

## Goodwill

Goodwill arises from the acquisition method of accounting for business combinations and represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. The fair values of net tangible assets and intangible assets acquired are based upon preliminary valuations and the Company's estimates and assumptions are subject to change within the measurement period. There was \$757,648 and \$757,648 of goodwill recorded as of September 30, 2023 and June 30, 2023, respectively. Management assesses the carrying value of the goodwill at least annually; in its most recent assessment, they determined no impairment was necessary. Management believes no events have occurred during the years ended June 30, 2023 and up to the date of this report that suggests impairment has occurred.

## Cost Method Investments in Affiliates

### Investment to Indigo Dye Inc. –

For the fiscal year ended June 30, 2020, the Company accounted for its investment in Indigo as a variable interest entity. The Company owned approximately 29% of Indigo's outstanding equity and as of December 31, 2020, and was involved its day-to-day operations, which gave the Company the power to direct the activities of Indigo that most significantly impact its economic performance. Accordingly, the Company recognized the carrying value of the non-controlling interest as a component of total stockholders' equity, and the consolidated financial statements included the financial position and results of operations of Indigo as of and for the year ended June 30, 2020.

During the quarter ended December 31, 2020, the Company began plans to open new locations via purchasing equity in other brand/franchises to cover delivery for the entire California. Therefore, the Company is not likely at this time to exercise its option to acquire the additional 30% interest in Indigo. In addition, the Company is no longer involved in day-to-day operations of Indigo and going forward, the Company intends to pursue cannabis delivery independent from Indigo. As of October 1, 2020, the Company ceased to have control over the day-to-day business of Indigo and it was deconsolidated and recorded as an investment in nonconsolidated affiliate at its \$564,819 estimated fair value and changed to cost method of accounting. Pursuant to the terms of the Indigo agreement, if the Company determines, in its discretion not to continue to make monthly payments, its 40% ownership interest in Indigo will be decreased according to the payment then made. As of June 30, 2022, the Company did not receive any distributions or dividends from Indigo. In addition, due to the Company had no access to Indigo's book during the year ended June 30, 2022, the Company recorded cost method investment in affiliates at \$441,407 as of September 30, 2023 and June 30, 2023 and the Company still held approximately 32% of the ownership of Indigo.

As part of pivoting our business strategy, the company negotiated with Indigo Dye Group Corp. ("Indigo") to exchange our 32% stake in Budcars for a stake in a distribution and indoor cultivation company in Santa Rosa, California. The company has already executed a share exchange agreement with Indigo. However, the final documents and terms of the new company are still being finalized. The company expects to complete the documents and announce the transition to new business post filing of this 10Q.

## Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities amounted to \$2,000,389 and \$2,108,813 as of September 30, 2023 and June 30, 2023, respectively. Accounts payables are mainly payables to vendors and accrued liabilities are mainly accrued interest of convertible notes payables and accrued contingent liabilities.

	June 30, 2023	June 30, 2023
Accounts payable	\$ 1,472,420	\$ 1,579,720
Accrued liabilities	277,071	278,198
Legal liabilities (See below for detail explanation)	250,898	250,898
<b>Total accounts payable and accrued liabilities:</b>	<b>\$ 2,000,389</b>	<b>\$ 2,108,816</b>

From time to time and in the course of business, we may become involved in various legal proceedings seeking monetary damages and other relief. The amount of the ultimate liability, if any, from such claims cannot be determined. As of June 30, 2022, there were no legal claims pending or threatened against the Company that, in the opinion of our management, would be likely to have a material adverse effect on our financial position, results of operations or cash flows. However, as of the date of this filing, we were involved in the following legal proceedings.

- On December 11, 2013, the Company was served with a complaint from two convertible note holders and investors in the Company. On February 21, 2017, the Company signed a settlement agreement with the plaintiffs in the matter of Hannan vs. Sugarmade. Under the terms of the settlement



agreement, the Company agreed to pay the plaintiffs \$227,000 to settle all claims against the Company, which included the payoff of two notes outstanding. The parties had estimated the value of the notes at approximately \$80,000. Third parties had purchased the two notes during the year ended June 30, 2020. As of September 30, 2023 and June 30, 2023, there remains a balance, plus accrued interest due under the notes of \$227,000, respectively. No payment has been made.

- On April 1st, 2021, the Company entered a Payment (Installment) Agreement with a former employee to settle a dated labor case that was awarded by the Labor Commissioner in the State of California back on May 14, 2014 for an amount of \$55,126.65. The company agreed to pay \$58,756 at 10% annual interest rate accrue, the balance will be split into 18 equal payments of \$3,528.71. As of September 30, 2023 and June 30, 2023, there remains a balance of \$23,598, respectively.

There can be no assurances the ultimate liability relative to these lawsuits will not exceed what is outlined above.

The company fully recognize this legal liability.

### **Customer Deposits**

Customer deposits amounted \$385,507 and \$810,548 as of September 30, 2023 and June 30, 2023, respectively. Customer deposits are mainly advanced payments from customers.

### **Other Payables**

Other payables amounted to \$265,830 and \$310,824 as of September 30, 2023 and June 30, 2023, respectively. Other payables are mainly credit card payables. As of September 30, 2023, the Company had eight credit cards, one of which is an American Express charge card with no limit and zero interest. The remaining seven cards had an aggregate credit limit of \$85,000, and annual percentage rates ranging from 11.24% to 29.99%. As of September 30, 2023 and June 30, 2023, the Company had credit cards interest expense of \$2,623 and \$9,563, respectively.

### **Convertible Notes**

As of September 30, 2023 and June 30, 2023, the balance owing on convertible notes, net of debt discount, with terms as described below was \$3,159,065, respectively.

Convertible note 1: On August 24, 2012, the Company issued a convertible promissory note with an accredited investor for \$25,000. The note has a term of six months with an interest rate of 10% and is convertible to common shares at a 25% discount of the average of 30 days prior to the conversion date. As of September 30, 2023, the note is in default.

Convertible note 2: On September 18, 2012, the Company issued a convertible promissory note with an accredited investor for \$25,000. The note has a term of six months with an interest rate of 10% and is convertible to common shares at a 25% discount of the average of 30 days prior to the conversion date. As of September 30, 2023, the note is in default.

Convertible note 3: On December 21, 2012, the Company issued a convertible promissory note with an accredited investor for \$100,000. The note has a term of six months with an interest rate of 10% and is convertible to common shares at a 25% discount of the average of 30 days prior to the conversion date. As of September 30, 2023, the note is in default.

Convertible note 4: On November 16, 2018, the Company issued a convertible promissory note with an accredited investor for \$40,000. The note has a term of one year with an interest rate of 8% and is convertible to common shares at a fixed conversion price of \$0.07. As of September 30, 2023, the note is in default.

Convertible note 5: On December 3, 2018, the Company issued a convertible promissory note with an accredited investor for \$35,000. The note has a term of one year with an interest rate of 8% and is convertible to common shares at a fixed conversion price of \$0.07. As of September 30, 2023, the note is in default.

Convertible note 6: On October 31, 2019, the Company issued a convertible promissory note with an accredited investor for a total amount of \$139,301. The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is \$0.008 per share. On October 1, 2020, the Company entered an amendment to settlement note to amend the conversion price at 60% of the lowest trading bid price in the 20 consecutive trading days immediately preceding to the conversion date. On November 10, 2021, the original note with unpaid interest was assigned to an accredited investor. See Convertible note 11 below.

Convertible note 7: On November 1, 2019, the Company issued a convertible promissory note with an accredited investor for a total amount of \$100,000. The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is \$0.008 per share. On October 1, 2020, the Company entered an amendment to settlement note to amend the conversion price at 60% of the lowest trading bid price in the 20 consecutive trading days immediately preceding to the conversion date. On November 10, 2021, the original note with unpaid interest was assigned to an accredited investor. See Convertible note 11 below.

Convertible note 8: On October 8, 2020, the Company issued a convertible promissory note with an accredited investor for a total amount of \$231,000 (includes a \$21,000 OID). The note is due 180 days after issuance and bears interest at a rate of 12%. The conversion price for the note is \$0.01 per share. After the six-month anniversary of this note, the conversion price shall be equal to the lower of the fixed price of \$0.01 or 65% of the lowest trading price of the common stock for the 20 prior trading days including the day upon which a conversion notice is received by the Company or its transfer agent.

As of June 30, 2023, the note was in default. The Company recorded additional \$69,300 principal due to the default that occurred during the year ended June 30, 2022. As of September 30, 2023, the note had an outstanding principal of \$300,300.

Convertible note 9: On October 13, 2020, the Company issued a convertible promissory note with an accredited investor for a total amount of \$275,000 (includes a \$25,000 OID). The note is due 180 days after issuance and bears interest at a rate of 12%. The conversion price for the note is \$0.01 per share. After the six-month anniversary of this note, the conversion price shall be equal to the lower of the fixed price of \$0.01 or 65% of the lowest trading price of the common stock for the 20 prior trading days including the day upon which a conversion notice is received by the Company or its transfer agent. As of June 30, 2022, the note was in default. The Company recorded additional \$82,500 principal due to default breach occurred during the year ended June 30, 2022. As of September 30, 2023, the note had an outstanding principal of \$357,500.

Convertible note 10: On June 14, 2021, the Company issued a convertible promissory note with an accredited investor for a total amount of \$300,000. The note is due in three years and bear an interest rate of 1%. The conversion price for the note is the lesser of \$0.0036 and 85% of the lesser of (i) 5 days VWAP on the trading day preceding the conversion date, and (ii) the VWAP on the conversion date. "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the "Pink Sheets" published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Debentures then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company. During the year ended June 30, 2022, the note holder converted \$85,000 of the principal amount plus \$1,747 accrued interest expense into 100,000,000 shares of the Company's common stock. As of September 30, 2023, the note had an outstanding principal of \$215,000.

Convertible note 11: On November 10, 2021, the Company entered into an assignment and assumption agreement with the assignor and assignee for two assigned convertible notes in total face value of \$277,903, which consists \$239,300 of principal and \$38,603 of unpaid interest. The new note is due 360 days after issuance and bears an interest rate of 10% per annum. The conversion price for the note is 60% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. During the year ended June 30, 2022, the note holder converted \$236,460 of the principal amount into 1,047,000,000 shares of the Company's common stock. As of September 30, 2023, the note had an outstanding principal of \$41,443.

Convertible note 12: On January 1, 2022, the Company issued a convertible promissory note with a service provider for a total amount of \$450,000. The note is due in three years and bear an interest rate of 1%. The conversion price for the note is the lesser of \$0.001 and 85% of the lesser of (i) 5 days VWAP on the trading day preceding the conversion date, and (ii) the VWAP on the conversion date. "VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the common stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the common stock for such date (or the nearest preceding date) on the Trading Market on which the common stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the common stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the common stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the common stock are then reported in the "Pink Sheets" published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the common stock so reported, or (d) in all other cases, the fair market value of a share of common stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Debentures then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Convertible note 13: On January 5, 2022, the Company issued a convertible promissory note with an accredited investor for a total amount of \$485,000 (includes a \$82,190 OID). The note is due in one year and bear an interest rate of 8%. The note is convertible into the Company's common stock at \$0.001 par value per share. As of June 30, 2023, the note is in default and the Company paid \$220,000 cash to the investor as default payment. In addition, during the year ended June 30, 2023, the note holder converted \$13,703 principal balance with \$59,422 interest expense into 1,042,500,000 shares of the Company's common stock.

Convertible note 14: On March 23, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of \$198,000 (includes a \$18,000 OID). The note is due 360 days after issuance and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date.

Convertible note 15: On April 27, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of \$144,200 (includes a \$19,200 OID). The note is due in one year and bears interest at a rate of 12%. The conversion price for the note is 75% of the lowest trading bid for the 10 consecutive trading days prior to the conversion date. As of September 30, 2023, the note was fully paid off.

Convertible note 16: On June 8, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of \$220,000 (includes a \$20,000 OID). The note is due in one year and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date.

Convertible note 17: On June 28, 2022, the Company entered a convertible promissory note with an accredited investor for a total amount of \$110,000 (includes a \$10,000 OID). The note is due in one year and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. During the year ended June 30 2023 the company repaid \$15,000 on the principal balance. As of September 30 2023 the note has a outstanding principal of \$95,000.

Convertible note 18: On August 1, 2022, the Company entered a settlement agreement with an accredited investor for a total amount of \$120,000. The note is due in one year and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. As of September 30, 2023, the Company recorded \$58,462 gain on debt extinguishment.

Convertible note 19: On August 1, 2022, the Company entered a settlement agreement with a service provider for a total amount of \$110,000 (which \$100,000 is the actual settlement amount from original accounts payable and includes a \$10,000 OID). The note is due in one year and bears interest at a rate of 8%. The conversion price for the note is 65% of the lowest trading bid for the 20 consecutive trading days prior to the conversion date. As of September 30, 2023, the Company recorded \$53,590 gain on debt extinguishment.

Convertible note 20: On October 5, 2022, the Company entered a convertible promissory note with an individual consultant for service in a total amount of \$100,000. The note is due in one year and bears interest at a rate of 2%. The conversion price for the note is 75% of the average 3 lowest trading prices during 10 trading days prior conversion date.

Convertible note 21: On November 14, 2022, the Company issued a convertible promissory note with an accredited investor for a total amount of \$532,000 (includes a \$53,200 OID). The note is due in one year and bear an interest rate of 8%. The note is convertible into the Company's common stock at \$0.001 par value per share. The net proceed from the note was \$148,205 and \$110,595 was used to pay for the outstanding fees owed to the service providers and \$220,000 was used to pay for the default payment of note 13 above.

Convertible note 22: On February 21, 2023, the Company issued a convertible promissory note with an accredited investor for a total amount of \$122,500 (includes a \$22,365 OID). The note is due in one year and bear an interest rate of 8%. The note is convertible into the Company's common stock at \$0.00005 par value per share.

In connection with the convertible debt, debt discount balance as of September 30, 2023, and June 30, 2023 were \$272,715 and \$398,977, respectively, and were being amortized and recorded as interest expenses over the term of the convertible debt.

As of the year September 30, 2023, debt discount of the convertible notes consisted of following:

Start Date	End Date	Debt Discount		Amortization	Debt Discount	
		6/30/2023	Addition		As of 9/30/2023	
6/14/2021	6/14/2024	91,576	-	(24,071)	67,505	
1/1/2022	1/1/2025	226,232	-	(37,774)	188,458	
8/1/2022	8/1/2023	10,521	-	(10,521)	-	
8/1/2022	8/1/2023	9,644	-	(9,644)	-	
10/5/2022	10/5/2023	26,575	-	(25,206)	1,370	
11/14/2022	11/14/2023	19,968	-	(13,409)	6,559	
2/21/2023	2/21/2024	14,461	-	(5,637)	8,823	
<b>Total:</b>		<b>\$ 398,977</b>	<b>\$ -</b>	<b>\$(126,262)</b>	<b>\$272,715</b>	

#### Derivative Liabilities

The derivative liability is derived from the conversion features in convertible notes and stock warrants. All were valued using the weighted-average Binomial option pricing model using the assumptions detailed below. As of September 30, 2023, and June 30, 2023, the derivative liability were \$5,072,307 and \$4,870,999, respectively. The Company recorded \$201,308 loss and \$3,697,931 gain from changes in derivative liability during the period ended September 30, 2023, and 2022, respectively. The Binomial model with the following assumption inputs:

June 30, 2023	
Annual Dividend Yield	—
Expected Life (Years)	0.50-2.00
Risk-Free Interest Rate	4.87-5.47%
Expected Volatility	475-582%
September 30, 2023	
Annual Dividend Yield	—
Expected Life (Years)	0.50-1.75
Risk-Free Interest Rate	5.12-5.58%
Expected Volatility	482-539%

Fair value of the derivative is summarized as below:

Beginning Balance, June 30, 2023	\$	4,870,999
Additions		-
Mark to Market		201,308
Reclassification to APIC Due to Conversions		-
Ending Balance, September 30, 2023	\$	5,072,307

### Stock Warrants

On September 7, 2018, the Company entered into a settlement agreement with several investors to settle all disputes by issuing additional unrestricted shares. In connection with the note each individual investor will also receive warrants equal to the number of the shares the investors own as of the effective date of the settlement agreement. The warrants have a life of five years with an exercise price as of the date of exchange. The fair value of the warrants at the grant date was \$56,730. As of September 30, 2023, and June 30, 2023, the fair value of the warrant liability was \$58, respectively.

On February 4, 2020, the Company entered into a warrant agreement with an accredited investor for up to 10,000,000 shares of common stock of the Company at an exercise price of \$0.008 per share, subject to adjustment. The warrants have a life of five years with an exercise price as of the date of exchange. The fair value of the warrants at the grant date was \$80,000. As of September 30, 2023, and June 30, 2023, the fair value of the warrant liability was \$1,000, respectively.

As of September 30, 2023, and June 30, 2023, the total fair value of the warrant liability was \$1,058, respectively.

The Binomial model with the following assumption inputs:

Warrants liability:	June 30, 2023
Annual dividend yield	—
Expected life (years)	.50-5.0
Risk-free interest rate	4.13-5.40%
Expected volatility	262-582%
Warrants liability:	September 30, 2023
Annual dividend yield	—
Expected life (years)	.50-5.0
Risk-free interest rate	4.72-5.42%
Expected volatility	286-482%

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual life
Outstanding at June 30, 2023	1,945,662,213	\$ 0.015	2
Expired	-		
Granted	-		
Outstanding at September 30, 2023	1,945,662,213	\$ 0.015	1.75

### Note Payable

Note payable due to bank

During October 2011, we entered into a revolving demand note (line of credit) arrangement with HSBC Bank USA, with a revolving borrowing limit of \$150,000. The line of credit bears a variable interest rate of one quarter percent (0.25%) above the prime rate (3.25% as of September 30, 2013). In the event the deposit account is not established or minimum balance maintained, HSBC can charge a higher rate of interest of up to 4.0% above prime rate. As of September 30, 2023, and June 30, 2023, the loan principal balance was \$25,982 and \$25,982, respectively.

#### Notes payable due to non-related parties

On October 6, 2020, the Company entered into a promissory note with Darryl Kuecker, and Shirley Ann Hunt (the "Trustee") for borrowing \$1,390,000 with annual interest rate of 6% due in 30 years. Darryl Kuecker, Trustee of the 2002 Darryl Kuecker Revocable Trust as to an undivided 36% interest, and Shirley Ann Hunt, Trustee of the 2002 Shirley Ann Hunt Revocable Trust as to an undivided 64% interest. Principal and interest shall be payable on monthly basis, in installments of \$8,333.75, beginning on November 1, 2020 and until September 1, 2050. Payments to be divided and made separately to each beneficiary per the beneficiary's instruction: \$3,000.15 to Darryl Kuecker, Trustee and \$5,333.60 to Shirley Hunt, Trustee. As of September 30, 2023, and June 30, 2023, the Company had an outstanding balance of \$1,355,848 and \$1,358,446, respectively. As of September 30, 2023, and June 30, 2023, the Company paid interest expense of \$11,736 and \$147,455, respectively.

On May 12, 2021, the Company issued a promissory note to the Lemon Glow shareholders. The original principal amount was \$3,976,000 and the note bears interest at the rate of 5% per year 36 monthly payments commencing on June 15, 2021. As of September 30, 2023, and June 30, 2023, the note had a remaining balance of \$3,466,000, respectively. As of September 30, 2023, and June 30, 2023, the note had accrued interest balance of \$392,758 and \$349,077, respectively.

#### **Loans payable**

On October 1, 2017, the Company issued a straight promissory note to Greater Asia Technology Limited (Greater Asia) for borrowing \$100,000 with maturity date on June 30, 2018; the note bears an interest rate of 33.33%. As of September 30, 2023, and June 30, 2023, the note was in default and the outstanding balance under this note was \$36,695 and \$36,695, respectively.

During the year ended June 30, 2019, the Company entered into a series of short-term loan agreements with Greater Asia Technology Limited (Greater Asia) for borrowing \$375,000, with interest rate at 40% - 50% of the principal balance. As of September 30, 2023, and June 30, 2023, the outstanding balance with Greater Asia loans were \$100,000 and \$100,000, respectively.

On June 6, 2019, SWC entered into an equipment loan agreement with a bank with maturity on June 21, 2024. The monthly payment is \$648. As of September 30, 2023, and June 30, 2023, the outstanding balance under this loan were \$4,385 and \$7,968, respectively.

On July 28, 2020, we entered into a loan borrowed \$159,900 from Bank of America ("Lender"), pursuant to a Promissory Note issued by Company to Lender (the "SBA Loan"). The SBA loan bears interest at 3.75% per annum and may be repaid at any time without penalty. Installment payments, including principal and interest, of \$731 monthly, will begin 12 months from the date of the promissory note and the balance of principal and interest will be payable 30 years from the date of the promissory note. The SBA loan contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in a claim for the immediate repayment of all amounts outstanding under the SBA loan. On July 27, 2021, the loan amount has been increased to \$509,900 and the monthly payment amount has been updated from \$731 to \$2,527. As of September 30, 2023 the loan has a principal of \$507,373.

On January 25, 2021, we entered into a loan borrowed \$96,595 from Bank of America ("Lender"), pursuant to a Promissory Note issued by Company to Lender (the "SBA Loan"). The SBA loan bears interest at 1.00% per annum and may be repaid at any time without penalty. The SBA loan contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in a claim for the immediate repayment of all amounts outstanding under the SBA loan. As of June 30, 2023 the SBA loan was forgiven on the principal amount of \$96,595.

The Company accounting for the SBA loan under Topic 470: (a). Initially record the cash inflow from the SBA loan as a financial liability and would accrue interest in accordance with the interest method under ASC Subtopic 835-30; (b). Not impute additional interest at a market rate; (c). Continue to record the proceeds from the loan as a liability until either (1) the loan is partly or wholly forgiven and the debtor has been legally released or (2) the debtor pays off the loan; (d). Would reduce the liability by the amount forgiven and record a gain on extinguishment once the loan is partly or wholly forgiven and legal release is received.

As of September 30, 2023, and June 30, 2023, the total outstanding SBA loan balance was \$507,373, respectively.

On February 15, 2021, the Company entered into a loan with Manuel Rivera for borrowing \$100,000 with maturity date on September 15, 2021; the note bears a monthly interest of \$3,500 for 7 months. The Company shall pay the investor a fee of \$70,000 within 45 days of its first harvest. As of September 30, 2023, and June 30, 2023, the outstanding loan balance under this note was \$100,000 and \$100,000, respectively. As September 30, 2023, and June 30, 2023, the unpaid interest expense under this note was \$108,500 and \$87,500, respectively.

On March 24, 2021, the Company entered into auto loan agreement with John Deere Financial for an auto loan of \$69,457 for 60 months at annual percentage rate of 2.85%. As of September 30, 2023, and June 30, 2023, the Company has an outstanding balance of \$38,424, respectively.

On August 4, 2021, the Company entered into a loan with Coastline Lending Group of \$490,000 which to be secured by a deed of trust on the real property at 5058 Valley Blvd, Los Angeles, CA90032. The loan has an interest only payment of \$3,471 per month with a term of 36 months. The loan bears an interest rate at 8.5% per annum with maturity date on August 14, 2024. As of September 30, 2023, and June 30, 2023, the Company has an outstanding balance of \$490,000 and \$490,000, respectively.

On October 1, 2021, the Company entered into five auto loan agreements with Ally Auto to purchase five Ram Cargo Vans in total finance amount of \$124,332 for 60 months at annual percentage rate of 6.44%. The monthly payment is \$418 per vehicle. During the year ended June 30, 2023, the Company

sold four of the vehicles and the remaining principal balances were fully paid off. As of September 30, 2023, and June 30, 2023, the Company has an outstanding balance of \$18,014 and \$19,221, respectively.

On October 5, 2021, the Company entered into an auto loan agreement with Hitachi Capital America Corp. to purchase one Ram Cargo Van in total finance amount of \$32,464 for 60 months at annual percentage rate of 8.99%. The monthly payment is \$587. As of September 30, 2023, and June 30, 2023, the Company has an outstanding balance of \$20,741 and \$22,094, respectively.

On October 5, 2021, the Company entered into two auto loan agreements with Hitachi Capital America Corp. to purchase two Ram Cargo Vans in total finance amount of \$64,730 for 60 months at annual percentage rate of 8.99%. The monthly payment is \$674 per vehicle. As of September 30, 2023, and June 30, 2023, the Company has an outstanding balance of \$36,680 and \$39,917, respectively.

On October 21, 2022, the Company entered into a loan with Coastline Lending Group of \$185,000 which to be secured by a second deed of trust on the real property at 5058 Valley Blvd, Los Angeles, CA90032. The loan has an interest only payment of \$2,235 per month with a term of 24 months. The loan bears an interest rate at 14.5% per annum with maturity date on November 1, 2024. As of September 30, 2023, and June 30, 2023, the Company has an outstanding balance of \$185,000, respectively.

On January 3, 2023, the Company entered into a loan with NewCo. Capital Group of \$175,000. The note bears an APR of 64.30% with a daily payment of \$822. As of September 30, 2023, and June 30, 2023, the Company has an outstanding loan balance of \$99,405, respectively.

As of September 30, 2023, and June 30, 2023, the Company had an outstanding loan balance of \$2,029,547 (consists of \$1,491,019 current portion and \$538,528 noncurrent portion) and 1,728,582 (consists of \$1,182,593 current portion and \$545,989 noncurrent portion), respectively.

#### **Loans Payable – Related Parties**

On September 1, 2017, the Company had related party transaction with LMK Capital LLC, a related party company owned by Jimmy Chan, the Company's CEO. The amount of the loan payable/receivable bears no interest and is due on demand. As of September 30, 2023, and June 30, 2023, the balance of the loan payable to LMK were \$1,088,457 and \$664,464, respectively, and the balance of loan receivable were \$0 and \$0, respectively.

On May 25, 2021, Lemon Glow received a loan from an officer. The amount of the loan bears no interest and due on demand. As of September 30, 2023, and June 30, 2023, the balance of the loans were \$2,289 and \$2,289, respectively.

As of September 30, 2023, and June 30, 2023, the Company had an outstanding balance of \$1,090,746 and \$666,753 owed to various related parties, respectively.

#### **Shares to Be Issued**

On April 19, 2018, the Company entered into a consulting agreement with TAAD, LLP. ("the Consultant") to provide certain financial reporting preparation services. The Company will grant the Consultant 5,000,000 shares of the Company's stock per quarter as consulting fees. As of September 30, 2023, and June 30, 2023, 45,000,000 and 40,000,000 common shares have not been issued to the Consultant. As of September 30, 2023, and June 30, 2023, the Company had potential shares to be issued in total amount of \$59,500 and \$59,000, respectively.

Starting July 1, 2021, Mr. Jimmy Chan, the Company's CEO, receives an annual salary of \$250,000 with 50,000,000 commons shares at the end of fiscal year 2022. In addition, upon closing of each acquisition, Mr. Chan will receive 10% of the purchase price as a special bonus. As of June 30, 2023 and 2022, the Company recorded potential shares to be issued in total amount of \$239,827 and \$238,577, respectively.

As of September 30, 2023, and June 30, 2023, the Company had total potential shares to be issued to the consulting agreement and share subscriptions of \$299,327 and \$297,577, respectively.

#### **Stockholders' (Deficit) Equity**

The Company is authorized to issue 10,000,000,000 shares of \$0.001 par value common stock and 10,000,000 shares of \$0.001 par value preferred stock. On April 22, 2020, the Company filed an amendment to increase the total authorized shares to 10,010,000,000 – 10,000,000,000 of which are designated as common stock, par \$0.001 per share and 10,000,000 of which are designated as preferred stock, par value \$0.001 per share. On March 2, 2022, the Company filed with the Delaware Secretary of State a certificate of amendment (the "Amendment") to the Company's certificate of incorporation (the "Certificate of Incorporation"). The Amendment had the effect of increasing the Company's authorized common stock from 10,000,000,000 shares to 20,000,000,000 shares.

As of September 30, 2023, and June 30, 2023, the Company had 13,192,334,158 shares of its common stock issued and outstanding, respectively.

As of September 30, 2023, and June 30, 2023, the Company had 2,541,500 shares of its series B preferred stock issued and outstanding, respectively.

As of September 30, 2023, and June 30, 2023, the Company had 1 share of its series C preferred stock issued and outstanding, respectively.

#### **Leases**

On February 23, 2018, the Company entered into lease agreement for a new office space as part of the plan to expand operation, the lease commenced on March 1, 2018. The term of the lease is for five (5) years with 1 month free on the 1<sup>st</sup> year of the term. The monthly rent on the 1st year will be \$11,770 with a 3% increase for each subsequent year. Total commitment for the full term of the lease will be \$737,367.

The Company's warehouse along with ancillary office space is located at 20529 East Walnut Drive North, Diamond Bar, California, where we lease approximately 11,627 square feet of combined space. The lease term is for five (5) years and two (2) months ending on April 30, 2025. The current monthly rental payment for the facility is \$13,022. As of the date of this filing, this property became the Company's headquarters.

On February 1, 2021, the Company entered into lease agreement with Magnolia Extracts, LLC dba Nug Ave-Lynwood, a California limited liability company for a certain regulatory permit issued by the City of Lynwood authorizing commercial retailer non-storefront operations at 11118 Wright Road, Lynwood, CA 90262. The lease was set to commence on February 1, 2021. The lease payment shall equal \$10,000 per month and the lease term is on month-by-month basis. Parties have agreed that the first month's rent payment shall equal \$7,000 and the Company owed the landlord a refundable security deposit of \$20,000 within 10 days of the commencement date.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for a 2021 Ford Transit Connect Van. The lease payment shall be \$926 monthly on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for two 2021 Hyundai Accent. The lease payment shall be \$612 monthly per vehicle on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

On June 3, 2021, the Company entered into lease agreement with William Chung, a related party of the Company for a 2021 Hyundai Accent. The lease payment shall be \$616 monthly on a month to month basis. The Company shall have the option to end its lease with a 30-day advanced notice or convert to lease to purchase and car will be sold at fair market value.

#### As of September 30, 2023

##### Lease Cost

Operating lease cost (included in general and administration in the Company's statement of operations)	\$ 40,326
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##### Other Information

Cash paid for amounts included in the measurement of lease liabilities for the period ended September 30, 2023	\$ 33,348
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Remaining lease term – operating leases (in years)	1.58
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Average discount rate – operating leases	10%
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The supplemental balance sheet information related to leases for the period ended are as follows:

##### Operating leases

Short-term right-of-use assets	\$ 142,700
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Long-term right-of-use assets	\$ 90,711
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Total operating lease assets	\$ 233,412
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Short-term operating lease liabilities	\$ 155,142
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Long-term operating lease liabilities	\$ 100,094
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Total operating lease liabilities	\$ 255,236
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Maturities of the Company's lease liabilities are as follows:

Year Ended September 30, 2023	Operating Lease
2024	159,089
2025	118,133
Total lease payments	277,221
Less: Imputed interest/present value discount	(21,985)
Present value of lease liabilities	\$ 255,236

#### Contingent Liabilities and Commitment

The company fully recognizes the legal liability as account payable and accrued liabilities. Please refer to Note Accounts Payable and Accrued Liabilities.

#### 10) Issuer Certification

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Jimmy Chan certify that:

1. I have reviewed this Disclosure Statement for Sugarmade, 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.

November 20, 2023

/s/ Jimmy Chan

*Principal Financial Officer:*

I, Jimmy Chan certify that:

1. I have reviewed this Disclosure Statement for Sugarmade, 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.

November 20, 2023

/s/ Jimmy Chan