

Blackhawk Fund
Form 10QSB
August 11, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2006

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: **000-49672**

THE BLACKHAWK FUND

(Exact Name of Small Business Issuer as Specified in its Charter)

NEVADA

(State or Other Jurisdiction of
Incorporation or Organization)

88-0408213

(IRS Employer
Identification Number)

1802 N. CARSON STREET, SUITE 212-3018
CARSON CITY, NEVADA 89701

Address of Principal Executive Offices

(775) 887-0670

(Registrant's Telephone Number, Including Area Code)

Check whether the Issuer (1) has 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 Issuer was required to file such reports), and 2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

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

State the number of shares outstanding of each of the Issuer's classes of common equity as of the latest practicable date: As of June 30, 2006, the issuer had 17,209,007 shares of its common stock issued and outstanding.

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

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS.**

THE BLACKHAWK FUND
BALANCE SHEETS
(Unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
Cash	\$ 34,629	\$ 12,709
Total current assets	34,629	12,709
Property - held-for-sale	1,628,583	-
TOTAL ASSETS	\$ 1,663,212	\$ 12,709
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 5,274	\$ 6,080
Notes payable-related party	212,496	77,495
Total current liabilities	217,770	83,575
Long term liability		
Note payable	1,496,000	-
Total Liabilities	1,713,770	83,575
Commitments and contingencies	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock, \$.001 par value:		
Series A: Authorized 20,000,000		
9,000,000 issued and outstanding	9,000	9,000
Series B: Authorized 10,000,000		
10,000,000 issued and outstanding	10,000	10,000
Series C: Authorized 20,000,000		
10,000,000 issued and outstanding	10,000	10,000
Common stock, \$.001 par value, 4,000,000,000 shares		
authorized, 17,209,007 and 3,209,007 shares		
issued and outstanding	17,209	3,209
Additional paid in capital	34,592,226	34,457,058
Stock subscriptions receivable	(1,315)	(40,000)
Retained Deficit	(34,687,678)	(34,520,133)
Total Stockholders' Deficit	(50,558)	(70,866)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,663,212	\$ 12,709

See accompanying notes to financial statements.

THE BLACKHAWK FUND
STATEMENTS OF OPERATIONS
For the Three Months and Six Months
Ended June 30, 2006 and 2005
(Unaudited)

Three Months Ended		Six Months Ended				
June 30,		June 30,				
<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>			
Revenue		\$ -	\$ -	8,533	\$ -	\$ 11,651
Expenses:						
General & administrative		106,151	85,574	39,094	4,684,213	
Interest expense		<u>25,186</u>	-	<u>28,451</u>	-	
Net Loss		\$ (131,337)		\$ (77,041)		\$ (167,545)
\$ (4,672,562)						
=====				=====		=====
Basic and diluted loss						
per share		\$ (.01)	\$ (.07)	\$ (.02)	\$ (7.08)	
Weighted average shares						
Outstanding		14,736,479		1,079,651		10,678,620
660,080						

See accompanying notes to financial statements.

THE BLACKHAWK FUND
STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2006 and 2005
(Unaudited)

2006	2005		
		-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (167,545)	\$(4,672,562)	
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock issued for services	-	4,014,700	
Stock option expense	-	401,122	
Changes in:			
Accounts payable	(806)	6,355	
	-----	-----	
NET CASH USED IN OPERATING ACTIVITIES		(168,351)	(250,385)
	-----	-----	
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to related party	-	(46,000)	
Purchase of buildings	(132,583)	-	
	-----	-----	
NET CASH USED IN INVESTING ACTIVITIES		(132,583)	(46,000)
	-----	-----	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from stock issuances/subscriptions	187,853	292,813	
Proceeds from note payable - related party	158,001	4,863	
Payments on loan payable - related party		(23,000)	
		-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES		322,854	297,676
		-----	-----
NET CHANGE IN CASH			
21,920	1,291		
CASH BALANCES			
-Beginning of period		12,709	-
		-----	-----
-End of period		\$ 34,629	\$ 1,291
		=====	=====
Supplemental disclosures:			
Interest paid		\$ 23,177	
\$ -			
Income taxes paid			
-	-		
NON-CASH INVESTING AND FINANCING ACTIVITIES			

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Purchase of fixed assets through financing	\$ 1,496,000
\$ -	

See accompanying notes to financial statements.

THE BLACKHAWK FUND
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of The Blackhawk Fund ("Blackhawk" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in Blackhawk's Annual Report filed with the SEC on Form 10-KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for 2005 as reported in the 10-KSB have been omitted.

NOTE 2-STOCK BASED COMPENSATION

Prior to January 1, 2006 we accounted for stock based compensation under Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation" ("FAS 123"). As permitted under this standard, compensation cost was recognized using the intrinsic value method described in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Effective January 1, 2006, the Company has adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share Based Payment" ("FAS 123R") and applied the provisions of the Securities and Exchange Commission Staff Accounting bulletin No. 107 using the modified-prospective transition method. Prior periods were not restated to reflect the impact of adopting the new standard. As a result of the adoption of FAS 123R, stock based compensation expense recognized during the six months ended June 30, 2006 includes compensation expense for all share based payments granted on or prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and compensation costs for all share based payments granted on or subsequent to January 1 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R.

Beginning on January 1, 2006, any future excess tax benefits derived from the exercise of stock options will be recorded prospectively and reported as cash flows from financing activities in accordance with FAS 123R.

During the six months ended June 30, 2006, the Company did not make any stock option grants and therefore did not recognize any stock based compensation expense.

Blackhawk granted 925,000 options to purchase common stock to employees during the six months ended June 30, 2005. All options vest immediately, have an exercise price of 85 percent of market value on the date of grant and expire 10 years from the date of grant. Blackhawk recorded compensation expense of \$401,122 under the intrinsic value method during the six months ended June 30, 2005.

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The following table illustrates the effect on net loss and net loss per share if Blackhawk had applied the fair value provisions of FAS No. 123, to stock-based employee compensation.

	Three Months Ended Six June 30,	Months Ended June 30,	
	2005	2005	
Net loss as reported	\$ (77,041)	\$ (4,672,562)	
Add: stock based compensation determined under intrinsic value- based method		7,860	401,122
Less: stock based compensation determined under fair value-based method		(52,400)	(2,674,146)
-----	-----		
(121,581)	\$ (6,945,586)	Pro forma net loss	\$
=====			=====

	Three Months Ended Six June 30,	Months Ended June 30,	
	2005	2005	
Basic and diluted net loss per common share:			
		As reported	
\$(.07)	\$(7.08)		
		Pro forma	
\$(.11)	\$(10.52)		

The weighted average fair value of the stock options granted during 2005 was \$.004. Variables used in the Black-Scholes option-pricing model include (1) 1.5% risk-free interest rate (2) expected option life is the actual remaining life of the options as of each period end, (3) expected volatility was 728% and (4) zero expected dividends.

NOTE 3 - PROPERTIES- HELD FOR SALE

In late March 2006, the Company purchased a condominium located in Carlsbad, California for \$625,083. The Company intends to renovate and sell the condo. Since the Company intends to sell the condominium upon completion of the planned renovations, it has been designated as "held for sale". Therefore it will be carried at the lower of cost or fair value (net of expected sales costs) during the renovation period and will not be depreciated.

In June of 2006, the Company entered into a joint venture with another group to renovate and then sell a residential home located in Oceanside, California. The Company is a 50% joint venture partner, but has the rights to exercise

control. The Company is 100% responsible for improvement costs, with these costs to be reimbursed upon sale and any remaining profits split 50/50. The Company has valued the house at the value of the mortgage liability assumed of \$1,000,000. As the intention on this property is identical to the condo described above the description related to “held for sale” and depreciation apply.

NOTE 4 - COMMON STOCK

During the six months ended June 30, 2006, the Company issued 14 million shares of common stock at par value pursuant to a stock subscription agreement. As of June 30, 2006 the Company had not received \$1,315 due under the stock subscription agreement and has therefore reflected it as stock subscription receivable (a contra equity account).

On November 7, 2005, the Company's board of directors declared a 800 to 1 reverse stock split for shareholders of record as of November 17, 2005. All shares and per share information has been retroactively restated in the financial statements to reflect the reverse split.

NOTE 5-MORTGAGES PAYABLE

In conjunction with the purchase of the condominium described in note 3 above, the Company executed a 30-year adjustable rate promissory note for \$496,000. The initial interest rate on the note is 7.875 % and may change on April 1, 2008 and on that date every six month thereafter. Pursuant to the terms of the note, the Company is required to make interest only payments for the first 10 years (first 120 payments). The initial monthly payment will be \$3,225 and may change beginning on April 1, 2008. The note is personally guaranteed by the Company's president.

In conjunction with the joint venture property described in Note 3 above, the Company assumed a 50% interest and corresponding promissory note debt for \$1,000,000. Terms indicate a fixed interest rate of 7.25% interest only payment for 120 payments. Monthly amounts are presently \$6,042.

NOTE 6 - RELATED PARTY TRANSACTIONS

During the quarter ended June 30, 2006 the Company made payments totaling \$70,000 to entities controlled by the CEO and CFO for consulting services.

NOTE 7 - SUBSEQUENT EVENT

In July 2006, the Company purchased residential property in St. Louis, Mo. for \$138,000 to renovate and sell.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS.

FORWARD-LOOKING INFORMATION

Much of the discussion in this Item is "forward looking" as that term is used in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. Actual operations and results may materially differ from present plans and projections due to changes in economic conditions, new business opportunities, changed business conditions, and other developments. Other factors that could cause results to differ materially are described in our filings with the Securities and Exchange Commission.

There are several factors that could cause actual results or events to differ materially from those anticipated, and include, but are not limited to general economic, financial and business conditions, changes in and compliance with governmental laws and regulations, including various state and federal environmental regulations, our ability to obtain additional financing from outside investors and/or bank and mezzanine lenders and our ability to generate sufficient revenues to cover operating losses and position us to achieve positive cash flow.

Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof. We believe the information contained in this Form 10-QSB to be accurate as of the date hereof. Changes may occur after that date. We will not update that information except as required by law in the normal course of its public disclosure practices.

Additionally, the following discussion regarding our financial condition and results of operations should be read in conjunction with the financial statements and related notes contained in Item 1 of Part I of this Form 10-QSB, as well as the financial statements in Item 7 of Part II of our Form 10-KSB for the fiscal year ended December 31, 2005.

MANAGEMENT'S PLAN OF OPERATIONS.

CURRENT BUSINESS PLAN

Our current purpose is to seek, investigate and, if such investigation warrants, acquire an interest in business opportunities presented to us by persons or firms who or which desire to seek the perceived advantages of a corporation which is registered under the Securities Exchange Act of 1934, as amended. We do not restrict our search to any specific business; industry or geographical location and we may participate in a business venture of virtually any kind or nature.

We may seek a business opportunity with entities which have recently commenced operations, or which wish to utilize the public marketplace in order to raise additional capital in order to expand into new products or markets, to develop a new product or service or for other corporate purposes. We may acquire assets and establish wholly owned subsidiaries in various businesses or acquire existing businesses as subsidiaries.

As part of our investigation of potential merger candidates, our officers and directors will meet personally with management and key personnel, may visit and inspect material facilities, obtain independent analysis or verification of certain information provided, check references of management and key personnel and take other reasonable investigative measures, to the extent of our financial resources and management expertise. The manner in which we participate in an opportunity will depend on the nature of the opportunity, the respective needs and desires of us and other parties, the management of the opportunity, our relative negotiation strength and that of the other management.

We intend to concentrate on identifying preliminary prospective business opportunities that may be brought to our attention through present associations of our officers and directors, or by our shareholders. In analyzing prospective business opportunities, we will consider such matters as the available technical, financial and managerial resources;

working capital

and other financial requirements; history of operations, if any; prospects for the future; nature of present and expected competition; the quality and experience of management services which may be available and the depth of that management; the potential for further research, development or exploration; specific risk factors not now foreseeable but which then may be anticipated to impact our proposed activities; the potential for growth or expansion; the potential for profit; the perceived public recognition or acceptance of products, services or trades; name identification; and other relevant factors.

Our officers and directors will meet personally with management and key personnel of the business opportunity as part of their investigation. We will not acquire or merge with any company for which audited financial statements cannot be obtained within a reasonable period of time after closing of the proposed transaction, as required by the Exchange Act.

We will not restrict our search to any specific kind of firms, but may acquire a venture which is in its preliminary or development stage, which is already in operation, or which is in essentially any stage of its corporate life. It is impossible to predict at this time the status of any business in which we may become engaged, in that such business may need to seek additional capital, may desire to have its shares publicly traded or may seek other perceived advantages which we may offer.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2006 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2005.

Total net sales and revenues were at \$0 for the three months ended June 30, 2006 compared to \$8,533 for the prior period. Revenues in the 2005 period were derived from consulting fees.

General and administrative expenses for the three months ended June 30, 2006 compared to 2005 increased by \$20,577 to \$106,151 from \$85,574 in the prior period.

Operating loss increased from a loss of \$77,041 to a loss of \$131,337 for the three months ended June 30, 2006.

Interest expense for the three months ended June 30, 2006 was \$25,186 compared to \$0 in 2005.

SIX MONTHS ENDED JUNE 30, 2006 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2005.

Total net sales and revenues were at \$0 for the six months ended June 30, 2005 compared to \$11,651 for the prior period. Revenues in the 2005 period were derived from consulting fees.

General and administrative expenses for the six months ended June 30, 2006 compared to 2005 decreased by \$4,545,119 to \$139,094 from \$4,684,213 in the prior period. The 2005 expenses include a \$3,995,000 charge for compensation expense on 99,875,000 shares issued in conversion of Preferred A shares into Common shares and a \$19,700 charge for 127,000,000 shares issued for services.

Operating loss decreased from a loss of \$4,672,562 to a loss of \$167,545 for the six months ended June 30, 2006.

Interest expense for the six months ended June 30, 2006 was \$28,451 as compared to the same period of \$0.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2006, we had a negative working capital of \$183,141. Cash used in operating activities was \$8,351 compared to \$250,385 for the prior year. Cash used in investing activities was \$292,565 compared to \$46,000 in the prior year. The cash used in investing activities related to the condominium purchase and residential home acquired in March and June 2006.

Cash provided by financing activities was \$322,856 compared to \$297,656 in the prior year. Of the 2006 amount \$187,855 was from stock subscription raises and \$135,001 from related party advances. Of the 2005 amount \$292,813 was from stock subscription agreements.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. A summary of our critical accounting policies can be found in the notes to our financial statements included in our form 10-KSB for the year ended December 31, 2005.

OFF-BALANCE SHEET ARRANGEMENTS.

We do not have any off-balance sheet arrangements.

ITEM 3. CONTROLS AND PROCEDURES.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure and Controls and Procedures. As of the end of the period covered by this Quarterly Report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, except that adjustments were required by our auditors in their review. We are reviewing our accounting department procedures to ensure that future adjustments in these areas are not required.

Changes in Internal Controls Over Financial Reporting. There was no change in our internal controls, which are included within disclosure controls and procedures, during our most recently completed fiscal quarter that has

materially affected, or is reasonably likely to materially affect, our internal controls.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to our Annual Report for the year ended December 31, 2005 filed with the Commission on February 28, 2006.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

EXHIBIT NO. IDENTIFICATION OF EXHIBIT

31.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002.

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.

THE BLACKHAWK FUND

Dated August 9, 2006

By /s/ Steve Bonenberger

Steve Bonenberger, President, Chief
Executive Officer and Director

