SECTOR 10 INC
Form 10-Q/A
November 12, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

ü **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2008

or

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

For the transition period from: _____________ to _____________

Commission File Number: 000-24370

SECTOR 10, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**33-0565710**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

14553 South 790 West

Bluffdale, Utah 84065

(Address of Principal Executive Office) (Zip Code)

(801) 478-2475

(*Registrant s telephone number, including area code)*

SKRM Interactive, Inc.

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ü Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer		Accelerated filer	
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company	ü

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. As of July 31, 2008 the issuer had 94,060,292 shares of common stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes ü No

EXPLANATORY NOTE

The purpose of this Amendment No. 1 to Quarterly Report on Form 10-Q/A is to

a)

Clarify the discussion on products sold in Note 2 in Notes to Unaudited Consolidated Financial Statements;

b)

Clarify the discussion of the Network included in the overview in Management s Discussion and Analysis;

c)

Adjust the conclusion date in Item 3 for Controls and Procedures. An adjustment was made to correct the period for the conclusion as June 30, 2008. Additional changes were made to the wording in Item 3 (a) to be consistent with the language prescribed under Rule 13a-15(e).

d)

Adjust exhibits to correct Form Reference to Form 10-Q/A

The adjustments had no impact on the financial results presented in the original filing.

The Items which are amended and restated herein are:

1.

Item 1 Unaudited Consolidated Financial Statements - Notes to the Unaudited Consolidated Financial Statements

2.

Item 2 Management s Discussion and Analysis or Plan of Operation - Overview

3.

Item 3 Controls and Procedures part (a)

4.

Exhibit 31.1 correct form reference

5.

Exhibit 31.2 correct form reference

6.

Exhibit 32.1 correct form reference

7.

Exhibit 32.2 correct form reference

The remaining Items contained within this Amendment No. 1 to our Quarterly Report on Form 10-Q/A consist of all other Items originally contained in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 in the form filed with the SEC on August 19, 2008. These remaining Items are not amended hereby, but are included for the convenience of the reader. In order to preserve the nature and character of the disclosures set forth in such Items as originally filed, except as expressly noted herein, this report continues to speak as of the date of the original filing, and we have not updated the disclosures in this report to speak as of a later date. While this report primarily relates to the historical periods covered, events may have taken place since the original filing that might have been reflected in this report if they had taken place prior to the original filing.

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(formerly SKRM Interactive, Inc.)

Part I. Financial Information

Part II. Other Information

ITEM 1.

FINANCIAL STATEMENTS

Sector 10, Inc.

(formerly SKRM Interactive, Inc.)

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

	June 30, 2008 (Unaudited)	March 31, 2008 (Audited)
ASSETS		
Current assets:		
Cash	$ 323	$ -
Prepaid assets	139,169	-
Total current assets	139,492	-
Fixed Assets:		
Furniture	9,182	9,182
Computers	13,068	13,068
Total fixed asset cost	22,250	22,250
Less: accumulated depreciation	(2,373)	(1,260)
Net fixed assets	19,877	20,990
Other assets:		
Network acquisition	1,097,995	-
Total other assets	1,097,995	-
Total assets	$ 1,257,364	$ 20,990
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	$ -	$ 692
Accounts payable and accrued liabilities	87,700	82,291
Note payable	200,000	-
Note payable officer / shareholder	54,301	762,387
Total current liabilities	342,001	845,370

Shareholders' equity:				
Preferred shares - $0.001 par value; 1,000,000 authorized, no shares issued or outstanding				
Common shares - $0.001 par value; 199,000,000 authorized; 94,060,292 and 77,320,292 shares issued and outstanding, respectively		94,060		77,320
Additional paid in-capital (Deficit)		675,092		(774,168)
Retained earnings (deficit) accumulated during the development stage		146,211		(127,532)
Total shareholders' equity (deficit)		915,363		(824,380)
Total liabilities and shareholders' equity (deficit)	$	1,257,364	$	20,990

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

Sector 10, Inc.

(formerly SKRM Interactive, Inc.)

(A DEVELOPMENT STAGE COMPANY)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended June 30, 2008 and 2007 and for the Period From Inception,

September 16, 2002 to June 30, 2008

	Three Months Ended June 30, 2008	June 30, 2007	Inception to June 30, 2008
Expenses:			
General and administrative	$ 240,132	$ -	$ 363,849
Total expenses	240,132	-	363,849
Income (loss) from operations	(240,132)	-	(363,849)
Interest expense	(3,325)	-	(7,140)
Other income: debt restructuring	517,200	-	517,200
Net Income (loss)	$ 273,743	$ -	$ 146,211
Weighted Average Shares Outstanding basic and diluted	86,694,798	50,000,000	
Basic and diluted income (loss) per share			
Continuing Operations	$ 0.00	$ (0.00)	
Net Loss	$ 0.00	$ (0.00)	

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

Sector 10, Inc.

(formerly SKRM Interactive, Inc.)

(A DEVELOPMENT STAGE COMPANY)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

	Common stock		**Additional Paid-In Capital**	**Deficit Accumulated During the Development Stage**
	Shares	**Amount**		
Balance at March 31, 2008	77,320,292	$ 77,320	$ (774,168)	$ (127,532)
Issue shares on April 4, 2008 @$.11 per share to Capital Group Communications (unaudited)	3,040,000	3,040	330,960	-
Issue shares on May 8, 2008 @$.11 per share to Jeffrey Martin debt conversion (unaudited)	1,200,000	1,200	130,800	-
Issue shares on May 19, 2008 @$.08 per share to Sector 10 Holdings, Inc. for transfer of Network ownership (unaudited)	12,500,000	12,500	987,500	-
Net income for the period				273,743
Balance at June 30, 2008	94,060,292	$ 94,060	$ 675,092	$ 146,211

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

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Sector 10, Inc.

(formerly SKRM Interactive, Inc.)

(A DEVELOPMENT STAGE COMPANY)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Inception to June 30, 2008
Cash Flows from Operating Activities:			
Net income (loss)	$ 273,743	$ -	$ 146,211
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock for services	194,831	-	194,831
Depreciation	1,113	-	2,373
Gain on debt restructuring	(517,200)	-	(517,200)
Changes in			
Accounts payable and accrued liabilities	37,121	-	71,993
Net cash used in operating activities	(10,392)	-	(101,792)
Cash Flows from Investing Activities:			
Fixed asset purchases	-	-	(22,250)
Network acquisition / development costs	(97,995)	-	(97,995)
Net cash used in investing activities	(97,995)	-	(120,245)
Cash Flows from Financing Activities:			
Bank overdraft	(692)	-	-
Proceeds from general financing	200,000	-	200,000
Proceeds from Shareholder /Officers	32,808	-	652,354
Payments to Shareholder/Officers	(123,406)	-	(633,580)
Proceeds from issuance of common stock	-	-	3,586
Net cash provided by financing activities	108,710	-	222,360

Net increase (decrease) in cash and cash equivalents		323		-		323
Beginning of the year cash balance		-		-		-
Ending of the period cash balance	$	323	$	-	$	323
Cash Paid for interest	$	-	$	-	$	-
Cash paid for income taxes	$	-	$	-	$	-

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

SECTOR 10, INC.

(formerly SKRM INTERACTIVE, INC)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements of Sector 10, Inc. (Sector 10 or the Company), have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and required by Rule 10-01 of Regulation S-X. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation, have been included in the accompanying unaudited consolidated financial statements. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year.

Note 2 NETWORK ACQUISITION

On May 19, 2008 Sector 10, Inc. (Sector 10 or Company) entered into an agreement with it; major shareholder Sector 10 Holdings, Inc. (Holdings). Holdings currently owns approximately 70% of the outstanding shares of Sector 10. Holdings had developed a Server Network to maintain and administer products and services that have been developed by Holdings including the SRU and MRU safety products. Sector 10 has been restructured to act as the primary sales and distribution unit for Sector 10 Holdings products and services.

The network has fully integrated capabilities for distribution services including the worldwide transmission of video and audio broadcasts, with content management services that archive data under a redundant system with various server clusters across the nation to service Sector10 s National and world-wide requirements. In addition to providing for the normal Sector 10 products such as the SRU and SRU- Media, the Network also has the capability to provide other services.

The network was transferred from Holdings to the Company at a cost of $1,000,000 which reflects the prior costs incurred by Holdings prior to the transfer. As part of the agreement, the Company agreed to pay for development costs that were due in the month of transfer. This expense amounted to $97,995 in May 2008.

Since the transfer was from a related party, the transfer was recorded at the $1 Million prior costs incurred by Holdings. The transfer was reflected as Network acquisition costs and the Company issued 12,500,000 common shares that were valued at $.08 per share for total value of $1,000,000. The value of the shares will be reviewed after 6 months to verify that value is maintained. Additional shares may be issued if the value is lower than $1 Million.

The Company has agreed to pay Sector 10 Holdings the following based on future transactions

1.

10% interest in net revenues generated from the total network payable monthly. This interest has no expiration.

2.

50% equity interest in future sale or transfer of network to third parties for the sales proceeds up to $6 Million and

3.

25% equity interest in future sale or transfer of network to third parties for the sales proceeds in excess of $6 Million. Proceeds capped at $20 Million when considering all previous payments and distributions.

Note 3 DEBT CONVERSION

On May 8, 2008, Sector 10, Inc. (Sector 10) and Jeffrey Martin (Martin) agreed to convert all outstanding debt owed Martin to common shares of Sector 10, Inc. A brief description of the transaction and the related background is as follows.

Sector 10 acquired SKRM Interactive in November 2007. The name SKRM Interactive, Inc was subsequently changed to Sector 10, Inc. in April 2008. At the time of the acquisition, there were numerous debts and obligations owed by SKRM Interactive, Inc. (Pre-acquisition debt).

SECTOR 10, INC.

(formerly SKRM INTERACTIVE, INC)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Martin transferred 1,200,000 SKRM Interactive, Inc. common shares (Martin Transfer) that were owned by Martin and/or related parties to various individuals in satisfaction of pre-acquisition debt. As a result of the Martin transfer, Sector 10 recorded $649,200 in liabilities due Martin on its books for the fiscal year end March 31, 2008.

The following agreement was reached by Martin and Sector 10:

a)

Martin agrees that the total amount due from Sector 10 is $649,200 and that Martin desires to convert the debt into Sector 10 shares in an amount equal to the number of shares used by Martin in the Martin Transfer

b)

Sector 10 agrees to issue 1,200,000 new shares of Sector 10, Inc. in complete and total satisfaction of the $649,200 debt to Martin and in satisfaction of any other unrecorded debt that may exist between Martin and Sector 10.

The 1,200,000 shares were issued during the quarter ended June 30, 2008. The accounting for the debt conversion consisted of reclassification of the note payable of $649,200 to additional paid-in-capital (($130,800) and capital stock ($1,200). The value of the shares issued on May 8, 2008 was $132,000. The $517,200 difference between the value and the debt converted was treated as other income.

Note 4 NOTES PAYABLE

Shareholder / Officer

Subsequent to the merger transaction on November 20, 2007, the Company received funding from both Sector 10 Holdings, Inc. (Majority Shareholder) and Pericles DeAvila (an Officer/Shareholder). Funding and/or disbursements transactions with the respective sources is accounted for in a separate account for Sector 10 Holdings, Inc. and Pericles DeAvila. Interest is charge on the account at a rate of 8% per annum. Total interest accrued on the accounts is $1,712 which is comprised of Pericles DeAvila - $102 and Sector 10 Holdings - $1,610.

Johnson Financing

On May 11, 2008, Sector 10, Inc. (Sector 10) entered into an agreement with Edward Johnson (Johnson) to provide short term financing to provide assistance with the development and expansion of the business of Sector 10.

Under the terms of the Agreement dated, May 11, 2008, Sector 10 and Johnson agree to a short term financing $200,000 obligation as follows:

a)

Johnson will provide Sector 10 with a short term loan in the amount of $200,000 immediately upon execution of this Agreement. The loan will be for term of 9 months with 1 automatic extension of 6 months allowed if so requested by Sector 10. Interest on the loan is fixed at rate equal to prime plus 1 (As published in the Wall Street Journal as of the effective date of this agreement). The effective prime rate as of May 11, 2008 was 5%. The rate under the agreement is 6%

b)

Sector 10 agrees to allocate 20% of the net monthly cash available from the revenues generated by the Network from outside business to pay off the loan principal and interest. Sector 10 at its discretion may allocate more than 20% of the net cash available from the network.

c)

The Network revenues from the Non-Sector 10 Product business will be the only revenues allocated under this agreement. Revenues generated from other Sector 10 business activities including SRU-Media, maintenance or other revenues are not included in any calculation of net revenues under this agreement.

The note has been recorded as a short term note. Interest has been accrued and is recorded as an accrued expense. Interest is accrued at $1,000 per month until payments are made as agreed from network revenues. Network revenues are expected to begin in the 2nd quarter of the current fiscal year. Total interest accrued at June 30, 2008 is $1,613.

SECTOR 10, INC.

(formerly SKRM INTERACTIVE, INC)

(A DEVELOPMENT STAGE COMPANY)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Note 5 EQUITY

During the Quarter ended: June 30, 2008:

In April 2008, 3,040,000 shares were issued to Capital Group Communications as part of a fee arrangement to provide the Company with investor relations services. The value of the shares was $334,000 which was reflected as an adjustment to capital stock and paid in capital. The stock was issued for professional fees related to investor relations services. The total fees of $334,000 were split between the current expense recognized of $194, 831 and prepaid expense of $139,169 which represents expenses that will be recognized in 2nd and 3rd quarterly periods for the year ended March 31, 2009. The current agreement extends through December 17, 2008.

In May, 2008, 1,200,000 shares were issued to Jeffrey Martin in exchange for the conversion of $649,200 debt. A net adjustment of $132,000 reflecting the value of the equity was made to capital stock and paid in capital. The difference between the value and the debt converted was treated as other income.

In May 2008, 12,500,000 shares were authorized to be issued to Sector 10 Holdings as part of the Network Acquisition. The shares were valued at $.08 per share based on the closing price at May 19, 2008. The agreement for the acquisition requires that the shares retain the $1 Million required value at the end of 6 months. If value is not retained, then additional shares may be issued to retain the full value at $1 Million.

Note 6 GOING CONCERN

As of June 30, 2008, the Company s revenue generating activities were not in place. This factor raises substantial doubt about the Company s ability to continue as a going concern.

Management is currently negotiating contracts that are anticipated to generate revenues in the 2nd quarter of the Company s fiscal year ending March 31, 2009. Management also intends to seek additional capital through equity and/or debt financing to assist the Company until profitable operations can be achieved. There can be no assurance that such funds will be available to the Company or available on terms acceptable to the Company. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Note 7 INCOME TAXES

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Valuation allowances are established when necessary to reduce net deferred tax assets to the amount expected to be realized.

The Company s financial statements for the three month period ended June 30, 2008 and 2007 do not include any provision for income taxes. No income tax accrual has been recorded based on the expectation that the additional losses expected to be incurred in the balance of the fiscal year and net operating losses are sufficient to offset the debt forgiveness income that was reflected in the current period. Accordingly, deferred tax assets have been entirely offset by valuation allowances. The difference between the amounts of income tax benefit that would result from applying domestic federal statutory income tax rates to the net loss and the net deferred tax assets is related to certain nondeductible expenses, state income taxes, and the change in the valuation allowance.

In June 2006, FASB issued FIN48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109. It is effective for fiscal years beginning after December 15, 2006. The Company has determined that the application of FIN 48 is immaterial to the Company s financial statements for the current period. As the Company expects the business to change significantly in the future, an evaluation regarding the impact of FIN 48 will be reviewed on a quarterly basis.

ITEM 2.

MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This report contains forward-looking statements within the meaning of Section 29a of the Securities Act of 1933, as amended, and Section 21e of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from historical or anticipated results. You should not place undue reliance on such forward-looking statements, and, when considering such forward-looking statements, you should keep in mind the risk factors noted in this report, including the section of this report entitled Risks Related to Our Business and Operations. You should also keep in mind that all forward-looking statements are based on management s existing beliefs about present and future events outside of management s control and on assumptions that may prove to be incorrect. The following discussion and analysis should be read in conjunction with the Company s financial statements and notes thereto, which are included elsewhere in this report.

Overview

Sector 10 Services has been developing relationships and presently has contracts under review that could generate significant revenues for the Company. The initial contracts are expected to be completed before the conclusion of the 2nd quarter for year ending March 31, 2009. If the Company is successful in negotiating and executing purchase contracts, and if the Company is able to expand its operations to fulfill product orders which could be issued under those contracts, neither possibility of which the Company can presently assure, the Company s management believes the Company s revenues and related cash flows of the Company would have a material impact on the Company financial statements.

Sector 10 Holdings, the Company s largest shareholder, transferred a Network, with a cost of $1 Million, to the Company. Since the network was transferred from a related party, the transfer was recorded at $1 Million which represents the totals network costs incurred prior to the transfer.

Going Concern Qualification

The notes to the Company s consolidated financial statements disclose that the limited cash flow of the Company has been absorbed in operating activities and the Company has incurred net losses since inception, and the Company has a working capital deficiency. In the event that funding from internal sources or from public or private financing is insufficient to fund the Company s business, the Company will have to substantially cut back its level of spending, which could substantially curtail the Company s operations. These factors raise substantial doubt about the Company s ability to continue as a going concern. The Company s going concern uncertainty may affect its ability to raise additional capital, and may also affect its ability to raise additional capital, and may also affect its relationships with suppliers and customers. Investors should carefully examine the Company s financial statements.

Results of Operations

Three Months Ended June 30, 2008 as Compared to the Three Months Ended June 30, 2007

Revenues -

The Company had no revenues for the three months ended June 30, 2008. The Company is currently negotiating various contracts which the Company s management currently believes will generate revenues beginning in the 2nd quarter for the fiscal year ending March 31, 2009.

The Company had no revenues for the three months ended June 30, 2007.

Other Income-

The company had other income of $517,200 for the period ended June 30, 2008. The income was a result of the difference in the value of the shares provided in the conversion of debt to equity.

The Company had no other income for the three months ended June 30, 2007.

Operating Expenses -

All expenses for the Company were treated as general and administrative expenses. The Company had no separate operating expenses for the three months ended June 30, 2008 or June 30, 2007. The Company s management anticipates that the Company will begin to incur operating expenses if and when certain prospective contracts are finalized. The Company s management currently believes that the contracts will generate revenues and operating expenses beginning in the 2nd quarter for the fiscal year ending March 31, 2009.

General and Administrative Expenses -

General and administrative expenses were $240,132 for the three months ended June 30, 2008. These expenses are made up of professional fees investor relations CGC 194,831, expense allocation from Sector 10 Holdings of $30,000, other professional fees of $9,657 and other expenses of $5,644.

General and administrative expenses were $0 for the three months ended June 30, 2007.

Interest Expense

Interest expense for the three month period ended June 30, 2008 was $3,325. There was no interest expense for the three month period ended June 30, 2007.

Liquidity and Capital Resources

As of June 30, 2008, Sector 10 had cash of $323. This amount is not sufficient to meet the Company s working capital requirements for the balance of the fiscal year ending March 31, 2009 or for any future period.

The Company is currently negotiating various contracts which the Company s management currently believes will generate cash flow in the 2nd quarter for the fiscal year ending March 31, 2009. The Company may consider also generating funding from the sale of shares of Common Stock to in private transactions. There is no guarantee that the Company will be successful in arranging financing on acceptable terms. If the Company is not able to raise additional debt or equity, the Company s ability to continue its business operations is highly unlikely.

The Company does not currently have any arrangements for financing and the Company may not be able to find such financing if required. Obtaining additional financing would be subject to a number of factors, including investor sentiment. Market factors may make the timing, amount, terms or conditions of additional financing unavailable to the Company.

The Company s continuation as a going concern is dependent upon continued financial support from the Company s shareholders or other parties.

Total Assets -

The Company had $1,257,364 in total assets as of June 30, 2008, comprised of cash - $323, Prepaid Assets $139,169, Net Fixed Assets - $19,877 and Network Acquisition/Development Costs - $1,097,995.

Total Liabilities -

The Company had $342,001 in total liabilities as of June 30, 2008. The Company s total liabilities as of June 30, 2008 were comprised of $87,700 of accounts payable and accrued liabilities; $54,301 in notes payable to a shareholder/officer and $200,000 other notes payable. All of the outstanding debt is classified as current liabilities.

Operating Activities -

Cash used in operations for the three months ended June 30, 2008 was ($10,392). Operating activities were affected by stock for services - $194,831; depreciation expense - $1,113; gain on debt restructuring ($517,200) and change in accounts payable and accrued liabilities -$37,121.

Cash used in operations for the three months ended June 30, 2007 was $0.

Investing Activities -

Cash used from investing activities for the three months ended for June 30, 2008 was $97,995. This consisted entirely of cash used in the further development of the network.

There was no cash used from investing activities for the period ended June 30, 2007.

Financing Activities -

Cash provided from financing activities for the three months ended June 30, 2008 was $108,710 comprised from reversal of cash overdraft (692), short term financing - $200,000 and net payments on shareholder / officer notes ($90,598).

Cash used in financing for the three months ended June 30, 2007 was $0.

Risks Related to the Company s Business and Operations

Investing in the Common Stock involves a high degree of risk. You should carefully consider the risks described below, and all of the other information set forth in this report before deciding to invest in shares of the Company s common stock. In addition to historical information, the information in this report contains forward-looking statements about the Company s future business and performance. The Company s actual operating results and financial performance may be different from what the Company s management expects as of the date of this report. The risks described in this report represent the risks that the Company s management has identified and determined to be material to the Company. Additional risks and uncertainties not currently known to the Company s management, or that the Company s management currently deems to be immaterial, may also materially harm the Company s business operations and financial condition.

Going Concern Qualification

The Company has generated limited cash flow, has incurred net losses since inception and has a working capital deficiency. In the event that contracts are not executed, the Company will not be able to generate revenues sufficient to cover anticipated expenses. Existing funding from internal sources or from public or private financing is insufficient to fund the Company s business. If the Company is unable to quickly generate capital from operating activities or from external sources, the Company will have to substantially curtail its operations and will likely need to suspend its operations entirely. These factors raise substantial doubt about the Company s ability to continue as a going concern. The Company s going concern uncertainty will likely affect its ability to raise additional capital, and may also affect its relationships with suppliers and prospective customers. Investors should carefully examine the Company s financial statements.

The Company has not generated revenues and has not executed any contracts for the sale of the Company s products.

The Company has not generated any revenues. Currently the Company is negotiating contracts that may generate revenues; however, none of those contracts has been executed, and the Company can provide no assurance that any such contracts will ever be executed. There can be no assurance that the Company will generate any revenues. If the Company does not generate revenues in the near term, the Company will have to substantially curtail its operations and will likely need to suspend its operations entirely.

The Company uses outside sources to fulfill contract obligations and has limited control over the provider s ability to meet the Company obligations.

The Company will be required to supply various equipment and services under the contracts currently under negotiation. If the contracts are executed, of which the Company can provide no assurance, the Company intends to engage third-party suppliers to manufacture the products the Company proposes to sell under the contracts. The Company has no control over such third-party suppliers. If any or all of those third-party suppliers fails to supply sufficient products on a timely basis to meet the terms of any contract, the Company would be unable to perform its obligations to its customers, if any. If the Company is successful in negotiating and executing contracts for the sale of its products and if a third-party supplier fails to perform its obligations under its arrangement with the Company, the Company s financial condition and results of operation would be materially and adversely affected.

The directors, executive officers and principal shareholders of the Company have effective control of the Company, preventing non-affiliate shareholders from significantly influencing the Company s direction and future.

The Company s directors, officers, and principal shareholders and their affiliates control in excess of 80% of the Company s outstanding shares of common stock and are expected to continue to control a majority of our outstanding common stock following any financing transactions projected for the foreseeable future. These directors, officers and affiliates effectively control all matters requiring approval by the Company s shareholders, including any determination with respect to the acquisition or disposition of assets, future issuances of securities, declarations of dividends and the election of directors. This concentration of ownership may also delay, defer, or prevent a change in control and otherwise prevent stockholders other than management s affiliates from influencing the Company s direction and future.

The market for the Company s stock is thin and subject to manipulation.

The volume of trading in the Common Stock is limited and can be dominated by a few individuals. The limited volume, if any, can make the price of the Common Stock subject to manipulation by one or more shareholders and will significantly limit the number of shares of Common Stock that one can purchase or sell in a short period of time. An investor may find it difficult to dispose of shares of Common Stock or obtain a fair price for the Common Stock in the market.

The market price for the Common Stock is volatile and may change dramatically at any time.

The market price of the Common Stock is highly volatile. The price for the Common Stock may change dramatically as the result of announcements of the Company s operating or financial results, the rate of the Company s expansion, significant litigation or other factors or events that would be expected to affect the Company s business or financial condition, results of operations and other factors specific to the Company s business and future prospects. In addition, the market price for the Common Stock may be affected by various factors not directly related to the Company s business, including the following:

.

intentional manipulation of the price of the Common Stock by existing or future stockholders;

.

short selling of the Common Stock or related derivative securities;

.

a single acquisition or disposition, or several related acquisitions or dispositions, of a large number of the Company s shares of Common Stock;

.

the interest, or lack of interest, of the market in the Company s business sector, without regard to the Company s financial condition or results of operations;

.

the adoption of governmental regulations and similar developments in the United States or abroad that may affect the Company s ability to offer the Company s products and services or affect the Company s cost structure;

.

developments in the businesses of companies that purchase the Company s products; and

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economic and other external market factors, such as a general decline in market prices due to poor economic indicators or investor distrust.

Our business may be affected by increased compensation and benefits costs.

The Company is currently negotiating various contracts that may generate revenues beginning in the quarter ended March 31, 2008. If the Company is able to execute any such contracts, of which there can be no assurance, the Company intends to new personnel to assist in the development and conduct of the Company s business operations. The increased compensation and benefits associated with any new hires will impact the net results of the Company.

The Company has not paid dividends and does not anticipate paying dividends in the future.

The Company has not paid any cash dividends on its common stock to date and does not anticipate any cash dividends being paid to holders of its common stock in the foreseeable future. While the Company s dividend policy will be based on the operating results and capital needs of the business, it is anticipated that any earnings will be retained to finance the Company s future expansion. As the Company has no plans to issue cash dividends in the future, its common stock could be less desirable to other investors and as a result, the value of our common stock may decline, or fail to reach the valuations of other similarly situated companies who have issued cash dividends.

The Common Stock is a low-priced stock and subject to regulation that limits or restricts the potential market for the stock.

Shares of the Common Stock should be considered to be low-priced or penny stock, resulting in increased risks to investors and certain requirements being imposed on some brokers who execute transactions in the common stock. In general, a low-priced stock is an equity security that:

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Is priced under five dollars;

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Is not traded on a national stock exchange, the Nasdaq Global Market or the Nasdaq Capital Market;

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Is issued by a company that has less than $5 million in net tangible assets (if it has been in business less than three years) or has less than $2 million in net tangible assets (if it has been in business for at least three years); and

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Is issued by a company that has average revenues of less than $6 million for the past three years.

The Company believes the Common Stock is presently a penny stock. At any time that the Common Stock qualifies as a penny stock, the following requirements, among others, will generally apply:

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Certain broker-dealers who recommend penny stock to persons other than established customers and accredited investors must make a special written suitability determination for the purchaser and receive the purchaser s written agreement to a transaction prior to sale.

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Prior to executing any transaction involving a penny stock, certain broker-dealers must deliver to certain purchasers a disclosure schedule explaining the risks involved in owning penny stock, the broker-dealer s duties to the customer, a toll-free telephone number for inquiries about the broker-dealer s disciplinary history and the customer s rights and remedies in case of fraud or abuse in the sale.

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In connection with the execution of any transaction involving a penny stock, certain broker-dealers must deliver to certain purchasers the following:

o

bid and offer price quotes and volume information;

o

the broker-dealer s compensation for the trade;

o

the compensation received by certain salespersons for the trade;

o

monthly accounts statements; and

o

a written statement of the customer s financial situation and investment goals.

Compliance with existing and new regulations of corporate governance and public disclosure may result in additional expenses.

Compliance with changing laws, regulations, and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and other SEC regulations, requires large amounts of management attention and external resources. This may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

ITEM 3.

CONTROLS AND PROCEDURES

(a)

Based on the evaluation of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) required by paragraph (b) of Rules 13a-15 or 15d-15, the Company s principal executive officer and principal financial officer concluded that as of June 30, 2008, the Company s disclosure controls and procedures were effective.

(b)

There have been no changes in the Company s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the Company s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On September 12, 2007, the Company, Jeffrey Martin, Sector 10 Services, Sector 10 Holdings, and the DeAvila Institute the Section 10 Transaction Exchange Agreement. The offer and sale of shares of common stock in the Sector 10 Transaction were effected in reliance upon the exemptions for sales of securities not involving a public offering, as set forth in Section 4(2) of the Securities Act and/or Regulation D promulgated thereunder, based upon the following: (a) there was no public offering or general solicitation with respect to the Sector 10 Transaction offering; (b) each of Sector 10 Holdings and the DeAvila Institute investor was provided with certain disclosure materials and all other information requested with respect to the Company; (c) each of Sector 10 Holdings and the DeAvila Institute acknowledged that all securities being purchased were restricted securities for purposes of the Securities Act, and agreed to transfer such securities only in a transaction registered under the Securities Act or exempt from registration under the Securities Act; and (d) a legend was placed on the certificates representing each such security stating that it was restricted and could only be transferred if subsequently registered under the Securities Act or transferred in a transaction exempt from registration under the Securities Act.

ITEM 6.

EXHIBITS

See the Exhibit Index attached hereto following the signature page.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Sector 10, Inc.

November 11, 2008	By: /s/ PERICLES DEAVILA
Date	Pericles DeAvila, President
November 11, 2008	By: /s/ LAURENCE A. MADISON
Date	Laurence A. Madison
	Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Exhibit	Incorporated by Reference
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32.1	Section 1350 Certification of Chief Executive Officer	Filed herewith
32.2	Section 1350 Certification of Chief Financial Officer	Filed herewith