Diversified Opportunities, Inc.
Form 10-Q
February 01, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: December 31, 2010

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from N/A to N/A

Commission file number: 000-23446

DIVERSIFIED OPPORTUNITIES, INC.

(Name of small business issuer in its charter)

Delaware	**94-300888**
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10907 Technology Place **San Diego California**	**92127**
(Address and of principal executive offices)	(Zip Code)

(858) 342-8155

(Issuer s telephone number, including area code)

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

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o

Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting company x

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

At January 28, 2011, there were 9,199,192 shares outstanding of the issuer's common stock, the only class of common equity.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q may contain statements relating to future results of Diversified Opportunities, Inc. that are forward-looking statements . Our actual results may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to, without limitation, statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as expects or does not expect , is expected , anticipates or does not anticipate , plans , estimate intends , or stating that certain actions, events or results may , could , would , might or will be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Company to be materially different from any future results or achievements of the Company expressed or implied by such forward-looking statements. Such factors include, among others, those set forth herein and those detailed from time to time in our other Securities and Exchange Commission (SEC) filings including those contained in our most recent Form 10-K. These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Also, there can be no assurance that the Company will be able to raise sufficient capital to continue as a going concern.

DIVERSIFIED OPPORTUNITIES, INC.
BALANCE SHEETS

December 31, 2010 and June 30, 2010

	Dec. 31, 2010 (unaudited)	Jun. 30, 2010
ASSETS		
Current assets:		
Cash	$ 480	$ 4,130
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,200	$ 1,500
Amounts due to related parties, including accrued interest	78,885	18,885
Total current liabilities	80,085	20,385
Shareholders deficit:		
Preferred stock; $0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock; $0.001 par value; 300,000,000 shares authorized; 9,199,192 shares issued and outstanding	9,199	9,199
Additional paid-in capital	237,154	237,154
Accumulated deficit	(325,958)	(262,608)
Total shareholders' deficit	(79,605)	(16,255)
	$ 480	$ 4,130

See accompanying notes.

DIVERSIFIED OPPORTUNITIES, INC.

UNAUDITED STATEMENTS OF OPERATIONS

Three and six months ended December 31, 2010 and 2009

	Three months ended December 31, 2010	Three months ended December 31, 2009	Six months ended December 31, 2010	Six months ended December 31, 2009
General and administrative expenses	$ 30,650	$ 3,467	$ 63,350	$ 10,291
Interest expense in connection with advances from related parties	-	2,462	-	4,828
Net loss	$ (30,650)	$ (5,929)	$ (63,350)	$ (15,119)
Basic and diluted net loss per share	$ 0.00	$ 0.00	$ (0.01)	$ 0.00
Basic and diluted weighted average common shares outstanding	9,199,192	9,199,192	9,199,192	9,199,192

See accompanying notes.

DIVERSIFIED OPPORTUNITIES, INC.

UNAUDITED STATEMENTS OF CASH FLOWS

Six months ended December 31, 2010 and 2009

		2010		2009
Cash flows from operating activities:				
Net loss	$	(63,350)	$	(15,119)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Fair value of services provided by related parties		60,000		-
Interest on advances from related parties		-		4,828
Changes in accounts payable and accrued expenses		(300)		(2,166)
Net cash flows from operating activities		(3,650)		(12,457)
Cash flows from financing activities:				
Proceeds from related party borrowings		-		8,515
Net cash flows from financing activities		-		8,515
Change in cash		(3,650)		(3,942)
Cash, beginning balance		4,130		4,072
Cash, ending balance	$	480	$	130

See accompanying notes.

DIVERSIFIED OPPORTUNITIES, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1.

Basis of Presentation

Diversified Opportunities, Inc. (hereinafter referred to as DVOP , we or the/our Company) is incorporated in the state of Delaware. Our Company is controlled by CT Partners (a California general partnership including Kevin Russeth, our Chief Executive Officer and the sole director of our Company) pursuant to the April 13, 2010 purchase by CT Partners of 9,000,000 shares of common stock from QRSciences Holdings Limited (QRSciences). The 9,000,000 shares of DVOP common stock constitute 97.83% of the 9,199,192 shares of Company common stock outstanding as of December 31, 2010. This purchase of QRSciences shares by CT Partners resulted in a change of control.

Going concern

Our financial statements have been prepared assuming that we will continue as a going concern. While we currently project that our cash on hand and existing commitments for additional investment will be sufficient to maintain our Company s operations beyond one year from the date of this annual report, we are dependent on CT Partners to fund our on-going operations that include primarily general and administrative expenses required to maintain our Company compliant with the requirements of a fully reporting public company. While we believe that CT Partners will continue to fund our operations for the foreseeable future, there is no requirement for CT Partners to maintain this funding.

Our dependence on CT Partners for the maintenance of our operations raises a substantial doubt about our ability to continue as a going concern due to uncertainties that could arise should CT Partners decide to no longer continue funding our Company. Our financial statements do not include any adjustments that might result from this uncertainty. We believe at present that CT Partners will continue to fund our operations. In the event of their discontinuation of funding our Company, our management could seek the capital we require from other sources. However, there can be no assurance as to whether, when, or upon what terms we would be able to consummate any such financing.

We have prepared the accompanying unaudited financial statements 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. Accordingly, they do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the six months ended December 31, 2010 and 2009 are not necessarily indicative of the results that may be expected for the entire year. For further information, see our consolidated financial statements and related disclosures thereto for the periods ended June 30, 2010 in our Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2.

Summary of Significant Accounting Policies

Basis of Presentation

Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. We adopted fresh-start account as of September 14, 2001 in accordance with the guidance specified by American Institute of Certified Public Accounts Statement of Position (SOP)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 from those estimates.

Revenue Recognition

To the extent that we have future revenues from the sale of goods, they will be recognized when an order has been received, the product has been shipped, the selling price is fixed or determinable and collection is reasonably assured and when both title and risk of loss transfer to the customer, provided that no significant obligations remain. To the extent that we have revenues from the provision of

DIVERSIFIED OPPORTUNITIES, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

services, they will be recognized at the time services are rendered, their selling price is fixed or determinable and collection is reasonably assured, provided that no significant obligations remain. Sales revenues will not include sales taxes collected from the customer.

Cash and Cash Equivalents

Our policy is to classify as cash and cash equivalents, cash in demand deposit and checking accounts as well as investments that are readily convertible into cash with original maturities of three months or less.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Costs incurred for maintenance and repairs are expensed as incurred and expenditures for major replacements and improvements are capitalized and depreciated over their estimated remaining useful lives.

Income Tax Expense Estimates and Policies

As part of the income tax provision process of preparing our financial statements, we are required to estimate our Company s provision for income taxes. This process involves estimating our current tax liabilities together with assessing temporary differences resulting from differing treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. Management then assesses the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent believed that recovery is not likely, a valuation allowance is established. Further, to the extent a valuation allowance is established and changes occur to this allowance in a financial accounting period, such changes are recognized in our tax provision in our consolidated statement of operations. We use our judgment in making estimates to determine our provision for income taxes, deferred tax assets and liabilities and any valuation allowance is recorded against our net deferred tax assets.

There are various factors that may cause these tax assumptions to change in the near term, and we may have to record a future valuation allowance against our deferred tax assets. We recognize the benefit of an uncertain tax position

taken or expected to be taken on our income tax returns if it is more likely than not that such tax position will be sustained based on its technical merits.

Share-Based Compensation

We account for stock based compensation arrangements through the measurement and recognition of compensation expense for all stock based payment awards to employees and directors based on estimated fair values. We use the Black-Scholes option valuation model to estimate the fair value of our stock options at the date of grant. The Black-Scholes option valuation model requires the input of subjective assumptions to calculate the value of stock options. We use historical data among other information to estimate the expected price volatility, the expected option life and the expected forfeiture rate.

Net loss per share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed using the weighted average number of common dilutive and dilutive equivalent shares outstanding during the period. Dilutive common equivalent shares consist of options and warrants to purchase common stock (only if those options and warrants are exercisable at prices below the existing market price) and shares issuable upon the conversion of preferred stock. We had no common equivalent shares outstanding during any period included herein and accordingly, dilutive loss per share was equivalent to basic loss per share.

Litigation

From time to time, we may become involved in disputes, litigation and other legal actions. We estimate the range of liability related to pending litigation where the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss with no best estimate in the range, we record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i)

DIVERSIFIED OPPORTUNITIES, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated.

3.

Related party transactions

Effective as of July 29, 2008, our Company entered into a Loan Agreement with QRSciences that provided that the Company was entitled to borrow up to $500,000 from QRSciences, provided the purposes of the requested funds were approved by QRSciences. The amount borrowed by the Company under the Loan Agreement accrued interest at 8% and was due and payable as agreed by the parties.

Through the date of the purchase of 9,000,000 shares of our Company by CT Partners on April 13, 2010, QRSciences had advanced to our Company funds for operating expenses and working capital requirements totaling $131,654 (including accrued interest). Interest expense from borrowings from QRSciences totaled $4,828 for the six months ended December 31, 2009. Effective April 13, 2010, we terminated our Loan Agreement with QRSciences and in connection with the termination, QRSciences extinguished all outstanding repayment obligations of our Company under the Loan Agreement. We accounted for the extinguishment of the repayment obligations as an addition to additional paid in capital during the three months ended June 30, 2010.

Effective April 13, 2010, CT Partners assumed our Company s liability in the amount of $3,000 in connection with finders fees incurred during the year ended June 30, 2008. CT Partners assumption of the liability was accounted for as a capital contribution of the carrying value of the liability outstanding at March 31, 2010.

During the three and six months ended December 31, 2010, our Company recorded general and administrative expenses totaling $30,000 and $60,000, respectively, in connection with accrued but unpaid amounts due to CT Partners in connection with services performed by them on our Company s behalf pursuant to a consulting arrangement with the Company.

4.

Stockholders equity

Common stock

We are currently authorized to issue up to 300,000,000 shares of $0.001 par value common stock. All issued shares of common stock are entitled to vote on a one share/one vote basis.

Preferred stock

We are currently authorized to issue up to 10,000,000 shares of $0.001 preferred stock. Stock options and warrants

As of December 31, 2010, there are no employee or non-employee options grants outstanding. As of December 31, 2010, there were no warrants outstanding to purchase any class of our capital stock.

5.

Income taxes

We estimate that our net operating loss carryforwards incurred prior to May 30, 2008 that would be available to reduce future income taxes were significantly reduced or eliminated through our change of control in accordance with Internal Revenue Code Section 382 (Section 382) and similar California rules. Our operating loss carry-forwards generated subsequent to May 30, 2008 total in excess of $230,000 through December 31, 2010. Our net operating loss carryforwards will be subject to expiration as to their future use beginning in 2023. Also, Section 382 and similar California rules place limitations on the amount of taxable income that can be offset by net operating loss carryforwards (NOL) after a change in control (generally greater than a 50% change in ownership). Future transactions such as sales of our preferred and/or common stock may be included in determining such a change in control.

Our deferred tax assets arise entirely as the result of our net operating loss carryforwards and at December 31, 2010 total approximately $90,000. We have recorded a valuation allowance against our entire deferred tax asset balance due because we believe that a substantial doubt exists that we will be unable to realize the benefits of our net operating loss carryforwards due to our lack of a history of earnings and due to possible limitations under Section 382.

Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with our consolidated financial statements and the notes presented herein. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in these forward-looking statements as a result of certain factors discussed in this Form 10-Q. See "**SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**," above.*

Results of Operations

We had no revenues for the three and six months ended December 31, 2010 or 2009. Our operating expenses for the three and six months ended December 31, 2010 totaled $30,650 and $63,350, respectively ($5,929 and 15,119 for the three and six months ended December 31, 2009, respectively). All of our operating expenses were general and administrative expenses. We incurred general and administrative expenses totaling $30,000 arising from a consulting agreement with CT Partners. We incurred interest expense on advances from QRSciences totaling $2,462 and 4,828 for the three and six months ended December 31, 2009, respectively.

Overview and Financial Condition

As described above, effective April 13, 2010, 9,000,000 shares of our Company s 9,199,192 shares of common stock were purchased by CT Partners. During all periods included in this Annual Report, our Company has not had significant operations. As of the date of this report, our Company s ongoing operations continue to consist primarily of expenditures to maintain our Company in compliance with Securities and Exchange Commission regulations, accounting and auditing expenditures as well as expenditures for investor relations activities.

Liquidity and Capital Resources

With no revenues or gross margin, our Company was dependent for its continued operations on funding from the holder of 97.83% of the outstanding shares of its common stock, QRSciences. Going forward, our Company will be dependent on funding from CT Partners. There can be no assurance that CT Partners will continue to fund our Company s operations or that we will be able to raise future funding from others at an acceptable price or at all.

Our only asset was cash totaling $480 as of December 31, 2010. Our liabilities totaled $80,085 and consisted of accounts payable and accrued expenses totaling $1,200 and amounts due to related parties totaling $78,885. Our shareholders deficit totaled $79,605 at December 31, 2010 and included an accumulated deficit of $325,958 that reflected net losses incurred from September 14, 2001 through December 31, 2010.

Plan of Operations

During the next twelve months, our Company does not expect to purchase or sell any plant or significant equipment. We currently have no employees as of the date of this Quarterly Report.

Critical Accounting Policies Involving Management Estimates and Assumptions

Our discussion and analysis of our financial condition and results of operations is based on our financial statements. In preparing our financial statements in conformity with accounting principles generally accepted in the United States of America, we must make a variety of estimates that affect the reported amounts and related disclosures.

Revenue Recognition. Any future revenues will be recognized on the accrual basis of accounting when earned. We will recognize revenue for products sold at the time that product has been shipped, the selling price is fixed, collection is reasonably assured and when both title and risk of loss transfer to the customer, provided no significant obligations remain. We will recognize revenues from the provision of services at the time they are rendered, the selling price is fixed and collection is reasonably assured, provided no significant obligations remain. The SEC has provided guidance on the

application of generally accepted accounting principles to selected revenue recognition issues. We believe that our revenue recognition policy is appropriate and in accordance with generally accepted accounting principles and SEC guidance.

Stock Based Compensation. Any future employee stock-based compensation costs will be accounted for in accordance with accounting standards requiring all share-based payments to employees, including grants of employee stock options, to be recognized in our statements of operations based on their fair values. We will utilize the Black-Scholes option pricing model to estimate the fair value of employee stock based compensation at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions could materially affect the measure of estimated fair value of our stock-based compensation.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Tax Valuation Allowance. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. Income tax expense is the total of tax payable for the period and the change during the period in deferred tax assets and liabilities.

Off-Balance Sheet Arrangements. The Company does not have any off-balance sheet arrangements, as defined in Item 303(c)(2) of Regulation S-B promulgated under the Securities Act of 1933.

Recent Accounting Pronouncements

Not applicable to our Company.

Item 3 Quantitative and Qualitative Disclosures about Market Risk

Intentionally omitted pursuant to Item 305(e) of Regulation S-K.

Item 4 Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures and internal controls that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to our Chief Executive Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures and internal controls, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures and internal controls.

As required by the Securities and Exchange Commission Rule 13a-15(e) and Rule 15d-15(e), we carried out an evaluation, under the supervision of and with the participation of our Chief Executive Officer, of the effectiveness of the design and operation of our internal controls over financial reporting. Based on this evaluation, our Chief Executive Officer has concluded that our disclosure controls and procedures were effective as of December 31, 2010. Taken into consideration in this evaluation were the current size and scope of our operations, lack of transactions, financial activity and complexity.

Changes in Internal Controls over Financial Reporting

There have not been any changes in our internal controls over financial reporting during the fiscal quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II

Item 1 Legal Proceedings

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. However, in the opinion of our management, there are no legal claims currently pending or threatened against us that would be likely to have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A Risk Factors

Investment in our common stock involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this herein before making an investment decision. If any of the following risks actually occur, our business, financial condition or results of operations could suffer. In that case, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

We have no operating history and no current business operations. We do not currently have any business operations other than maintaining our public company status. A substantial majority (9,000,000 shares) of the total shares of our 9,199,192 shares of common stock outstanding through the date this report was issued are owned and held by CT Partners. Because we have no operating history and no current business, our historical financial information is not a reliable indicator of future performance. Therefore, it is difficult to evaluate the business and prospects of our Company. Failure to correctly evaluate our Company s prospects could result in an investor s loss of a significant portion or all of his investment in our Company.

We continue to be without any business operations. Our Company at present does not have any business operations. Accordingly, we lack at present the capacity to generate future income and positive cash flows. Continued losses by our Company could result in an investor s loss of a significant portion or all of his investment in our Company.

Our failure to obtain additional adequate financing would materially and adversely affect our business. We do not currently have any revenues to cover our operating expenses and we are not profitable. We are currently dependent on CT Partners to fund the operating and working capital needs of our Company. If CT Partners decides to discontinue funding our Company and we cannot continue operations, an investor could suffer the loss of a significant portion or all of his investment in our Company.

Financial Risks

Our financial statements have been prepared assuming that the Company will continue as a going concern. We currently project that our cash on hand and existing commitments for additional funds from CT Partners will be sufficient to maintain our Company s operations beyond one year from the date of this report, however there can be no assurance that CT Partners will not decide to terminate funding for our Company. Our financial statements do not include any adjustments that might result from this uncertainty. If we cannot obtain additional capital on acceptable terms, we will need to cease operations and an investor could suffer the loss of a significant portion or all of his investment in our Company.

We do not expect to pay dividends for the foreseeable future, and we may never pay dividends and, consequently, the only opportunity for investors to achieve a return on their investment is if a trading market develops and investors are able to sell their shares for a profit or if our business is sold at a price that enables investors to recognize a profit. We currently intend to retain any future earnings to support our business and do not anticipate paying cash dividends for the foreseeable future. Our payment of any future dividends will be at the discretion of our Board of Directors after taking into account various factors, including but not limited to

our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. In addition, our ability to pay dividends on our common stock may be limited by state law. Accordingly, we cannot assure investors any return on their investment, other than in connection with a sale of their shares or a sale of our business. At the present time there is a limited trading market for our shares. Therefore, holders of our securities may be unable to sell them. We cannot assure investors that an active trading market will develop or that any third party will offer to purchase our business on acceptable terms and at a price that would enable our investors to recognize a profit.

Our net operating loss carry-forward will be limited. We have recorded a valuation allowance amounting to our entire net deferred tax asset balance due to our lack of a history of earnings, possible limitations on the use of tax loss carry-forwards and the future expiration of the NOL. This gives rise to uncertainty as to whether our deferred tax asset is realizable. Internal Revenue Code Section 382 and similar California rules place a limitation on the amount of taxable income that can be offset by carry-forwards after a change in control (generally greater than a 50% change in ownership). Our inability to use our Company s historical NOL, or the full amount of the NOL, would limit our ability to offset any future tax liabilities with its NOL.

Corporate and Other Risks

Limitations on director and officer liability and indemnification of our officers and directors by us may discourage stockholders from bringing suit against an officer or director. Our Company s articles of incorporation and bylaws provide, with certain exceptions as permitted by governing state law, that a director or officer shall not be personally liable to us or our stockholders for breach of fiduciary duty as a director, except for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or unlawful payments of dividends. These provisions may discourage stockholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by stockholders on our behalf against a director.

We are responsible for the indemnification of our officers and directors. Should our officers and/or directors require us to contribute to their defense, we may be required to spend significant amounts of our capital. Our articles of incorporation and bylaws also provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of our Company. This indemnification policy could result in substantial expenditures, which we may be unable to recoup. If these expenditures are significant, or involve issues which result in significant liability for our key personnel, we may incur expenses that would render us unable to continue operating as a going concern.

CT Partners beneficially own and control substantially all of our outstanding common stock, which may limit your ability and the ability of our other stockholders, whether acting alone or together, to propose or direct the management or overall direction of our Company. Additionally, this concentration of ownership could discourage or prevent a potential takeover of our Company that might otherwise result in you receiving a premium over the market price for your shares. A substantial portion of our outstanding shares of common stock is beneficially owned and controlled by a group of insiders, including our director and executive officer. Accordingly, any of our existing outside principal stockholders together with our directors, executive officers and insider shareholders would have the power to control the election of our directors and the approval of actions for which the approval of our stockholders is required. If you acquire shares of our common stock, you may have no effective voice in the management of our Company. Such concentrated control of our Company may adversely affect the price of our common stock. Our principal stockholders may be able to control matters requiring approval by our stockholders, including the election of directors, mergers or other business combinations. Such concentrated control may also make it difficult for our stockholders to receive a premium for their shares of our common stock in the event we merge with a third party or enter into different transactions which require stockholder approval. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

The requirements in connection with being a public company may put us at a competitive disadvantage. The complexity of operating in a public company environment could impair our ability to comply with legal and regulatory requirements such as those imposed by Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act). We may not be able to implement programs and policies in an effective and timely manner that adequately responds to the increased legal, regulatory compliance and reporting requirements associated with being a public company. Our failure to do so could lead to the imposition of fines and penalties and distract us from attending to the growth of our business. Also, it may be time consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance staff in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply

with the internal controls requirements of the Sarbanes-Oxley Act, we may not be able to obtain the independent auditor certifications that the Sarbanes-Oxley Act will in the future require publicly-traded companies with our capitalization to obtain.

Our internal controls over financial reporting may not be effective, and our independent auditors may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business. We are subject to various regulatory requirements, including the Sarbanes-Oxley Act. We, like all other public companies, must incur additional expenses and the diversion of our management s time in our efforts to comply with Section 404 of the Sarbanes-Oxley Act regarding internal controls over financial reporting. While we have evaluated our internal controls over financial reporting and concluded they are effective given our current level of activity, there is no assurance that if the scope of our operations change, that such controls will remain effective. Furthermore, in the future our independent auditor(s) may be unable to attest to our conclusion concerning the effectiveness of our internal controls over financial reporting, as required (or as will be required) by Section 404 of the Sarbanes-Oxley Act and the rules and regulations of the SEC (collectively referred to as Section 404). The ongoing requirements of Section 404 may unduly divert management s time and resources from executing our future business plans. If in the future, management identifies one or more material weaknesses or our external auditors are unable to attest that our management s report is fairly stated or to express an opinion on the effectiveness of our internal controls, this could result in a loss of investor confidence in our financial reports, have an adverse effect on our stock price and/or subject us to sanctions or investigation by regulatory authorities.

Capital Market Risks

Our common stock is thinly traded, so you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares. There is limited market activity in our stock (especially given our current status as a shell company) and we lack the qualities to attract the interest of many brokerage firms and analysts. We cannot give you any assurance that in the future a broader or more active public trading market for our common stock will develop or be sustained. While we are trading on the OTC Bulletin Board, the trading volume we will develop may be limited by the fact that many major institutional investment funds, including mutual funds, as well as individual investors follow a policy of not investing in Bulletin Board stocks and certain major brokerage firms restrict their brokers from recommending Bulletin Board stocks because they are considered speculative, volatile, thinly traded and the market price of the common stock may not accurately reflect the underlying value of our Company. The market price of our common stock could be subject to wide fluctuations in response to quarterly variations in our revenues and operating expenses, announcements of new products or services by us, significant sales of our common stock, including short sales, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets or general economic conditions.

The application of the penny stock rules to our common stock could limit the trading and liquidity of the common stock, adversely affect the market price of our common stock and increase your transaction costs to sell those shares. As long as the trading price of our common stock is below $5 per share, the open-market trading of our common stock will be subject to the penny stock rules, unless we otherwise qualify for an exemption from the penny stock definition. The penny stock rules impose additional sales practice requirements on certain broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with their spouse). These regulations, if they apply, require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the associated risks. Under these regulations, certain brokers who recommend such securities to persons other than established customers or certain accredited investors must make a special written suitability determination regarding such a purchaser and receive such purchaser s written agreement to a transaction prior to sale. These regulations may have the effect of limiting the trading activity of our common stock, reducing the liquidity of an investment in our common stock and increasing the transaction costs for sales and purchases of our common stock as compared to other securities. The stock market in general and the market prices for penny stock companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The occurrence of these patterns or practices could increase the volatility of our share price.

We may not be able to attract the attention of major brokerage firms, which could have a material adverse impact on the market value of our common stock. Security analysts of major brokerage firms may not provide coverage of our common stock since there is no incentive to brokerage firms to recommend the purchase of our common stock. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It will also likely make it more difficult to attract new investors at times when we require additional capital.

We may be unable to list our common stock on NASDAQ or on any securities exchange. Although we may apply to list our common stock on NASDAQ or the American Stock Exchange in the future, we cannot assure you that we will be able to meet the initial listing standards, including the minimum per share price and minimum capitalization requirements, or that we will be able to maintain a listing of our common stock on either of those or any other trading venue. Until such time as we qualify for listing on NASDAQ, the American Stock Exchange or another trading venue, our common stock will continue to trade on the OTC Bulletin Board or another over-the-counter quotation system, or on the pink sheets, where an investor may find it more difficult to dispose of shares or obtain accurate quotations as to the market value of our common stock. In addition, rules promulgated by the SEC impose various practice requirements on broker-dealers who sell securities that fail to meet certain criteria set forth in those rules to persons other than established customers and accredited investors. Consequently, these rules may deter broker-dealers from recommending or selling our common stock, which may further affect the liquidity of our common stock. It would also make it more difficult for us to raise additional capital.

Future sales of our equity securities could put downward selling pressure on our securities, and adversely affect the stock price. There is a risk that this downward pressure may make it impossible for an investor to sell his or her securities at any reasonable price, if at all. Future sales of substantial amounts of our equity securities in the public market, or the perception that such sales could occur, could put downward selling pressure on our securities, and adversely affect the market price of our common stock.

Item 2 Sales of Unregistered Securities and Use of Proceeds

None.

Item 3 Defaults Upon Senior Securities

Not applicable.

Item 4 (Removed and Reserved)

Not applicable.

Item 5 Other Information

On January 28, 2011, the Company and CT Partners executed a consulting agreement regarding the consulting services provided by CT Partners relating to the Company s operations and maintaining the public company status of the Company, for which the amount of $10,000 per month has been accrued since July 1, 2010. The description of the consulting agreement is qualified in its entirety by a complete copy of the consulting agreement which is filed as an exhibit to this report.

Item 6 Exhibits and Reports on Form 8-K

(a)

Exhibits

See Exhibit Index immediately following signatures.

(b)

Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Diversified Opportunities, Inc.

By: /s/ KEVIN RUSSETH

Kevin Russeth, Chief Executive Officer and Chief Financial Officer

January 28, 2011

Exhibit Index

Num.

Description

10.1

Consulting Agreement with CT Partners

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Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended, by Chief Executive Officer and principal financial officer (1)

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Certification pursuant to 18 U.S.C. §1350 by Chief Executive Officer and principal financial officer (1)

(1)

Filed as an Exhibit to this report.