

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

PACIFIC ALLIANCE CORP /UT/
Form 10QSB
August 17, 2007

U.S. 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 quarter ended June 30, 2007

OR

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

Commission file number 000-51777

PACIFIC ALLIANCE CORPORATION
(Name of Small Business Issuer as specified in its charter)

Delaware

87-044584-9

(State or other jurisdiction of
incorporation or organization)

(I.R.S. employer
identification No.)

1661 Lakeview Circle, Ogden, UT 84403
(Address of principal executive offices)

Registrant's telephone no., including area code: (801) 399-3632

N/A

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

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act:
\$.001 par value Common Stock.

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 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.

Yes No

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act). Yes No

Common Stock outstanding at August 15, 2007 - 36,273,800 shares of \$.001 par value Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

FORM 10-QSB

FINANCIAL STATEMENTS AND SCHEDULES
PACIFIC ALLIANCE CORPORATION.

For the Quarter ended June 30, 2007

The following financial statements and schedules of the registrant are submitted herewith:

PART I - FINANCIAL INFORMATION

	Page of Form 10-QSB -----
Item 1. Financial Statements:	
Balance Sheets	3
Statements of Operations	4
Statements of Cash Flows	5
Notes to Interim Unaudited Financial Statements	6 - 9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3. Controls and Procedures	15

PART II - OTHER INFORMATION

Item 1. Legal Proceedings	16
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	16
Item 3. Defaults by the Company on its Senior Securities	16
Item 4. Submission of Matters to Vote of Security Holders	16
Item 5. Other Information	16
Item 6. Exhibits	16

-2-

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

As of
June 30, December

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

	2007	2006
	-----	-----
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash	\$ 54	\$
TOTAL ASSETS	\$ 54	\$
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Overdraft	\$ --	\$
Accrued Interest	40,645	29
Other Accrued Expenses	39,259	47
Notes payable	125,000	120
Advances from Officer	190,051	144
Tax Liabilities	329,842	322
Notes payable to Related Parties	144,293	144
Total current liabilities	869,090	808
	-----	-----
Stockholders' Deficit		
Common Stock, par value \$0.001, authorized 100,000,000 shares; and 36,273,800 and 36,083,450 shares issued and outstanding	36,274	36
Paid-in Capital	3,351,798	3,332
Accumulated deficit prior to the developmental stage	(2,632,447)	(2,632)
Accumulated deficit during the developmental stage	(1,624,661)	(1,545)
Total Stockholders Deficit	(869,036)	(808)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 54	\$
	=====	=====

See Notes to Interim Unaudited Financial Statements.

-3-

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS (Unaudited)

For the three months ended	For the six
June 30,	months
2007	ended
2006	June 30,
2007	2007
-----	-----

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

Operating Expenses:			
Selling, General and Administrative Expenses	\$ 30,997	\$ 45,119	\$ 57,666
Tax Penalty and Interest Expense	3,644	3,644	7,288
Loss on Investment	--	--	--
Interest Expense	7,723	11,483	14,521
	-----	-----	-----
Net Loss before Extraordinary Item	(42,364)	(60,246)	(79,480)
Extraordinary Item, Gain on Forgiveness of Tax debt	--	--	--
	-----	-----	-----
Net Loss	\$ (42,364)	\$ (60,246)	\$ (79,480)
	=====	=====	=====
Net Loss per share, Basic and Diluted	NIL	NIL	NIL
	=====	=====	=====
Weighted Average Number of Shares	36,189,300	15,776,450	36,146,970
	=====	=====	=====

See Notes to Interim Unaudited Financial Statements

-4-

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS (Unaudited)

	For the six months ended	
	June 30,	
	2007	2006
	-----	-----
Cash Flow from Operating Activities:		
Net Loss	\$ (79,480)	\$ (109,506)
Adjustments to Reconcile Net Loss to Net Cash Used in Operations:		
Loss on investments	--	--
Gain on forgiveness on tax debt	--	--
Stock issued for services	19,036	44,115
(Increase) Decrease in:		
Accounts receivable	--	--
Increase (Decrease) in:		
Accrued expenses	2,672	10,286
Tax liabilities	7,288	7,289
	-----	-----
Net Cash Used in Operating Activities	(50,484)	(47,816)
	-----	-----

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

Cash Flow from Investing Activities		
Purchase of investments	--	--
Proceeds from sale of investments	--	--
	-----	-----
Net Cash Used In Investing Activities	--	--
	-----	-----
Cash Flow from Financing Activities:		
Bank overdraft	(6)	(3,215)
Proceeds from notes payable	5,000	60,000
Payments of note payable	--	--
Net Proceeds from notes payable to related parties	--	223
Advance from officer	68,560	127,100
Repayment of advance from officer	(23,016)	(136,292)
Proceeds from issuance of common stock	--	--
Proceeds from common stock subscription	--	--
	-----	-----
Net Cash Flow Provided by Financing Activities	50,538	47,816
	-----	-----
Net Increase in Cash	54	--
Cash Balance at Beginning of Period	--	--
	-----	-----
Cash Balance at End of Period	\$ 54	\$ --
	=====	=====
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 9,918	\$ 16,446

See Notes to Interim Unaudited Financial Statements

-5-

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Going Concern Pacific Alliance Corporation (the "Company") is a development stage Company and attempts to locate a new business (operating company), and offer itself as a merger vehicle for a company that may desire to go public through a merger rather than through its own public stock offering.

Pacific Alliance Corporation, whose name was changed from Pacific Syndication, Inc. in 1997, was originally incorporated in December 1991 under the laws of the State of Delaware. It also became a California corporation in 1991. Pacific Syndication, Inc. was engaged in the business of videotape duplication, standard conversion and delivery of television programming. In 1994, Pacific Syndication, Inc. merged with Kaiser Research, Inc.

The Company filed a petition for Chapter 11 under the Bankruptcy Code in June 1995. The debtor in possession kept operating until December 21, 1995, when all

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

assets, except cash and accounts receivable, were sold to a third party, Starcom. The purchaser assumed all post-petition liabilities and all obligations collateralized by the assets acquired.

In 1997, a reorganization plan was approved by the Bankruptcy Court, and the remaining creditors of all liabilities subject to compromise, excluding tax claims, were issued 1,458,005 shares of the Company's common stock in March 1998, which corresponds to one share for every dollar of indebtedness. Each share of common stock issued was also accompanied by an A warrant and a B warrant (see note 6). The IRS portion of tax liabilities was payable in cash by quarterly installments (see note 2). Repayment of other taxes is still being negotiated.

The accompanying financial statements have been prepared on a going concern basis, which contemplated the March 31, 2007 financial statements, the Company did not generate any revenue, and has a net capital deficiency. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time. For the first three months ended March 31, 2007, the Company funded its disbursements using loans from an officer and other related parties.

Presentation of Interim Information The financial information at June 30, 2007 and for the three and six months ended June 30, 2007 and 2006 is unaudited, but includes all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair presentation of the financial information set forth herein, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, and with the instructions to Form 10-QSB. Accordingly, such information does not include all of the information and footnotes required by U.S. GAAP for annual financial statements. For further information refer to the Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006.

The balance sheet as of December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The results for the three and six months ended June 30, 2007 may not be indicative of results for the year ending December 31, 2007 or any future periods.

Use of estimates The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make certain 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.

-6-

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income (Loss) Per Common Share The Company accounts for income (loss) per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." SFAS No. 128 requires that presentation of basic and diluted earnings per share for entities with complex capital structures. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity.

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

Diluted net loss per common share does not differ from basic net loss per common share as the Company lacks of dilutive items.

New Accounting Pronouncements In February 2007, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards ("FAS") No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. A business entity is required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is expected to expand the use of fair value measurement. FAS No.159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In September 2006, the FASB issued FAS No. 157, Fair Value Measurements. FAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement addresses how to calculate fair value measurements required or permitted under other accounting pronouncements. Accordingly, this statement does not require any new fair value measurements. However, for some entities, the application of the statement will change current practice. FAS No. 157 is effective for the Company beginning January 1, 2008. The Company is currently evaluating the impact of this standard.

In September 2006, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 108 ("SAB 108"), Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. The stated purpose of SAB 108 is to provide consistency between how registrants quantify financial statement misstatements.

Prior to the issuance of SAB 108, there have been two widely-used methods, known as the "roll-over" and "iron curtain" methods, of quantifying the effects of financial statement misstatements. The roll-over method quantifies the amount by which the current year income statement is misstated while the iron curtain method quantifies the error as the cumulative amount by which the current year balance sheet is misstated. Neither of these methods considers the impact of misstatements on the financial statements as a whole.

SAB 108 established an approach that requires quantification of financial statement misstatements based on the effects of the misstatement on each of the Company's financial statements and the related financial statement disclosures. This approach is referred to as the "dual approach" as it requires quantification of errors under both the roll-over and iron curtain methods.

SAB 108 allows registrants to initially apply the dual approach by either retroactively adjusting prior financial statements as if the dual approach had always been used, or by recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings.

The Company will initially apply SAB 108 using the cumulative effect transition method in connection with the preparation of the annual financial statements for the year ending December 31, 2006. The Company does not believe the adoption of SAB 108 will have a significant effect on its consolidated financial statements.

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

The Company owes back taxes to the IRS, California Franchise Tax Board, California State Board of Equalization, and County of Los Angeles, before the bankruptcy. The Company is attempting to negotiate settlements and the final amount may differ from the amount recorded on the balance sheets.

The IRS portion of tax liabilities was payable in quarterly installments of \$ 11,602, and the final payment was due in January 2002. However, no payments have been made since April 2000. As of June 30, 2007, the Company owes \$275,034 to the IRS. The taxes owed to IRS are delinquent and accruing interest at 9% per annum.

As of June 30, 2007, the Company owes \$5,454 to California Franchise Tax Board. No payments have been made and the taxes owed to California Franchise Tax Board are delinquent. No interest is being accrued; however, a protection lien is being filed.

As of June 30, 2007, the Company owes \$42,077 to California State Board of Equalization. No payments have been made and the taxes owed to California State Board of Equalization are delinquent and accruing an interest at 9% per annum.

As of June 30, 2007, the Company owes \$7,277 to the County of Los Angeles. No payments have been made and the taxes owed to the County of Los Angeles are delinquent and accruing an interest at 9% per annum.

NOTE 3 - OTHER ACCRUED EXPENSES

Accrued expenses consist of:

	June 30, 2007	December 31, 2006
Accrued Professional Fees	\$ 26,226	\$ 33,952
Other Accrued Expenses	13,033	14,033
Total	\$ 39,259	\$ 47,985

NOTE 4- SHORT TERM NOTE PAYABLE

During the first six months of 2007, the Company obtained loans for the total amount of \$5,000 from third parties. The new loans bear interest at 10% and are due on demand.

The Company had notes payable for \$125,000 and \$120,000 as of June 30, 2007, and December 31, 2006, respectively.

NOTE 5- NOTES PAYABLE TO RELATED PARTIES

Notes payable to minority shareholders amounted to \$144,293 at June 30, 2007 and at December 31, 2006. These notes bear interest at 10% to 12%, and are due on demand.

-8-

NOTE 6 - COMMON STOCK

During the first six months of 2007, the Company issued 190,350 shares of common stock for management services, pursuant to the provisions of the Modified Plan

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

of Reorganization approved by the U.S. Bankruptcy Court in 1997. The stocks were valued \$0.10 per share, or \$19,036 of total.

NOTE 7 - NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
Numerator:				
Net Loss	\$ (42,364)	\$ (60,246)	\$ (79,480)	\$ (109,5
	-----	-----	-----	-----
Denominator:				
Weighted Average Number of Shares	36,189,300	15,776,450	36,146,975	15,665,7
	-----	-----	-----	-----
Net loss per share-Basic and Diluted	--	--	--	\$ (0.
	=====	=====	=====	=====

NOTE 8 - RELATED PARTY TRANSACTIONS

An officer of the Company advanced \$68,560 to the Company during the six months ended June 30, 2007. The Company repaid the officer \$23,016 during the six months ended June 30, 2007. These advances bear interest at 10% and have no maturity date. The balance of advances was \$190,051 at June 30, 2007.

During the quarter ended June 30, 2002, the Company passed a resolution to pay rent, office and secretarial services to a stockholder of the Company at a rate of \$500 per month. These charges were retroactive to July 1997, subsequent to the date of approval of the reorganization plan by the Bankruptcy court. As such, \$3,000 was recorded as expense during the six months period ended June 30, 2007 and 2006.

In accordance with the modified joint plan or reorganization, management is compensated on an hourly basis at a rate of \$75 per hour. Such compensation is made through issuance of common stock. Management compensation amounted to \$19,036 for the six months ended June 30, 2007 (see note 6).

NOTE 9- INCOME TAXES

The Company has loss carryforwards available to offset future taxable income. The total loss carryforwards at December 31, 2006 are estimated at approximately \$1,590,000 and expire between 2015 and 2026. Loss carryforwards are limited in accordance with the rules of change in ownership. A valuation allowance is recorded for the full amount of deferred tax assets of approximately \$540,000, which relates to these loss carryforwards, since future profits are indeterminable. The valuation allowance increased by \$47,000 during the year ended December 31, 2006.

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Pacific Alliance Corporation (the "Company") is a Delaware corporation which is currently inactive. The Company was previously engaged in the business of distributing television programming. On June 23, 1995, the Company filed for protection under Chapter 11 of the United States Bankruptcy Code (Case No. BK. No. SV 95-14737 KL). On May 28, 1997 (the "Confirmation Date"), the United States Bankruptcy Court for the Central District of California Confirmed the Company's Modified Plan of Reorganization (the "Plan") and First Amended Disclosure Statement (the "Disclosure Statement"). The Effective Date of the Plan was June 8, 1997. On February 23, 2000, United States Bankruptcy Judge entered a "Final Decree Order Pursuant to Bankruptcy Code Section 350", and thereby issued a final decree closing the bankruptcy case. The claim by the Internal Revenue Service was not discharged by the Final Decree Order.

History

The Company was organized on April 22, 1986 under the laws of the State of Utah under the name of Kaiser Research, Inc. On December 2, 1994, the Company changed its domicile from the State of Utah to the State of Delaware through a reincorporation merger. In order to effect the reincorporation merger, the Company formed a wholly-owned subsidiary under Delaware law under the name of PACSYND, Inc. After the change of the Company's domicile, it acquired a privately held corporation ("Private PSI") in a merger transaction, and in connection therewith, the Company's name was changed to Pacific Syndication, Inc.

After the acquisition of Private PSI in December 1994, and prior to its filing of a Petition under Chapter 11, the Company was engaged in the business of transmitting television programming to television stations and others via satellite or land deliveries on behalf of production companies, syndicators and other distributors of television programming. Although the Private PSI was not the survivor of the Merger, and did not exist after the Merger, pursuant to the accounting requirements of the Securities and Exchange Commission the Merger was treated as a "reverse merger" and, solely for accounting purposes, Private PSI was deemed to be the survivor.

Private PSI was formed under the laws of the State of Delaware in November 1991. Private PSI was formed to engage in the business of providing a variety of television industry related services to its clients. Such services included, but were not limited to, video tape duplication, standards conversion and delivery of television programming by way of conventional carriers (such as UPS, Airborne and Federal Express) and by satellite or fiber optic transmission.

-10-

Private PSI provided its clients (primarily television producers, programmers and syndicators) with several related but different services, including distribution of syndicated programming to television stations, program mastering and standards conversion, infomercial customization and delivery, master tape and film storage, library distribution services and video integration and delivery services. Private PSI developed its own tape tracking

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

and vault library management system and a system for infomercial customization and voice-over integration.

From its inception, Private PSI was undercapitalized. It funded its initial operations through the factoring of its accounts receivable. The Company was unable to commence operations in the television programming services business and ultimately, substantially all of its assets were sold and it discontinued its operations.

Chapter 11 Plan of Reorganization

On June 23, 1995, the Company filed a Petition under Chapter 11 of the U.S. Bankruptcy Code. As of December 1995, the Company had sold most of its assets, reduced its debt and terminated its operations. By that date, there was no trading market in the Company's securities. In 1996, Troika Capital, Inc. ("Troika"), a Utah corporation, agreed to assist the Company in developing a Plan of Reorganization which would provide the Company, its shareholders and creditors with at least a possibility of recouping all or some of their investment in the Company or the debts owed to them by the Company. Troika is a privately-owned Utah corporation which has been involved in various company formations, mergers and financings.

Mark A. Scharmann, the President of Troika, and now the President of the Company, and his affiliates, were shareholders of the Company and creditors of the Company at the time the Company commenced its bankruptcy proceeding. Mr. Scharmann was a founder of the Company in 1986 and was an original shareholder of the Company. At the time the Company acquired Private PSI, he resigned as an officer and director of the Company but remained a shareholder and later became a creditor of the Company. Many of the investors in the Company are friends and acquaintances of Mr. Scharmann. The Company believed that if it were to liquidate, there would be a total loss to creditors and shareholders. Because of his own equity and debt investment in the Company, and his relationship with other shareholders and creditors of the Company, Mr. Scharmann agreed, through Troika, to develop a business plan for the Company and to attempt to assist the Company in carrying out such plan.

The Plan of Reorganization developed for the Company by Troika was essentially as follows:

1. Eliminate all non-tax liabilities of the Company through the conversion of debt into equity.
 2. Replace the current officers and directors of the Company with new management. The new management includes the following: Mark Scharmann, Dan Price and David Knudson.
- 11-
3. File all required Securities and Exchange Commission reports which may be necessary to bring the Debtor current in its filing requirements under Section 15(d) of the 1934 Act. File all SEC reports which become due in the future.
 4. File any tax returns which are in arrears and file all required tax returns and reports which become due in the future.
 5. Use existing cash of the Company to pay quarterly tax payments and for working capital.
 6. Prepare and bring current, the financial statements of the Company

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

7. Attempt to raise additional cash to be used to fund quarterly tax payments and for working capital.

8. Locate a private-company which is seeking to become a public company by merging with the Company.

9. Assist the Company in completing any merger which is located and which the Board of Directors deems appropriate.

10. Assist the post-merged company with shareholder relations, financial public relations and with attempts to interest a broker-dealer in developing a public market for the Company's common stock so that the Company's shareholders (including creditors whose debt was converted into shares of the Company's common stock) may ultimately have an opportunity to liquidate their shares for value in market or in privately negotiated transactions.

The Plan and Disclosure Statement was confirmed by the Bankruptcy Court on May 28, 1997. The Effective Date of the Plan was June 8, 1997. Subsequent to the Effective Date of the Plan, the Company filed monthly "Debtor in Possession Interim Statements" and "Debtor in Possession Operating Reports" with the Office of the United States Trustee. On February 23, 2000, the Bankruptcy Court Judge entered a Final Decree Order closing the Bankruptcy case of the Company.

Post Confirmation Date Activities

Since the Confirmation of the Plan of Reorganization the following have occurred:

1. Pre-Confirmation Date non-tax debt in the amount of approximately \$1,458,000 was converted into 1,458,005 shares of the Company common stock.

2. The Company completed its audited financial statements for the years ended December 31, 1996 through 2006.

-12-

3. The Company effected a 1-for-6 reverse split of its issued and outstanding common stock in order to establish a more desirable capital structure for potential merger partners.

4. The Company changed its name to Pacific Alliance Corporation.

5. The Company obtained the preliminary agreement of a registered-broker to make a market in the Company's common stock.

6. The Company filed an application for approval of secondary trading in its common stock with the Division of Securities of the State of Utah. An Order Granting such application was issued by the Utah Division of Securities.

7. The Company prepared and filed a Form 10-KSB for the years ended December 31, 1997 through December 2006, and all required Forms 10-QSB.

Financial Condition

Total assets at June 30, 2007 was \$54. As of December 31, 2006, the Company had no assets and liabilities of \$808,592.

The Company's total liabilities as of June 30, 2007 were \$869,090. The Company's liabilities include, but are not limited to, \$190,051 loans from

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

officers, \$40,645 accrued interest, \$39,259 of accrued expenses, \$329,842 attributed to tax liabilities, and \$144,293 of notes payable to related parties.

It is likely that the Company will be required to raise additional capital in order to attract any potential acquisition partner but there can be no assurance that the Company will be able to raise any additional capital. It is also likely that any future acquisition will be made through the issuance of shares of the Company's common stock which will result in the dilution of the percentage ownership of the current shareholders.

Results of Operations

The Company has generated no revenues since the Confirmation Date of its Bankruptcy Reorganization. The Company will not generate any revenues, if ever, until and unless it merges with an operating company or raises additional capital for its own operations. There can be no assurance that either of such events will happen.

-13-

The Company had a net loss of \$42,364 for the three months ended June 30, 2007. This compares to a net loss of \$60,246 for the three months ended June 30, 2006. The Company's expenses for the three months ended June 30, 2007 consisted of management compensation, professional fees, interest and other expenses. The Company had a net loss of \$79,480 for the six months ended June 30, 2007. This compares to a net loss of \$109,506 for the six months ended June 30, 2006. The Company's expenses for the six months ended June 30, 2007 consisted of management compensation, professional fees, interest and other expenses. We issued 126,750 shares of our common stock to officers for compensation during the quarter end June 30, 2007. The shares were valued at \$.10 per share.

Plan of Operation

The Company's current business plan is to serve as a vehicle for the acquisition of, or the merger or consolidation with another company (a "Target Business"). The Company intends to utilize its limited current assets, equity securities, debt securities, borrowings or a combination thereof in effecting a Business Combination with a Target Business which the Company believes has significant growth potential. The Company's efforts in identifying a prospective Target Business are expected to emphasize businesses primarily located in the United States; however, the Company reserves the right to acquire a Target Business located primarily elsewhere. While the Company may, under certain circumstances, seek to effect Business Combinations with more than one Target Business, as a result of its limited resources the Company will, in all likelihood, have the ability to effect only a single Business Combination.

The Company may effect a Business Combination with a Target Business which may be financially unstable or in its early stages of development or growth. To the extent the Company effects a Business Combination with a financially unstable company or an entity in its early stage of development or growth (including entities without established records of revenue or income), the Company will become subject to numerous risks inherent in the business and operations of financially unstable and early stage or potential emerging growth companies. In addition, to the extent that the Company effects a Business Combination with an entity in an industry characterized by a high level of risk, the Company will become subject to the currently unascertainable risks of that industry. An extremely high level of risk frequently characterizes certain industries which experience rapid growth. Although management will endeavor to evaluate the risks inherent in a particular industry or Target Business, there

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

can be no assurance that the Company will properly ascertain or assess all risks.

Other Matters

The Company will not effect any merger unless it first obtains approval from its shareholders. In connection with obtaining shareholder approval of a proposed merger, the Company will distribute a Proxy, Notice of Meeting of Stockholders and Proxy Statement which contains information about the proposed acquisition transaction. Such information will likely include audited financial statements and other financial information about the acquisition target which meets the requirements of Form 8-K as promulgated under the Securities Exchange of 1934, as amended, resumes of potential new management, description of potential risk factors which shareholders should consider in connection with their voting on the proposed acquisition and a description of the business operations of the acquisition target.

-14-

Risk Factors

During the quarter ended June 30, 2007, there were no material changes to the quantitative and qualitative disclosures of our Risk Factors previously reported in the Annual Report contained in the Company's Form 10-KSB for the year ended December 31, 2006.

Troika and its affiliate will vote all of their shares of the Company's common stock for or against any merger proposal in the same ratio which the shares owned by other shareholders are voted. This will permit other shareholders to be able to effectively determine whether the Company acquires any particular Operating Company. The merger will be effected only if a majority of the other shareholders attending the meeting of shareholders in person and/or by proxy, vote in favor of such proposed merger. The shares of Troika and its affiliates will be included for purposes of determining whether a quorum of shareholders is present at the meeting.

ITEM 3. CONTROLS AND PROCEDURES EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Based on their evaluations as of June 30, 2007, the principal executive officer and principal financial officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) are effective to ensure that information required to be disclosed by the Company in reports that the Company files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

(b) Changes in Internal Controls

There were no significant changes in the Company's internal controls over financial reporting or in other factors that could significantly affect these internal controls subsequent to the date of their most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10QSB

None.

-15-

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the quarter ended June 30, 2007 we issued the shares of our common stock to our officers for compensation. We issued 25,500 shares to Mark Scharmann for services valued at \$2,550 and 6,000 shares to Dan Price for services valued at \$600 and 95,250 shares to David Knudson for services valued at \$9,525. The \$.10 per share price for these services was established in the Bankruptcy Plan of Reorganization referred to in the Management's Discussion and Analysis section of this Form 10-QSB.

Item 3. Defaults by the Company on its Senior Securities.

None.

Item 4. Submission of Matters to Vote of Security Holders.

None

Item 5. Other Information.

Item 6. Exhibits.

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

SIGNATURE

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

Dated: August 15, 2007

PACIFIC ALLIANCE CORPORATION

By /s/ Mark A. Scharmann

President/Principal Executive Officer

By /s/ David Knudson

Principal Financial Officer

