

PACIFIC ALLIANCE CORP /UT/  
Form 10QSB/A  
August 23, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION  
**Washington, D.C. 20549**

**FORM 10-QSB/A**

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
**For the quarter ended June 30, 2005**

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
**Commission file number 033-08732-D**

**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: None

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 ý No ¨

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

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

Common Stock outstanding at August 22, 2005 - 15,111,300 shares of \$.001 par value Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

---

FORM 10-QSB

FINANCIAL STATEMENTS AND SCHEDULES  
PACIFIC ALLIANCE CORPORATION.

For the Quarter ended June 30, 2005

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:

<u>Balance Sheet</u>	3
<u>Statements of Operations</u>	4
<u>Statements of Stockholders' Deficit</u>	5
<u>Statements of Cash Flows</u>	7
<u>Notes to Financial Statements</u>	8 - 11

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations 12

Item 3. Controls and Procedures 17

**PART II - OTHER INFORMATION**

Page

Item 1.	Legal Proceedings	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3.	Defaults by the Company on its Senior Securities	18
Item 4.	Submission of Matters to Vote of Security Holders	18
Item 5.	Other Information	18
Item 6.	Exhibits	18

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET (Unaudited)

	June, 30 2005	December 31, 2004
<b>ASSETS</b>		
Current Assets		
Cash	\$ -	-
Prepays	500	-
<b>TOTAL ASSETS</b>	<b>\$ 500</b>	<b>\$ -</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Overdraft	\$ 7,977	\$ 12
Accrued Interest	45,664	39,464
Other Accrued Expenses	31,172	23,106
Short Term Notes payable	30,000	20,000
Advances from Officer	231,412	224,836
Current portion of Tax Liabilities	92,398	92,398
Notes payable to Related Parties	104,070	89,986
Total current liabilities	542,693	489,802
Long Term Liabilities		
Tax Liabilities	59,621	59,621
<b>TOTAL LIABILITIES</b>	<b>602,314</b>	<b>549,423</b>
Stockholders' Deficit		
Common Stock, par value \$0.001, authorized 30,000,000 shares; and 15,111,300 and 14,802,300 shares issued and outstanding	15,111	14,802
Paid-in Capital	3,156,710	3,126,119
Accumulated deficit prior to the developmental stage	(2,632,447)	(2,632,447)
Accumulated deficit during the developmental stage	(1,141,188)	(1,057,897)
Total Stockholders' Deficit	(601,814)	(549,423)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 500</b>	<b>\$ -</b>

See Notes to Interim Unaudited Financial Statements

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF OPERATIONS (Unaudited)

	Three		Six		From Inception of the Developmental Stage, December 21, 1995 Through
	Months Ended June 30,		Months Ended June 30,		June 30, 2005
	2005	2004	2005	2004	
Operating Expenses:					
Selling, General and Administrative Expenses	\$ 42,671	\$ 23,204	\$ 61,318	\$ 48,983	\$ 956,569
Loss on Investment	-	-	-	-	6,844
Interest Expense	11,226	6,847	21,973	19,630	246,850
Net Loss before Extraordinary Item	(53,897)	(30,051)	(83,291)	(68,613)	(1,210,263)
Extraordinary Item, Gain on Forgiveness of Tax	-	-	-	-	69,075
Net Loss	\$ (53,897)	\$ (30,051)	\$ (83,291)	\$ (68,613)	\$ (1,141,188)
Net Loss per share, Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	
Weighted Average Number of Shares	14,909,542	14,435,385	14,856,797	13,861,346	

See Notes to Interim Unaudited Financial Statements

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF STOCKHOLDERS' DEFICIT (Unaudited)

	Common Stock		Additional	Accumulated	Accumulated
	Shares	Amount	Paid-in Capital	Deficit Prior to December 21, 1995	Deficit After December 21, 1995
Balance at June 30, 2001	942,500	\$ 106,470		\$ (78,442)	
Issuance of common stock:					
Sale of common stock	179,500	43,000		-	
Stock subscription	(12,500)	(2,500)		-	
Net Loss for the year	-	-	-	(63,143)	-
Balance at December 21, 1995	2,099,125	2,099	884,901	(2,632,447)	-
Conversion of Trade Accounts Payable	1,458,005	1,458	1,456,547	-	-
Issuance of Common Stock, Stock for Cash	5,000,000	5,000	20,000	-	-
Issuance of Common Stock, Stock for Services	216,000	216	864	-	-
Conversion of Debt	300,000	300	14,700	-	-
Issuance of Common Stock for IRS					
Claim Reduction	80,078	80	79,998	-	-
Issuance of Common Stock	1,250,000	1,250	248,621	-	-
Conversion of Management Compensation Liability	1,854,292	1,854	183,575	-	-
Issuance of Common Stock for Consulting Services	337,500	338	33,412	-	-
Activity from December 21, 1995 Through December 31, 2002	-	-	-	-	(675,396)
Balance at December 31, 2002	12,595,000	12,595	2,922,618	(2,632,447)	(675,396)
Net Loss for the Year Ended December 31, 2003	-	-	-	-	(144,588)
Balance at December 31, 2003	12,595,000	12,595	2,922,618	(2,632,447)	(819,984)
Issuance of Common Stock for Consulting Services	1,250,000	1,250	98,750	-	-
Issuance of Common Stock for Cash	100,000	100	19,878	-	-
Issuance of Common Stock for Management Compensation Expense	857,300	857	84,873	-	-
Net Loss for the Year Ended December 31, 2004	-	-	-	-	(237,913)
Balance at December 31, 2004	14,802,300	14,802	3,126,119	(2,632,447)	(1,057,897)
Issuance of Common Stock for Management Compensation					

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

Expense (unaudited)	309,000		309	30,591	-	-
Net Loss for the Six Months						
Ended June 30, 2005 (unaudited)						(83,291)
<b>Balance at June 30, 2005</b>	<b>15,111,300</b>	<b>\$</b>	<b>15,111</b>	<b>\$</b>	<b>3,156,710</b>	<b>\$ (2,632,447)</b>
						<b>(1,141,188)</b>

See Notes to Interim Unaudited Financial Statements

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended 2005	Six Months Ended 2004	From Inception of the Developmental Stage, December 21, 1995 Through June 30, 2005
<b>Cash Flow from Operating Activities:</b>			
Net Loss	\$ (83,291)	\$ (68,613)	\$ (1,141,188)
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	30,900	-	216,630
(Increase) Decrease in:			
Prepays	(500)	-	(1,000)
Accounts Receivable	-	-	95,841
Increase (Decrease) in:			
Other Accrued Expenses	14,266	11,352	137,433
Management Compensation Liability	-	18,300	152,952
Tax Liabilities	-	-	(79,525)
<b>Net Cash Used in Operating Activities</b>	<b>(38,625)</b>	<b>(38,961)</b>	<b>(681,088)</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of Investments	-	-	(30,180)
Proceeds from Sale of Investments	-	-	23,336
<b>Net Cash Used In Investing Activities</b>	<b>-</b>	<b>-</b>	<b>(6,844)</b>
<b>Cash Flow from Financing Activities:</b>			
Bank Overdraft	7,965	-	5,391
Proceeds from Notes Payable	10,000	-	179,986
Payments of Note Payable	-	-	(50,000)
Net Proceeds from Notes Payable to Related Parties	14,084	20,000	14,084
Net Advance from Officer	42,410	19,526	555,095
Repayment of Advance from Officer	(35,834)	-	(321,451)
Proceeds from Issuance of Common Stock	-	-	44,978
Proceeds from Common Stock Subscription	-	-	259,849
<b>Net Cash Flow Provided by Financing Activities</b>	<b>38,625</b>	<b>39,526</b>	<b>687,932</b>
<b>Net Increase in Cash</b>	<b>-</b>	<b>565</b>	<b>-</b>
Cash Balance at Beginning of Period	-	-	-



<b>Cash Balance at End of Period</b>	\$	-	\$	565	\$	-
Supplemental Disclosures of Cash Flow Information						
Interest Paid	\$	15,772	\$	11,777	\$	165,076

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 ACCOUNT POLICIES**

Organization and Going Concern. Pacific Alliance Corporation (the “Company”), 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 (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 realizations of assets and the satisfaction of liabilities in the normal course of business. As shown in the June 30, 2005 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 six months ended June 30, 2005, the Company funded its disbursements using loans from an officer and other related parties.

The Company is no longer operating, and will attempt 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.

Presentation of Interim Information. The accompanying financial information at June 30, 2005 and for the three and six months ended June 30, 2005 and 2004 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 (“U.S. GAAP”) for interim financial information, and with the instructions to its 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, 2004.

The results for the three and six months ended June 30, 2005 may not be indicative of results for the year ending December 31, 2005 or any future periods.



PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT 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 for the three and six months ended June 30, 2005 and 2004 as the Company lacks of dilutive items.

**NOTE 2- TAX LIABILITIES**

The Company owes back taxes to the IRS, California State Board of Equalization and other tax authorities. The IRS portion of tax liabilities, \$92,398, bears interest at 9%, and was payable in quarterly installments of \$11,602, final payment due in January 2002. Several payments have not been made and the Company is renegotiating the payment terms. In 2000, the Company entered into a settlement agreement with California EDD, which reduced their claim by \$69,075, to \$7,600 which was paid in 2001 (see note 10). Other tax claim repayment schedules have not yet been set.

**NOTE 3- INCOME TAXES**

The Company has loss carryforwards available to offset future taxable income. The total loss carryforwards at December 31, 2004 are estimated at approximately \$1,150,000 and expire between 2013 and 2024. 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 \$391,000, which relates to these loss carryforwards, since future profits are indeterminable. The valuation allowance increased by \$27,400 during the year ended December 31, 2004

**NOTE 4- SHORT TERM NOTE PAYABLE**

During the second quarter of 2005, the Company obtained a loan of \$10,000, from a third party. The new loan bears interest at 10% and is due on April 1, 2006.

**NOTE 5- NOTES PAYABLE TO RELATED PARTIES**

Notes payable to minority shareholders amounted to \$104,070 at June 30, 2005 and \$89,986 at December 31, 2004. These notes bear interest at 10% to 12%, and are due on demand.

**NOTE 6 - COMMON STOCK AND WARRANTS**

On May 28, 1997, a reorganization plan was approved by the Bankruptcy Court. As a result, existing shares of the Company were reverse split 1-for-6 and pre-bankruptcy creditors were issued 1,458,005 shares of Company's common stock. On November 13, 1997, an additional 5,000,000 shares of common stock were issued (after reverse split) to an officer of the Company in return for proceeds of \$25,000 (\$.005 per share).

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

**NOTE 6 - COMMON STOCK AND WARRANTS (continued)**

In accordance with the reorganization plan, the pre-bankruptcy creditors were also issued 1,458,005 class "A" warrants and 1,458,005 class "B" warrants. The class "A" warrants allowed the purchase of a share of common stock at an exercise price of \$2.50 per share. The "A" warrants expired in June 2000 and none were exercised. The class "B" warrants allowed the purchase of a share of common stock at an exercise price of \$5.00 per share, and the warrants expired in June 2002, and none were exercised.

In May and June 1998, the Company issued 16,000 and 200,000 shares of common stock respectively, for professional services received from non-related individuals. These shares were valued at \$0.005 per share.

In June 1998, the IRS applied a personal tax refund from a former officer of the Company against the Company's tax liability, reducing it by \$80,078. In accordance with an agreement between the management and the former officer, 80,078 shares of common stock were issued to the former officer in exchange for the loss of his personal tax refund.

In February 2000, the Company issued 300,000 shares to an officer for repayment of \$15,000 in advances the officer loaned to the Company and accrued interest.

In May 2000, the Company issued 150,000 shares for repayment of consulting services rendered to the Company from a former officer. These shares were valued at \$0.10 per share.

Pursuant to the provisions of the modified joint plan of reorganization, Pacific Alliance Corporation compensates its management on an hourly basis at \$75 per hour for the time actually devoted to the business of the Company. Payment for services is made through issuance of shares of common stock until such time as the Company's net worth reaches \$350,000. According to the modified joint plan of reorganization, the stock issued for services shall be valued at \$0.10 per share. During the year ended December 31, 2000, the Company issued 1,666,801 shares of common stock for accrued compensation, and in June 2002, the company issued an additional 187,491 shares of common stock.

In October 2001, the Company entered in to an agreement under which PIL S.A., would make a capital infusion and bring in new majority shareholders. At December 31, 2002, 1,250,000 shares of stock were issued to PIL S.A. for the \$249,871 that had been received from PIL S.A. in previous quarters as subscription of shares of common stock. At June 30, 2004, 50,000 shares for an additional subscription of \$9,978 received in previous quarters were issued to PIL S.A. In June 2002, PIL S.A. elected to convert a loan with balance of \$10,000 into 50,000 shares of common stock. At June 30, 2004 the 50,000 shares were issued. The Company does not anticipate the transaction with PIL S.A. will be completed according to the terms of the agreement.

In September 2002, the Company issued 187,500 shares of its common stock for consulting services received from a non-related individual. The shares were valued at \$0.10 per share.

At December 31, 2003, the Company had \$50,000 of management compensation accrued. The corresponding 500,000 shares of common stock were issued at December 31, 2004. In December 2003 the Company also accrued \$12,500 of consulting fees, which was paid with 1,250,000 shares of common stock by December 2004.

During the first six months of 2005, the Company issued 309,000 shares of common stock for management services, pursuant to the provisions of the Modified Plan of Reorganization approved by the U.S. Bankruptcy Court.



PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

**NOTE 7 - NET LOSS PER SHARE**

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Numerator:				
Net Loss	\$ (42,671)	\$ (30,051)	\$ (83,291)	\$ (68,613)
Denominator:				
Weighted Average Number of Shares	15,111,300	14,435,385	14,991,800	13,861,346
Net Loss per share-Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

**NOTE 8 - RELATED PARTY TRANSACTIONS**

An officer of the Company advanced \$42,410 to the Company during the six months ended June 30, 2005. The Company repaid \$35,834 during the six months ended June 30, 2005. These advances bear interest at 10% and have no maturity date. The balance of advances was \$231,412 at June 30, 2005.

During the quarter ended March 31, 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, 2005 and 2004.

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 \$30,900 for the six months ended June 30, 2005 (see note 6).

**NOTE 9 - OTHER ACCRUED EXPENSES**

Accrued expenses at June 30, 2005 and 2004 consist of:

	For Six Months Ended June 30,	
	2005	2004
Accrued Professional Fees	\$ 21,086	\$ 15,707
Accrued Expenses	10,086	-
Total	\$ 31,172	\$ 15,707





PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

**NOTE 10 - EXTRAORDINARY ITEM**

On December 19, 2000, the Employment Development Department (EDD) accepted an "Offer in Compromise" in the amount of \$7,600 to satisfy in full, all outstanding liabilities due to the EDD by Pacific Alliance Corporation. The balance of the liabilities was \$76,675 and an extraordinary gain of \$69,075 was recognized. The settlement amount was paid in January 2001.

**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 September 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 September 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 September 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.

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 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 September 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 2004.

3. Tax liabilities to the Internal Revenue Service of approximately \$269,093 had been reduced to \$92,398 as of June 30, 2005.
4. Liabilities with respect to other tax authorities amounted to approximately \$59,621 as of June 30, 2005.
5. 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.
6. The Company changed its name to Pacific Alliance Corporation.
7. The Company obtained the preliminary agreement of a registered-broker to make a market in the Company's common stock.
8. 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.
9. The Company prepared and filed a Form 10-KSB for the years ended December 31, 1997 through December 2004, and all required Forms 10-QSB.

#### **Financial Condition**

Total assets at June 30, 2005 were \$500. As of December 31, 2004, the Company had no assets and liabilities \$549,423.

The Company's total liabilities as of June 30, 2005 were \$602,314. The Company's liabilities include, but are not limited to, \$231,412 loans from officers, \$45,664 accrued interest, \$152,019 attributed to tax liabilities, and \$134,070 loans payable.

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.

The Company had a net loss of \$53,897 for the three months ended June 30, 2005. This compares to a net loss of \$30,051 for the three months ended June 30, 2004. The Company had a net loss of \$83,291 for the six months ended June 30, 2005 compared to a net loss of \$68,613 for the six months ended June 30, 2004. The Company's expenses for the quarter ended June 30, 2005 consisted of management compensation, professional fees, interest and other expenses. We issued 204,000 shares of our common stock to officers for compensation during the quarter end June 30, 2005.

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

### **Other Matters**

In October, 2001, the Company entered into an agreement with PIL S.A., a Switzerland Corporation, under which PIL S.A. would move to increase the company's capital and bring in new majority shareholders. At December 31, 2002, the Company issued 1,250,000 shares of common stock to PIL S.A. for \$249,871 that had been previously deposited by PIL S.A. with the Company. In September 2002, PIL S.A. elected to convert a \$10,000 loan into 50,000 shares of the Company's common stock. Another subscription of 50,000 shares for \$9,978 was also made by PIL S.A. These shares were issued during the quarter ended June 30, 2004. The Company does not anticipate the transaction with PIL S.A. will be completed according to the terms of the agreement.

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. CONTROLS AND PROCEDURES**

#### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

##### (a) Evaluation of Disclosure Controls and Procedures

Based on their evaluations as of June 30, 2005, 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.
- Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. During the quarter ended June 30, 2005 we issued the shares of our common stock to our officers for compensation. We issued 34,500 shares to Mark Scharmann for services valued at \$3,450 and 169,500 shares to David Knudson for services valued at \$16,950. 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. No matter was submitted to a vote of the Company's security holders for the quarter ended June 30, 2005.
- 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 23, 2005

PACIFIC ALLIANCE CORPORATION

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

By /s/ David Knudson  
Principal Financial Officer



