Blackhawk Fund
Form 10-Q
November 16, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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

For the transition period from _________________ to _________________

Commission File No.: 000-49672

THE BLACKHAWK FUND
(Exact name of registrant as specified in its charter)

Nevada	88-0408213
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1802 N. Carson Street, Suite 108
Carson City, NV 89701
(Address of principal executive offices)

Issuer's telephone number: (775) 887-0670

1802 N. Carson Street, Suite 212-3018, Carson City, NV 89701
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) 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 X No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ___ No ___

Indicate by check mark whether the registrant is a large 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 [X]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of November 13, 2009, 852,293,791 shares of our common stock were outstanding.

ITEM 1 – CONDENSED FINANCIAL STATEMENTS

THE BLACKHAWK FUND
BALANCE SHEET

ASSETS	September 30, 2009	December 31, 2008
Cash	$ 1,111	11,161
Prepaid Financing Costs	829	829
Total Current Assets	1,940	11,990
Fixed Assets-Net	-	-
Property – Held For Sale	1,000	1,775,900
Prepaid Financing Costs	22,460	22,875
TOTAL ASSETS	$ 25,400	$ $1,810,765
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 231,211	$ 107,990
Notes Payable, net of discount of $315,775	25,225	854,079
Notes Payable-Related Party	84,591	62,515
Total current liabilities	341,027	1,024,584
Long term liability		
Note payable	-	1,936,000
Total Liabilities	341,027	2,960,584
Commitments and contingencies	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock, $0.0001 par value:		
Series A, authorized 500,000, 500,000 issued and outstanding	50	50
Series B, authorized 10,000,000, 10,000,000 issued and outstanding	1,000	1,000
Series C, authorized 20,000,000, 10,000,000 issued and outstanding	1,000	1,000
Common Stock, $0.0001 par value, 4,000,000,000 shares authorized, 812,293,791 and 562,293,791 shares issued and outstanding, respectively	81,229	56,229
Common Stock B, $0.0001 par value 150,000,000 authorized, 30,000,000 issued and outstanding	3,000	3,000
Additional Paid in Capital	37,976,964	36,136,931
Common Stock Subscribed	-	-
Retained Deficit	(38,378,870)	(38,348,029)
Total Stockholders' Deficit	(315,627)	(1,149,819)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 25,400	$ 1,810,765

See accompanying summary of significant accounting policies and notes to financial statements.

THE BLACKHAWK FUND
STATEMENTS OF OPERATIONS
For the Three Months and Nine Months
(unaudited)

		Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues	$	-	6,000	-	25,765
Cost of Sales		-	-	-	-
Gross Profit		-	6,000	-	25,765
OPERATING EXPENSES					
Stock for Services		-	-	-	92,300
General & Administrative		41,772	32,851	85,387	204,597
Interest Expense		326,943	51,045	341,883	644,240
Total Expenses	$	368,715	83,896	427,270	941,137
Net Loss from operations	$	(368,715)	(77,896)	(427,270)	(915,372)
Other income:					
Gain on Sale of Assets		-	-	1,015,178	-
Loss on Guarantee		-	-	(618,750)	-
Net Profit (Loss)	$	(368,715)	(77,896)	(30,842)	(915,372)
Net Profit (Loss) per Share		0.00	(0.00)	0.00	0.00
Weighted Average Number of Shares Outstanding		725,584,114	562,293,791	666,417,079	488,593,791

See accompanying summary of significant accounting policies and notes to financial statements.

THE BLACKHAWK FUND
STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2009 and 2008
(unaudited)

	Nine Months Ended September 30, 2009	2008
Cash Flows From Operating Activities		
Net Profit (Loss)	(30,842)	(915,372)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on Sale of Disposition of Assets	(1,015,178)	-
Depreciation	-	505
Stock Issued for Services and Financing	24,000	592,300
Discount accretion on note	315,258	
Loss on Guarantee	618,750	-
-Changes in Operating Assets and Liabilities:		
(Increase) in Prepaid Financing Costs	415	642
Increase (Decrease) in Accounts Payable	58,547	89,850
Net cash used in operating activities	(29,050)	(232,075)
Cash Flows From Investing Activities:		
Sale (Purchase) of Assets	-	4,550
Net cash provided by (used in) investing activities	-	4,550
Cash Flows From Financing Activities:		
Payments on Notes Payable	-	-
Proceeds from stock issuances, subscriptions and option exercises	-	186,260
Proceeds from notes payable - related party	19,000	78,551
Payments on notes payable	-	(37,324)
Net cash provided by financing activities	19,000	227,487
Net Change in Cash	(10,050)	(38)
Cash Beginning of Period	11,161	2,381
Cash End of Period	1,111	2,343
Supplemental disclosures:		
Cash paid for:		
Interest	$ -	$ 91,812
Income Taxes	$ -	$ -

Supplemental disclosures:

Common stock issued for service	$	24,000	-
Common stock issued for debt interest	$	210,000	-

THE BLACKHAWK FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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-K, as amended. 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 2008 as reported in the 10-K, as amended, have been omitted.

NOTE 2 - STOCK BASED COMPENSATION

Prior to January 1, 2006, the Company accounted for stock based compensation under FASB ASC Topic regarding Accounting for Stock-Based Compensation. As permitted under this standard, compensation cost was recognized using the intrinsic value method described in FASB ASC Topic regarding Accounting for Stock Issued to Employees. Effective January 1, 2006, the Company has adopted FASB ASC Topic regarding Share-Based Payment and applied the provisions 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 FASB ASC Topic regarding Accounting for Stock-Based Compensation, stock-based compensation expense recognized during the year ended December 31, 2008 includes compensation expense for all share-based payments granted on or prior to, but not yet vested as of December 31, 2006, based on the grant date fair value estimated in accordance with the original provisions, and compensation cost 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.

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 FASB ASC Topic regarding Accounting for Stock-Based Compensation.

During the nine months ended September 30, 2009, the Company had stock based consulting expense of $24,000 as determined under FASB ASC Topic regarding Accounting for Stock-Based Compensation.

NOTE 3 - PROPERTY - HELD FOR SALE/FIXED ASSETS.

In December 2008, the Company purchased two parcels of undeveloped land in Riverside County, City of Desert Hot Springs, California, for a purchase price of a $1,000 promissory note. The land approximates 3.5 acres. This property is zoned for residential dwellings. The Company is determining whether to build finished lots or in the alternative to sell the land to a developer. The property comprised of these two parcels has not yet been entitled.

In February 2009, the Company entered into settlement agreements with certain prior affiliated parties pursuant to which the Company transferred its condominium located in Carlsbad, California and its residential property located in Oceanside, California. The Company entered into a settlement agreement with the former controlling stockholder of the Company under which the former controlling stockholder agreed to cancel and forgive a promissory note made by the Company in the aggregate principal amount of $841,828 in exchange for the Carlsbad condominium property. This property is also subject to a $496,000 mortgage which is now the responsibility of the former controlling stockholder.

The Company also entered into a settlement agreement with a joint venture partner in relation to the residential property in Oceanside, California. Pursuant to the agreement, the joint venture partner released the Company from any and all liability pursuant to the joint venture as well as any liability associated with the two mortgage notes on this property ($1,120,000 and $320,000) in exchange for the property. The Company recognized a gain on sale of assets of $1,015,178 in connection with these transactions. See Note 8.

NOTE 4 - PREFERRED STOCK

Series A Preferred Stock

On April 24, 2008, the Company withdrew its certificate of designation establishing the Company's Series A Preferred Stock and filed a new certificate of designation for 500,000 shares of Series A Preferred Stock, par value $0.001 per share. Anytime after October 24, 2008, the Series A Preferred Stock is convertible based upon the average of the per shares market value of the Company's common stock during the 20 trading days immediately preceding a conversion date. In addition, upon the consummation of a bona fide sale third party sale by the Company of its securities resulting in gross proceeds of at least $1,000,000, the Series A Preferred Stock will automatically convert into the securities being sold in such offering. The Series A Preferred Stock has no voting rights, dividend rights, liquidation preference, redemption rights, or preemptive rights.

On April 24, 2008, the Company issued 500,000 shares of the newly designated Series A Preferred Stock as part of a financing transaction. See Note 5. The Company has valued the convertible shares using the Black-Scholes model and has recognized a financing expense equivalent to the stated value of the Series A Preferred Stock of $500,000.

Series B Preferred Stock

On April 24, 2008, the Company amended the certificate of designation establishing the Company's Series B Preferred Stock. Pursuant to this amendment, the Company's Series B Preferred Stock now contains on limitation on conversions such that no holder of Series B Preferred Stock can convert such shares into the Company's common stock if such conversion would result in the holder owning in excess of 4.99% of the Company's issued and outstanding common stock.

Series C Preferred Stock

On April 24, 2008, the Company amended the certificate of designation for its Series C Preferred Stock. Pursuant to the Amendment, on all matters submitted to a vote of the holders of the common stock, including, without limitation, the election of directors, a holder of shares of the Series C Preferred Stock shall be entitled to the number of votes on such matters equal to the product of (a) the number of shares of the Series C Preferred Stock held by such holder, (b) the number of issued and outstanding shares of the Company's common stock, on a fully-diluted basis, as of the record date for the vote, or, if no such record date is established, as of the date such vote is taken or any written consent of stockholders is solicited, and (c) 0.0000002.

NOTE 5 – PROMISSORY NOTE

On April 24, 2008, the Company and Terminus, Inc. as co-issuers, issued and sold to a single accredited investor (1) a $550,000 12% secured promissory note and (2) 500,000 shares of the Company's Series A Preferred Stock. To secure payment of the note, Terminus pledged the 10,000,000 shares of the Company's Series C Preferred Stock as collateral for the note.

On May 4, 2009, the Company and Terminus, Inc., as co-issuers, both defaulted on repayment of the note. Prior to the default, the Company was considered a guarantor of the note, and accordingly, classified the guaranty a contingent liability and as an "off-balance sheet arrangement." As a result of the default on the note, the Company has become unconditionally liable for repayment of all principal and interest due under the note, has recorded the full amount of $550,000 in principal and $68,750 in accrued interest as a liability, and has incurred an expense for such amounts. In addition, the Company continues to accrue interest from the date of default.

On July 10, 2009, the Company, along with Terminus, Inc., entered into a first amendment to the note with the holder of the note. The amended note extends the maturity date until July 10, 2010. In addition, the amendment provides that the note may be converted into shares of the Company's common stock The conversion price for the amended note is the greater of (i) the then existing par value of the Company's common stock or (i) 75 % of the average of the per shares market values (as defined in the amended note) during the 20 trading days immediately preceding a conversion date. If at any time after September 10, 2009, there is either (i) insufficient shares of the Company's common stock to permit conversions pursuant to the amended note or (ii) the per share market value is less than the then existing par value of the Company's common stock for a period of 5 consecutive trading days, the Company will use its best efforts to amend its capital structure by means of either a reverse split of its common stock, an increase in its authorized common stock, or a reduction of the par value of its common stock, or any combination of the foregoing as determined by the Company's board of directors in its reasonable judgment.'

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Since the note has been amended, the holder of the note has effected a series of partial conversions and was issued an aggregate of 210,000,000 shares of common stock at a conversion price of $0.001 per share. In the aggregate, these issuances reduced the debt by $210,000 in principal. The principal balance of the note at September 30, 2009 is $340,000.

The Company has recorded a beneficial conversion feature relating to this note payable in the amount of $631,033, and recorded $315,258 of the beneficial conversion feature as additional interest expense for the three months ended September 30, 2009.

The balance of the note is recorded on the Company's balance sheet at the net amount of $25,255 after deducting the remaining beneficial conversion feature.

NOTE 6 - RELATED PARTY TRANSACTIONS

At September 30, 2009, Terminus, Inc. the holder of the Company's Series C Preferred Stock, has loaned the company approximately $84,591. The loan is payable upon demand with interest at 12%. Accrued interest as of September 30, 2009 was approximately $10,500.

NOTE 7 - GOING CONCERN

The Company has a negative capital, and has only recently begun implementing its new business plan. These factors, among others indicate that the Company may not be able to continue as a going concern. No adjustments have been made to the carrying value of assets and liabilities should the company not continue as a going concern.

NOTE 8 - GAIN ON DISPOSITION OF PROPERTY

On February 25, 2009, the Company entered into a settlement agreement with the former controlling stockholder of the Company relating to the condominium located in Carlsbad, California owned by the Company. Pursuant to the settlement agreement, the former controlling stockholder agreed to cancel and forgive a promissory note made by the Company in the aggregate principal amount of $841,828 and $5,251 in accrued interest in exchange for the Carlsbad condominium property. The former controlling stockholder acquired this property subject to a $496,000 mortgage.

Also on February 25, 2009, the Company entered into a settlement agreement with a joint venture partner relating to the residential property located in Oceanside California. Pursuant to the agreement, the joint venture partner released the Company from any and all liability pursuant to the joint venture as well as any liability associated with the two mortgage notes on this property ($1,120,000 and $320,000) in exchange for the property.

The Company's basis in the property was $1,774,901.

As a result of the two transactions above, the Company realized a gain on the disposition of assets equal to $1,015,178.

NOTE 9 – 2009 STOCK INCENTIVE PLAN

On August 10, 2009, the Company's Board of Directors adopted its 2009 Stock Incentive Plan. The Board of Directors approved the issuance of 40,000,000 shares of common stock pursuant to the 2009 Stock Incentive Plan in payment of legal services.

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

The following discussion and analysis should be read in conjunction with our financial statements and related notes included in this report. This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The statements contained in this report that are not historic in nature, particularly those that utilize terminology such as "may," "will," "should," "expects," "anticipates," "estimates," "believes," or "plans" or comparable terminology are forward-looking statements based on current expectations and assumptions. Various risks and uncertainties could cause actual results to differ materially from those expressed in forward-looking statements.

All forward-looking statements in this document are based on information currently available to us as of the date of this report, and we assume no obligation to update any forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

General

The Blackhawk Fund acquires and redevelops residential and commercial real estate for investment. Once we acquire a property, we redevelop and refurbish the properties, seeking to enhance the value of the properties. Once a property is refurbished, we seek to generate revenue by rental of the property, and we also seek to resell the properties if market conditions permit.

We currently hold one property (consisting of two parcels as further described below) in our real estate portfolio, and, in light of the distress in the real estate markets, we are actively seeking out real estate acquisition opportunities to increase and diversify our real estate portfolio. We have commenced preliminary negotiations and due diligence with respect to the potential acquisition of two resort properties, and we are also currently in the process of conducting preliminary due diligence with respect to additional acquisition opportunities.

Historically, we also operated a media and television production division. In this division, we sought to manage and implement proprietary media properties, including cable television shows, infomercials, online video magazines, and DVDs. However, as discussed below, management determined that the ongoing media and television production operations were not viable, and accordingly determined to discontinue the media and television production operations.

Recent Developments

Purchase of Land in Riverside County, City of Desert Hot Springs. In December 2008, we purchased two parcels of undeveloped land in Riverside County, City of Desert Hot Springs, California, for a purchase price of a $1,000 promissory note. The land approximates 3.5 acres. This property is zoned for residential dwellings. The property comprised of these two parcels has not yet been entitled, and management is commencing the initial stages of the entitlement process with Riverside County. The County has assessed the value of the property (consisting of these two parcels) at $100,814.

Distribution of Certain Real Property Held for Sale. In February 2009, we entered into settlement agreements with certain prior affiliated parties pursuant to which we transferred our condominium located in Carlsbad, California and our residential property located in Oceanside, California. We entered into a settlement agreement with Angel Acquisition Corp. under which Angel agreed to cancel and forgive a promissory note made by us in the aggregate principal amount of $841,828 in exchange for the Carlsbad condominium property. This property also is subject to a $496,000 mortgage which is now the responsibility of Angel. We also entered into a settlement agreement with our former joint venture partner, Debbie Avey, with respect to a residential property in Oceanside, California. Pursuant to the agreement, Ms. Avey released us from any and all liability pursuant to the joint venture as well as any liability associated with the two mortgage notes on this property ($1,120,000 and $320,000) in exchange for the property. We recognized a gain on sale of assets of $1,015,178 in connection with this transaction.

Website Launch. On July 20, 2009, we launched our new corporate website at www.blackhawkfund.com. Information contained on our website shall not be deemed to be part of this report.

Change of Control and Change in Management

On April 24, 2008, we entered into a stock purchase agreement with Terminus, Inc. and Palomar Enterprises, Inc. pursuant to which Terminus purchased 10,000,000 shares of our Series C Preferred Stock from Palomar for $363,000. As a result, the sale of the Series C Preferred Stock by Palomar to Terminus effectively transferred Palomar's control of our company to Terminus.

Concurrently, Steve Bonenberger resigned as our President and Chief Executive Officer, and Brent Fouch resigned as our Secretary and Chief Financial Officer. In connection therewith, the board of directors increased the number of authorized directors from two to three and appointed Frank Marshik to fill the newly created vacancy on the board. The board of directors then appointed Mr. Marshik as our President, Chief Financial Officer, and Secretary. Thereafter, Mr. Bonenberger and Mr. Fouch resigned as directors. Mr. Marshik, as the sole remaining director, appointed Terry Ross to fill one of the two vacancies resulting from these resignations.

On August 19, 2008, the board of directors reduced the number of authorized directors from three (3) to one (1). Concurrently therewith, Terry Ross resigned as a director. Mr. Ross' resignation was not due to any disagreements with The Blackhawk Fund on matters relating to its operations, policies, and practices.

Plan of Operation

In 2008, our new management conducted an analysis of our two historical business divisions – our real estate division and our media division. After evaluating historical and projected costs in running each division, existing and potential revenue streams, and the availability of additional capital for expansion of each division, management determined to discontinue the media and television production operations due to lack of viability.

In evaluating the real estate division, management evaluated its real estate portfolio in light of market conditions, both in the real estate markets and the credit markets, the existing real estate portfolio valuations, the existing and potential rental possibilities, the market values, the existing financing arrangements, as well as the amount of debt encumbering each property in our portfolio. In addition, in light of the distress in the real estate markets, management is looking at new potential real estate acquisition opportunities that, if consummated, would increase and diversify our real estate portfolio.

As set forth above, in December 2008, we purchased two parcels of undeveloped land in Riverside County, City of Desert Hot Springs, California, for a purchase price of a $1,000 promissory note. The land approximates 3.5 acres. This property is zoned for residential dwellings. The property comprised of these two parcels has not yet been entitled, and management is commencing the initial stages of the entitlement process with Riverside County. The County has assessed the value of the property (consisting of these two parcels) at $100,814.

Also as set forth above, in February 2009, we entered into settlement agreements with certain prior affiliated parties pursuant to which we transferred our condominium located in Carlsbad, California and our residential property located in Oceanside, California. We recognized a gain on sale of assets of $1,015,178 in connection with this transaction.

In light of the distress in the real estate markets, we are actively seeking out real estate acquisition opportunities to increase and diversify our real estate portfolio. We have commenced preliminary negotiations and due diligence with respect to the potential acquisition of two resort properties, and we are also currently in the process of conducting preliminary due diligence with respect to additional acquisition opportunities. We are focusing on properties, both residential and commercial, that are subject to foreclosure proceedings or other otherwise considered real-estate owned (REO) properties held by financial institutions such as banks, credit unions, bankruptcy debtor-in-possession

(DIP) lenders, hedge funds, and private equity funds.

Management is also considering diversifying into additional lines of business. In all cases, management may seek to form one or more partnerships, enter into one or more joint ventures, or conduct one or more strategic acquisitions.

Critical Accounting Policies

The discussion and analysis of our financial conditions and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of financial statements requires managers to make estimates and disclosures on the date of the financial statements. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to revenue recognition. We use authoritative pronouncements, historical experience, and other assumptions as the basis for making judgments. Actual results could differ from those estimates. We believe the following critical accounting policies affect our more significant judgments and estimates in the preparation of our consolidated financial statements. A summary of our critical accounting policies can be found in the notes to our financial statements included our annual report on Form 10-K.

Results of Operations

Basis of Presentation

The following table sets forth, for the periods indicated, certain unaudited selected financial data:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2009	2008	2009	2008
Revenues	$ --	$ 6,000	$ --	$ 25,765
Costs of Sales	--	--	--	--
General and administrative	41,772			