

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

PACIFIC ALLIANCE CORP /UT/
Form 10-Q
May 16, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

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

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

87-044584-9
(I.R.S. employer
identification No.)

1661 Lakeview Circle, Ogden, UT 84403

(Address of principal executive offices)

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

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.

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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

At May 5, 2008, the Company had 36,828,500 outstanding shares of common stock, \$.001 par value.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1.	Financial Statements	Page
	Balance Sheets	4
	Statements of Operations	5
	Statements of Cash Flows	6
	Notes to Interim Unaudited Financial Statements	7 – 10
Item 2.	Management's Discussion and Analysis of Financial Condition	
	and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	16
Item 4T.	Controls and Procedures	17

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	17
Item 1A.	Risk Factors	N/A
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	17
Item 3.	Defaults Upon Senior Securities	17
Item 4.	Submission of Matters to a Vote of Security Holders	17
Item 5.	Other Information	17
Item 6.	Exhibits	17

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of our financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Our unaudited balance sheet at March 31, 2008 and our audited balance sheet at December 31, 2007; the related unaudited statements of operations for the three month periods ended March 31, 2008 and 2007 and from inception of the development stage (December 21, 1995 through March 31, 2008); and the related unaudited statement of cash flows for the three month periods ended March 31, 2008 and 2007 and from inception of the development stage (December 21, 1995 through March 31, 2008), are attached hereto.

**PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)**

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2008

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

	March 31, 2008 (Unaudited)	As of	December 31, 2007 (Audited)
ASSETS			
Current Assets			
Cash	\$ 1,200		\$ 29
TOTAL ASSETS	\$ 1,200		\$ 29
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current Liabilities			
Accrued Interest	\$ 59,563		\$ 53,436
Other Accrued Expenses	44,336		45,146
Notes payable	125,000		125,000
Advances from Officer	257,825		231,735
Tax Liabilities	340,774		337,130
Notes payable to Related Parties	144,293		144,293
Total current liabilities	971,921		936,740
Stockholders' Deficit			
Common Stock, par value \$0.001, authorized 100,000,000 shares; and 36,828,500 and 36,662,000 shares issued and outstanding	36,829		36,662
Paid-in Capital	3,406,713		3,390,229
Accumulated deficit prior to the developmental stage	(2,632,447)		(2,632,447)
Accumulated deficit during the developmental stage	(1,781,816)		(1,731,155)
Total Stockholders Deficit	(970,721)		(936,711)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,200		\$ 29

See Notes to Interim Unaudited Financial Statements

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS (Unaudited)

	For the three months ended March 31,		From Inception of the Developmental Stage, December 21, 1995 Through March 31, 2008
	2008	2007	
Operating Expenses:			
Selling, General and Administrative Expenses	\$ 34,068	\$ 23,022	\$ 1,322,548
Tax Penalty and Interest Expense	3,644	3,644	152,301
Loss on Investment	-	-	6,844
Interest Expense	12,949	10,450	369,198
Net Loss before Extraordinary Item	(50,661)	(37,116)	(1,850,891)
Extraordinary Item, Gain on Forgiveness of Tax debt	-	-	69,075
Net Loss	\$(50,661)	\$(37,116)	\$(1,781,816)
Net Loss per share, Basic and Diluted	NIL	NIL	
Weighted Average Number of Shares	36,717,500	36,104,650	

See Notes to Interim Unaudited Financial Statements

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS (Unaudited)

	For the three months ended		From Inception of
	March 31,		the Developmental
	2008	2007	Stage,
			December 21, 1995
			Through
			March 31, 2008
Cash Flow from Operating Activities:			
Net Loss	\$ (50,661)	\$(37,115)	\$ (1,781,816)
Adjustments to Reconcile Net Loss to Net Cash Used in Operations:			
Loss on investments	-	-	6,844
Gain on forgiveness on tax debt	-	-	(69,075)
Stock issued for services	16,650	6,360	608,610
(Increase) Decrease in:			
Accounts receivable	-	-	95,841
Increase (Decrease) in:			
Accrued expenses	5,447	73	261,090
Tax liabilities	3,644	3,644	(35,063)
Net Cash Used in Operating Activities	(24,920)	(27,038)	(913,569)
Cash Flow from Investing Activities			
Purchase of investments	-	-	(30,180)
Proceeds from sale of investments	-	-	23,336
Net Cash Used In Investing Activities	-	-	(6,844)
Cash Flow from Financing Activities:			
Bank overdraft	-	(6)	(2,587)
Proceeds from notes payable	-	5,000	211,486
Payments of note payable	-	-	(51,277)
Net Proceeds from notes payable to related parties	-	-	119,084
Advance from officer	34,900	30,300	962,356
Repayment of advance from officer	(8,809)	(5,967)	(602,298)
Proceeds from issuance of common stock	-	-	25,000
Proceeds from common stock subscription	-	-	259,849
Net Cash Flow Provided by Financing Activities	26,091	29,327	921,613
Net Increase in Cash	1,171	2,289	1,200

Cash Balance at Beginning of Period	29	-	-
Cash Balance at End of Period	\$ 1,200	\$2,289	\$1,200
Supplemental Disclosures of Cash Flow Information			
Interest paid	\$6,191	\$3,034	

See Notes to Interim Unaudited Financial Statements

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 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. 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, 2008 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, 2008, the Company funded its disbursements using loans from an officer.

Presentation of Interim Information The financial information at March 31, 2008 and for the three months ended March 31, 2008 and 2007 are 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-Q. 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, 2007.

The balance sheet as of December 31, 2007 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 months ended March 31, 2008 may not be indicative of results for the year ending December 31, 2008 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.

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

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. 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 March 2008, Financial Accounting Standards Board {"FASB"} issued Statement of Financial Accounting Standards (SFAS) No. 161, "*Disclosures about Derivative Instruments and Hedging Activities*" ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring companies to enhance disclosure about how these instruments and activities affect their financial position, performance and cash flows. SFAS 161 also improves the transparency about the location and amounts of derivative instruments in a company's financial statements and how they are accounted for under SFAS 133. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods beginning after that date. As such, the Company is required to adopt these provisions beginning with the quarter ending in February 2009. Adoption of SFAS 161 is not expected to have a material impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159 ("SFAS No. 159"), "*The Fair Value Option For Financial Assets And Financial Liabilities - Including An Amendment of FASB Statement No. 115.*" SFAS No. 159 provides an option to report selected financial assets and financial liabilities using fair value, and establishes required presentation and disclosures to facilitate comparisons with companies that use different measurements for similar assets and liabilities. SFAS No. 159 is effective for the Company's fiscal year beginning August 1, 2008, with early adoption allowed only if SFAS No. 157 is also adopted. The Company is currently evaluating the potential impact of this standard on the financial statements.

In June 2007, the FASB ratified Emerging Issues Task Force Issue No. 07-3, "*Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*" ("EITF 07-3"). EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development activities to be recorded as an asset and the payments to be expensed when the research and development activities are performed. EITF 07-1 will be effective for the Company's fiscal year beginning August 1, 2008. Currently, the Company does not anticipate that this statement will have a significant impact on its financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "*Business Combinations*" ("SFAS No.141(R)"). SFAS No. 141(R) will replace SFAS 141, and establishes principles and requirements for how the acquirer in a business combination reorganizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Currently, the Company does not anticipate

that this Statement will have a significant impact on its financial statements.

In December 2007, the FASB issued SFAS No. 160, “*Non-Controlling Interests in Consolidated Financial Statements - an amendment of ARB No. 51*” (“SFAS No. 160”). This statement requires that noncontrolling or minority interests in subsidiaries be presented in the consolidated statement of financial position within equity, but separate from the parents’ equity, and that the amount of the consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

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

statement of income. SFAS No. 160 will be effective for the Company's fiscal year beginning August 1, 2009. The adoption of this statement did not have a material effect on the Company's financial statements.

In December 2007, the FASB ratified the consensus reached on Emerging Issues Task Force Issue No. 07-1, "Accounting for Collaborative Arrangements Related to the Development and Commercialization of Intellectual Property" ("EITF 07-1"). EITF 07-1 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-1 will be effective for the Company's fiscal year beginning August 1, 2009. The Company is currently evaluating the potential impact of this standard on the financial statements.

In December 2007, the SEC issued Staff Accounting Bulletin No. 110 ("SAB 110"). SAB 110 permits companies to continue to use the simplified method, under certain circumstances, in estimating the expected term of "plain vanilla" options beyond December 31, 2007. SAB 110 updates guidance provided in SAB 107 that previously stated that the Staff would not expect a company to use the simplified method for share option grants after December 31, 2007. Adoption of SAB 110 is not expected to have a material impact on the Company's financial statements.

NOTE 2 – TAX LIABILITIES

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 March 31, 2008, and December 31, 2007 the Company owes \$284,241 and \$281,172 to the IRS, respectively. The taxes owed to the IRS are delinquent and accruing interest at 9% per annum.

As of March 31, 2008 and December 31, 2007, the Company owes \$5,455 and \$5,455 to California Franchise Tax Board, respectively. 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 March 31, 2008 and December 31, 2007, the Company owes \$43,548 and \$43,057 to California State Board of Equalization, respectively. 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 March 31, 2008 and December 31, 2007, the Company owes \$7,530 and \$7,446 to the County of Los Angeles, respectively. 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 – SHORT TERM NOTE PAYABLE

The notes payable bear interest at 10% per annum and are due on demand. As of March 31, 2008 and December 31, 2007, the balance was \$125,000.

NOTE 4 – NOTES PAYABLE TO RELATED PARTIES

Notes payable to minority shareholders amounted to \$144,293 at March 31, 2008 and at December 31, 2007. These notes bear interest at 10% to 12%, and are due on demand.

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

NOTE 5 – COMMON STOCK

During the first three months of 2008, the Company issued 166,500 shares of common stock for management services, pursuant to the provisions of the Modified Plan of Reorganization approved by the U.S. Bankruptcy Court in 1997. The stocks were valued \$0.10 per share, or \$16,650 of total.

NOTE 6 – NET LOSS PER SHARE

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

	Three Months Ended	
	March 31, 2008	March 31, 2007
Numerator:		
Net Loss	\$ (50,661)	\$ (37,115)
Denominator:		
Weighted Average Number of Shares	36,717,500	36,104,650
Net loss per share-Basic and Diluted	NIL	NIL

NOTE 7 – RELATED PARTY TRANSACTIONS

An officer of the Company advanced \$34,900 to the Company during the three months ended March 31, 2008. The Company repaid the officer \$8,809 during the three months ended March 31, 2008. These advances bear interest at 10% and have no maturity date. The balance of advances was \$257,825 and \$231,735 at March 31, 2008 and December 31, 2007, respectively.

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, \$1,500 was recorded as expense during the three months period ended March 31, 2008 and 2007.

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 \$16,650 and \$6,360 for the three months ended March 31, 2008 and 2007, respectively (see note 5).

NOTE 8 – OTHER ACCRUED EXPENSES

Accrued expenses consist of:

	March 31, 2008	December 31, 2007
Accrued Professional Fees	\$ 27,574	\$ 27,884
Accrued Expenses	16,762	17,262
Total	\$ 44,336	\$ 45,146

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.

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 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.

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

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.
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
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

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

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.

12

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 has audited financial statements for the years ended December 31, 1996 through December 31, 2007.

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 has filed reports required to be filed by Section 13 or 15(d) of the Exchange Act through the most recent reporting period ended March 31, 2008.

Forward Outlook and Risks

This periodic report contains and incorporates by reference certain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act with respect to results of our operations and businesses. All statements, other than statements of historical facts, included in this periodic report, including those regarding market trends, our financial position, business strategy, projected costs, and plans and objectives of management for future operations, are forward-looking statements. In general, such statements are identified by the use of forward-looking words or phrases including, but not limited to, "intended," "will," "should," "may," "expects," "expected," "anticipates," and "anticipated" or the negative thereof or variations thereon or similar terminology. These forward-looking statements are based on our current expectations. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties, our actual results could differ materially. Important factors that could cause actual results to differ materially from our expectations are disclosed hereunder and elsewhere in this Form 10-Q. These forward-looking statements represent our judgment as of the date of this Form 10-Q. All subsequent written and oral forward-looking statements attributable to Pacific Alliance are expressly qualified in their entirety by the Cautionary Statements. We disclaim, however, any intent or obligation to update our forward-looking statements.

Plan of Operation

Our current plan of operation is to acquire another operating company. It is likely that any acquisition will be a “reverse merger” acquisition whereby we acquire a larger company by issuing shares of our common stock to the shareholders of the larger company. Although we would be the surviving or parent company from a corporate law standpoint, the shareholders of the larger company would be our controlling shareholders and the larger company would be treated as the survivor or parent company from an accounting point of view. It can be expected that any company which may desire to be acquired by us will do so as method of potentially becoming a public company more quickly and less expensively than if such company undertook its own public offering. Even if we are able to acquire another company, there can be no assurance that we will ever operate at a profit.

13

Results of Operations

We have not conducted any active operations since our Confirmation Date and generated no revenue during the reporting period ended March 31, 2008. We anticipate that we will not generate any revenues until we acquire or merge with another company.

We had total expenses of \$50,661 for the three month period ended March 31, 2008 compared to \$37,116 for the three month period ended March 31, 2007, an increase of \$13,545 due to increased interest expense, professional fees, and compensation expense. Our total compensation expense for the three month period ended March 31, 2008 was \$16,650 compared to \$6,360 for the three month period ended March 31, 2007, an increase of \$10,290 due to increased evaluation of potential acquisition candidates. Our total interest expense was \$12,949 for the three month period ended March 31, 2008 compared to \$10,450 for year three month period ended March 31, 2007.

Liquidity and Capital Resources

As of March 31, 2008, our total assets consisted solely of \$1,200 in cash. Because we have limited cash, we are dependent upon loans and advances from our management and others to fund our operating expenses pending the completion of a merger or acquisition. As of March 31, 2008, we had total liabilities of \$971,921 of which \$340,774 related to tax liabilities incurred in prior to the Chapter 11 Plan of Reorganization. At March 31, 2008, a total of \$527,118 of our liabilities related to funds borrowed by us from our management and others . This number represents an increase of \$88,985 since December 31, 2007.

In the event we are able to locate an acquisition candidate, we anticipate that some or all our debt to management and others will be converted into additional shares of common stock. The conversion price, if a conversion of debt was to occur, of which there can be no assurance, has not been established.

We intend to continue paying for various filing fees and professional fees relating to our reporting obligations and to fund the costs which may arise from seeking new business opportunities by borrowing funds from our management and others..

Because all business operations have been terminated, we have taken steps to minimize our operational expenses. We have no source of revenue and it is likely that we will be required to raise additional capital in order to attract a potential acquisition partner. We do not know how much additional capital will be required and if our capital requirements will exceed the financial resources of our management or others that have advanced funds for our operations. We may seek alternatives sources for financing. In either case, we can give no assurance that we will be able to raise sufficient additional capital to continue as a shell company. It is also likely that any future acquisition will be made through the issuance of shares of our common stock which will result in the dilution of the percentage ownership of the current shareholders.

The auditors' report included with our Annual Report on Form 10-KSB for the year ended December 31, 2007 contains a going concern qualification, which provides that our ability to continue as a going concern is dependent upon it raising additional capital. We will continue to be an inactive company unless and until we raise additional capital and acquire an operating company. There can be no assurance that either will occur.

Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations discuss the Company's Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. We have terminated our previous operations and such operations are treated as discontinued operations for financial statement purposes.

We anticipate that in the future, the preparation of our financial statements will require management to make estimates and assumptions that will affect reported amounts of assets and liabilities and the disclosure of

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

contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management will evaluate its estimates and assumptions, including those related to inventory, income taxes, revenue recognition and restructuring initiatives. We anticipate that management will base its estimates and judgments on historical experience of the operations we may acquire and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, will affect its more significant judgments and estimates used in the preparation of our Consolidated Financial Statements following the completion of an acquisition:

Inventory. The Company will be required to reduce the stated value of its inventory for obsolescence or impairment in an amount equal to the difference between the cost of the inventory and the estimated market value, based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional reductions in stated value may be required.

Income Taxes. In determining the carrying value of the Company's net deferred tax assets, the Company will be required to assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions, to realize the benefit of these assets. If these estimates and assumptions change in the future, the Company may record a reduction in the valuation allowance, resulting in an income tax benefit in the Company's Statements of Operations. Management will be required to evaluate the realizability of the deferred tax assets and assesses the valuation allowance quarterly.

Goodwill and Other Long-Lived Asset Valuations. In June 2001, the FASB issued SFAS 141, "Business Combinations", and SFAS 142, "Goodwill and Other Intangible Assets", effective for fiscal years beginning after December 15, 2001 with early adoption permitted for companies with fiscal years beginning after March 15, 2001. We currently have no intangible assets. At such time as we have intangible assets, we will adopt the new rules on accounting for goodwill and other intangible assets. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives.

Revenue Recognition. At such time as we have revenues from operations, we will adopt revenue recognitions policies consistent with generally acceptable accounting standards.

Stock-Based Compensation. Equity securities issued for services rendered have been accounted for at the fair market value of the securities on the date of authorization. On January 1, 2006, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)") which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payments to employees and Directors, including employee stock options and stock purchases related to our employee stock option and award plans. SFAS 123(R) supersedes our previous accounting under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") for periods beginning in the fiscal year ended December 31, 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123(R). We have applied the provisions of SAB 107 in our adoption of SFAS 123(R). We adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of our fiscal year ended December 31, 2006. SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Statement of Operations. Under SFAS 123(R), stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. At March 31, 2008, we have no outstanding options or warrants, nor were any options or warrants granted during the three month period then ended. Therefore we did not recognize any stock-based compensation expense under SFAS 123(R) for the reporting period.

Interest Rate Risk

We currently have debt and will undoubtedly incur debt to finance our operations. We anticipate that a substantial amount of our future debt and the associated interest expense will be subject to changes in the level of interest rates. Increases in interest rates would result in incremental interest expense.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Contractual Obligations and Commitments

Except for the payment of accrued management compensation, accrued taxes, rent and other payables, all of which are described in the financial statements attached hereto, we have no contractual commitments or obligations.

Inflation

The Company does not believe that inflation will negatively impact its business plans.

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.

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. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the quarter ended March 31, 2008, 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, 2007.

16

ITEM 4T. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our President/Principal Executive Officer and Secretary/Treasurer/Principal Financial Officer, we evaluated the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are adequately designed to ensure that information required to be disclosed in the reports submitted under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission ("SEC") rules and forms.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

We are a smaller reporting company and not required to provide the information required by this item.

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

During the three month period ended March 31, 2008 we issued the shares of our restricted common stock to our officers for compensation as follows:

Recipient	Number of Shares	Attributed Value ⁽¹⁾
Mark A. Scharmann	97,500	9,750
Dan Price	7,500	750
David Knudson	61,500	6150

⁽¹⁾The \$.10 per share price for these services was established in the Bankruptcy Plan of Reorganization referred to in Part I, Item 2 of this report on Form 10-Q.

All of the foregoing shares of common stock issued were issued in non registered transactions in reliance on the exemption from registration available under Section 4(2) of the Securities Act.

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

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

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

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

Exhibit 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: May 15, 2008

PACIFIC ALLIANCE CORPORATION

By /s/ Mark A. Scharmann
President/Principal Executive Officer

By /s/ David Knudson
Principal Financial Officer