

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

PACIFIC ALLIANCE CORP /UT/  
Form 10KSB  
April 16, 2007

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

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 For the fiscal year  
ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
Commission file number 000-51777

PACIFIC ALLIANCE CORPORATION

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

Delaware

87-044584-9

-----  
(State or other jurisdiction of  
incorporation or organization

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

1661 Lakeview Circle  
Ogden, UT 84403

-----  
(Address of principal executive offices)

Issuer's telephone number, including area code: (801) 399-3632  
-----

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

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

Check whether the Issuer (1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for  
such shorter period that the registrant was required to file such reports), and  
(2) has been subject to such filing requirements for the past 90 days.

Yes  No

Check if there is no disclosure of delinquent filers in response to  
Item 405 of Regulation S-B contained in this form, and no disclosure will be  
contained, to the best of Issuer's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-KSB or any  
amendment to this Form 10-KSB.

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

The Issuer's revenues for the fiscal year ended December 31, 2006 were  
-0-.

As of April 12, 2007, 36,147,050 shares of the Issuer's common stock  
were issued and outstanding of which 8,183,671 were held by non-affiliates. As  
of April 12, 2007, there was no active market in the Issuers securities.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

TABLE OF CONTENTS

	Page
PART I	
Item 1. Description of Business	1
Item 2. Properties	1
Item 3. Legal Proceedings	1
Item 4. Submission of Matters to a Vote of Security Holders	1
PART II	
Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters	1
Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operation	1
Item 7. Financial Statements	2
Item 8. Changes and Disagreements with Accountants on Accounting and Financial Disclosure	4
Item 8A. Controls and Procedures	4
Item 8B. Other Information	4
PART III	
Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act	4
Item 10. Executive Compensation	4
Item 11. Security Ownership of Certain Beneficial Owners and Management	4
Item 12. Certain Relationships and Related Party Transactions	4
Item 13. Exhibits, Financial Statements, Schedules and Reports on Form 8 K	4
Item 14. Principal Accounting Fees and Services	4

PART I

Disclosure Regarding Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information in this Form 10-KSB include information that is forward looking, such as the Company's opportunities to tax obligations, its anticipated liquidity and capital requirements and the results of legal proceedings. The matters referred to in forward looking statements could be affected by the risks and uncertainties involved in the Company's business. These risks and uncertainties include, but are not limited to, certain other risks described in Item 1 and in Item 7 of this Form 10-KSB. Subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Form 10-KSB.

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

### ITEM 1. DESCRIPTION OF BUSINESS

#### 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. The Company's current business plan calls for it to locate and acquire an operating company. Currently, we are a "shell" company conducting virtually no business operation, other than our efforts to seek merger partners or acquisition candidates. We have no full time employees and own no real estate.

#### 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 December 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.

-3-

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.

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

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

### Chapter 11 Plan of Reorganization

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

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

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

1. Eliminate all non-tax liabilities of the Company through the conversion of debt into equity.
  2. Replace the current officers and directors of the Company with new management. The new management includes the following: Mark Scharmann, Dan Price and David Knudson.
- 4-
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

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

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 a 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.

### 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, 1995 through 2006.
3. Tax liabilities to the Internal Revenue Service of approximately \$269,093 had been reduced to \$268,897 as of December 31, 2006.

-5-

4. The Company effected a 1-for-6 reverse split of its issued an outstanding common stock in order to establish a more desirable capital structure for potential merger partners.
5. The Company changed its name to Pacific Alliance Corporation.
6. The Company obtained the preliminary agreement of a registered-broker to make a market in the Company's common stock.
7. 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 which was effective through March 31, 1999.
8. The Company prepared and filed Form 10-KSB's for the years ended December 31, 1996 - 2005 and with this Form 10-KSB, for the year ended December 31, 2006.
9. Effective February 22, 2000 - the Bankruptcy Court entered an Order of Final Decree closing the Bankruptcy Case.

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

### Business Plan

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.

-6-

Probable Lack of Business Diversification. As a result of the limited resources of the Company, the Company, in all likelihood, will have the ability to effect only a single Business Combination. Accordingly, the prospects for the Company's success will be entirely dependent upon the future performance of a single business. Unlike certain entities that have the resources to consummate several Business Combinations or entities operating in multiple industries or multiple segments of a single industry, it is highly likely that the Company will not have the resources to diversify its operations or benefit from the possible spreading of risks or offsetting of losses. The Company's probable lack of diversification may subject the Company to numerous economic, competitive and regulatory developments, any or all of which may have a material adverse impact upon the particular industry in which the Company may operate subsequent to consummation of a Business Combination. The prospects for the Company's success may become dependent upon the development or market acceptance of a single or limited number of products, processes or services. Accordingly, notwithstanding the possibility of capital investment in and management assistance to the Target Business by the Company, there can be no assurance that the Target Business will prove to be commercially viable.

No Independent Appraisal of Potential Acquisition Candidates. The Company does not anticipate that it will obtain an independent appraisal or valuation of a Target Business. Thus, stockholders of the Company will need to rely primarily upon management to evaluate a prospective Business Combination. However, a Business Combination will not be consummated unless it is approved by the stockholders of the Company.

Limited Ability to Evaluate Management of a Target Business. The role

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

of the present management of the Company, following a Business Combination, cannot be stated with any certainty. Although the Company intends to scrutinize closely the management of a prospective Target Business in connection with its evaluation of the desirability of effecting a Business Combination with such Target Business, there can be no assurance that the Company's assessment of such management will prove to be correct. While it is possible that certain of the Company's directors or its executive officers will remain associated in some capacities with the Company following consummation of a Business Combination, it is unlikely that any of them will devote a substantial portion of their time to the affairs of the Company subsequent thereto. Moreover, there can be no assurance that such personnel will have significant experience or knowledge relating to the operations of the particular Target Business. The Company also may seek to recruit additional personnel to supplement the incumbent management of the Target Business. There can be no assurance that the Company will have the ability to recruit additional personnel or that such additional personnel will have the requisite skills, knowledge or experience necessary or desirable to enhance the incumbent management. In addition, there can be no assurance that the future management of the Company will have the necessary skills, qualifications or abilities to manage a public company intending to embark on a program of business development.

Selection of a Target Business and Structuring of a Business Combination. Management of the Company will have substantial flexibility in identifying and selecting a prospective Target Business within the specified businesses. In evaluating a prospective Target Business, management will consider, among other factors, the following: (i) costs associated with effecting the Business Combination; (ii) equity interest in and opportunity for control of the Target Business; (iii) growth potential of the Target Business; (iv) experience and skill of management and availability of additional personnel of the Target Business; (v) capital requirements of the Target Business; (vi)

-7-

competitive position of the Target Business; (vii) stage of development of the Target Business; (viii) degree of current or potential market acceptance of the Target Business; (ix) proprietary features and degree of intellectual property or other protection of the Target Business; (x) the financial statements of the Target Business; and (xi) the regulatory environment in which the Target Business operates.

The foregoing criteria are not intended to be exhaustive and any evaluation relating to the merits of a particular Target Business will be based, to the extent relevant, on the above factors as well as other considerations deemed relevant by management in connection with effecting a Business Combination consistent with the Company's business objectives. In connection with its evaluation of a prospective Target Business, management anticipates that it will conduct a due diligence review which will encompass, among other things, meeting with incumbent management and inspection of facilities, as well as a review of financial, legal and other information which will be made available to the Company.

The time and costs required to select and evaluate a Target Business (including conducting a due diligence review) and to structure and consummate the Business Combination (including negotiating relevant agreements and preparing requisite documents for filing pursuant to applicable securities laws and state "blue sky" and corporation laws) cannot presently be ascertained with any degree of certainty. The Company's current executive officers and directors intend to devote only a small portion of their time to the affairs of the Company and, accordingly, consummation of a Business Combination may require a greater period of time than if the Company's management devoted their full time

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

to the Company's affairs. However, each officer and director of the Company will devote such time as they deem reasonably necessary to carry out the business and affairs of the Company, including the evaluation of potential Target Businesses and the negotiation of a Business Combination and, as a result, the amount of time devoted to the business and affairs of the Company may vary significantly depending upon, among other things, whether the Company has identified a Target Business or is engaged in active negotiation of a Business Combination. Any costs incurred in connection with the identification and evaluation of a prospective Target Business with which a Business Combination is not ultimately consummated will result in a loss to the Company and reduce the amount of capital available to otherwise complete a Business Combination or for the resulting entity to utilize.

The Company anticipates that various prospective Target Businesses will be brought to its attention from various non-affiliated sources, including securities broker-dealers, investment bankers, venture capitalists, bankers, other members of the financial community and affiliated sources, including, possibly, the Company's executive officer, directors and their affiliates. While the Company has not yet ascertained how, if at all, it will advertise and promote itself, it may elect to publish advertisements in financial or trade publications seeking potential business acquisitions. While the Company does not presently anticipate engaging the services of professional firms that specialize in finding business acquisitions on any formal basis (other than the independent investment banker), the Company may engage such firms in the future, in which event the Company may pay a finder's fee or other compensation.

-8-

As a general rule, Federal and state tax laws and regulations have a significant impact upon the structuring of business combinations. The Company will evaluate the possible tax consequences of any prospective Business Combination and will endeavor to structure a Business Combination so as to achieve the most favorable tax treatment to the Company, the Target Business and their respective stockholders. There can be no assurance that the Internal Revenue Service or relevant state tax authorities will ultimately assent to the Company's tax treatment of a particular consummated Business Combination. To the extent the Internal Revenue Service or any relevant state tax authorities ultimately prevail in recharacterizing the tax treatment of a Business Combination, there may be adverse tax consequences to the Company, the Target Business and their respective stockholders. Tax considerations as well as other relevant factors will be evaluated in determining the precise structure of a particular Business Combination, which could be effected through various forms of a merger, consolidation or stock or asset acquisition.

There currently are no limitations on the Company's ability to borrow funds to effect a Business Combination. However, the Company's limited resources and lack of operating history may make it difficult to borrow funds. The amount and nature of any borrowings by the Company will depend on numerous considerations, including the Company's capital requirements, potential lenders' evaluation of the Company's ability to meet debt service on borrowings and the then prevailing conditions in the financial markets, as well as general economic conditions. The Company does not have any arrangements with any bank or financial institution to secure additional financing and there can be no assurance that such arrangements if required or otherwise sought, would be available on terms commercially acceptable or otherwise in the best interests of the Company. The inability of the Company to borrow funds required to effect or facilitate a Business Combination, or to provide funds for an additional infusion of capital into a Target Business, may have a material adverse effect on the Company's financial condition and future prospects, including the ability to effect a Business Combination. To the extent that debt financing ultimately proves to be available, any borrowings may subject the Company to various risks



## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

traditionally associated with indebtedness, including the risks of interest rate fluctuations and insufficiency of cash flow to pay principal and interest. Furthermore, a Target Business may have already incurred debt financing and, therefore, all the risks inherent thereto.

### Competition

The Company expects to encounter intense competition from other entities having business objectives similar to that of the Company. Many of these entities are well established and have extensive experience in connection with identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater financial, technical, human and other resources than the Company and there can be no assurance that the Company will have the ability to compete successfully. The Company's financial resources will be limited in comparison to those of many of its competitors. Further, such competitors will generally not be required to seek the prior approval of their own stockholders, which may enable them to close a Business Combination more quickly than the Company. This inherent competitive limitation may compel the Company to select certain less attractive Business Combination prospects. There can be no assurance that such prospects will permit the Company to satisfy its stated business objectives.

-9-

### Uncertainty of Competitive Environment of Target Business

In the event that the Company succeeds in effecting a Business Combination, the Company will, in all likelihood, become subject to intense competition from competitors of the Target Business. In particular, certain industries which experience rapid growth frequently attract an increasingly large number of competitors including competitors with increasingly greater financial, marketing, technical, human and other resources than the initial competitors in the industry. The degree of competition characterizing the industry of any prospective Target Business cannot presently be ascertained. There can be no assurance that, subsequent to a Business Combination, the Company will have the resources to compete effectively, especially to the extent that the Target Business is in a high-growth industry.

### Certain Securities Laws Considerations

Under the Federal securities laws, public companies must furnish stockholders certain information about significant acquisitions, which information may require audited financial statements for an acquired company with respect to one or more fiscal years, depending upon the relative size of the acquisition. Consequently, the Company will only be able to effect a Business Combination with a prospective Target Business that has available audited financial statements or has financial statements which can be audited.

### Shareholder Approval

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.

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

Troiika 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 Troiika and its affiliates will be included for purposes of determining whether a quorum of shareholders is present at the meeting.

Employees

As of the date of this Prospectus, the Company has no full time employees.

-10-

ITEM 2. PROPERTIES

The Company's offices are located at 1661 Lakeview Circle, Ogden, UT 84403. The Company, pursuant to an oral agreement, utilizes an office at the residence of Mark A. Scharmann, a stockholder of the Company and the Company's President.

ITEM 3. LEGAL PROCEEDINGS

None.

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

No matters were presented to the Company's Shareholders for a vote during the last quarter of 2006.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

There is no active market for the Company's common stock. The Company's common stock is sporadically traded on a workout basis in the over-the-counter market.

Shares Issued in Unregistered Transactions in 2006

We issued shares of our common stock in unregistered transactions during 2006. All of the following shares of common stock issued were issued in non registered transactions in reliance on Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"). The shares of common stock issued were as follows:

Issued To	Number of Shares	Date	Consideration
Mark A. Scharmann	78,750	3/31/06	Compensation valued at \$7,875
David Knudson	144,450	3/31/06	Compensation valued at \$14,445

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

Mark A. Scharmamm	54,000	6/30/06	Compensation valued at \$5,400
Dan Price	22,500	6/30/06	Compensation valued at \$2,250
David Knudson	141,450	6/30/06	Compensation valued at \$14,145
Mark A. Scharmamm	26,250	9/30/06	Compensation valued at \$2,625
David Knudson	49,050	9/30/06	Compensation valued at \$4,905
Mark A. Scharmamm	20,000,000	12/19/06	\$100,000 of outstanding notes
Mark A. Scharmamm	20,250	12/31/06	Compensation valued at \$2,025
Dan Price	9,000	12/31/06	Compensation valued at \$900
David Knudson	57,150	12/31/06	Compensation valued at \$5,715
Total:	20,602,850		

-11-

Shares Issued in Unregistered Transactions Prior to 2005

Shares Issued Prior to Confirmation Date

Immediately prior to the confirmation of the Company's Plan of Reorganization by the Bankruptcy Court on May 28, 1997, there were a total of 12,594,422 shares of the Company's common stock issued and outstanding. The Plan of Reorganization, called for a 1-for-6 reverse split of the issued and outstanding shares which reduced the 12,594,422 shares to 2,099,125 shares.

Shares Issued to Troika

Pursuant to the Plan of Reorganization, 5,000,000 shares of the Company's common stock, calculated after the reverse stock split, were issued to Troika Capital Investment. The shares issued to Troika were issued pursuant to Section 4(2) of the Securities Act of 1993, as amended (the "Securities Act").

Shares Issued to Creditors

A total 1,458,005 shares of the Company's common stock (calculated after the 1-for-6 reverse stock split) were issued to creditors pursuant to the Plan of Reorganization. In exchange for every \$1.00 of Allowed Unsecured Claims (as defined in the Plan of Reorganization) a creditor was issued one share of common stock, one Class A Warrant and One Class B Warrant. Each Class A Warrant entitles the holder to purchase one share of the Company's common stock at \$2.50 per share for a period of three years commencing on the Effective Date of the Plan. Class A Warrants expired in 2000 and none were exercised. Each Class B Warrant entitles the holder to purchase one share of the Company's common stock at \$5.00 per share for a period of five years commencing on the Effective Date of the Plan. The Effective Date of the Plan was June 8, 1997. The 1,458,005 shares and the Class A and Class B Warrants issued to claim holders, were issued under Section 1145 of the United States Bankruptcy Code (the "Code"). Section 1145 provides that the securities registration requirements of federal, state and local laws do not apply to the offer or sale of securities issued by a

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

debtor (or its successor) if (i) the offer or sale occurs under a plan of reorganization and (ii) the securities are transferred in exchange (or principally in exchange) for a claim against or interest in the debtor. Accordingly, under Section 1145 of the Code, the issuance of common stock in exchange for a Claim against the Company was exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "1933 Act") and from the registration requirements of any state securities laws. Approximately 86 creditors were issued shares in exchange for claims against the Company.

Resales or Transfers of Plan Securities. Any person who is not an "underwriter" under Section 1145 of the Code or a "dealer" under the 1933 Act and who transfers shares received under the Plan ("Plan Securities") need not comply with the registration requirements of the 1933 Act or of any state securities laws. The term "underwriter", as used in Section 1145, includes four categories of persons, which are referred to in this Disclosure Statement as "Controlling Persons", "Accumulators", "Distributors" and "Syndicators". "Dealers" and the four types of underwriters are discussed below.

-12-

a. Controlling Persons. "Controlling Persons" are persons who, after the Effective Date, have the power, whether direct or indirect and whether formal or informal, to control the management and policies of the reorganized debtor. Whether a person has such power depends on a number of factors, including the person's equity in the reorganized debtor relative to other equity holders, and whether the person, acting alone or in concert with others, has a contractual or other relationship giving that person power over management policies and decisions. In order to transfer the Plan Securities without registration, a Controlling Person would be required to comply with the restrictions set forth in SEC Rule 144, other than the holding period requirement set forth in that Rule. The restrictions of Rule 144 are complicated. In general, in order for the resale of Plan Securities by a Controlling Person to be permissible under Rule 144, the Controlling Person must not sell during any three-month period, more than one percent of the Company's common stock (or, if greater, the average weekly report volume of trading in such securities).

b. Accumulators and Distributors. "Accumulators" are persons who purchase a Claim against or Interest in the Company with a view to distribution of any Plan Securities to be received under the Plan in exchange for such Claim or Interest. "Distributors" are persons who offer to sell Plan Securities for the holders of those securities. In a 1986 SEC No- Action Letter (Manville Corp.), the SEC staff took the position that resales by Accumulators and Distributors of securities distributed under a plan are exempt from the registration requirements of the 1933 Act if made in "ordinary trading transactions". The SEC staff took the position that a transaction is an ordinary trading transaction if it is made on an exchange or in the over-the-counter market at a time when the issuer is a reporting company under the 1934 Act and does not involve any of the following factors:

(i) concerted action by recipients of Plan Securities in connection with the sale of such securities, concerted action by distributors on behalf of one or more such recipients in connection with such sales, or both;

(ii) informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities other than this Disclosure Statement and any supplements hereto and documents filed with the SEC by the

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

issuer pursuant to the 1934 Act; or

(iii) special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to resell such securities, other than compensation that would be paid pursuant to arm's length negotiations between a seller and a broker or dealer, each acting unilaterally, and not greater than the compensation that would be paid for a routine similar-sized sale of a similar issue.

c. Syndicators. "Syndicators" are persons who offer to buy Plan Securities from the holders with a view to distribution, under an agreement made in connection with the Plan, with consummation of the Plan or with the offer or sale of securities under the Plan.

-13-

d. Dealers. "Dealers" are persons who engage either for all or part of their time, directly or indirectly, as agent, broker, or principal, in the business of offering, buying, selling, or otherwise dealing or trading in securities. Section 4(3) of the 1933 Act exempts transactions in the Plan Securities by dealers taking place more than 40 days after the Effective Date. Within the 40-day period after the Effective Date, transactions by dealers who are stockbrokers are exempt from the 1933 Act pursuant to Section 1145 (a) (4) of the Code, as long as the stockbrokers deliver a copy of this Disclosure Statement (and periodic supplements hereto, if any, as ordered by the Court) at or before the time of delivery of Plan Securities to their customers. This requirement specifically applies to trading and other after-market transactions in such securities. In this regard, however, in the 1986 SEC No-Action Letter (Manville Corp.), the staff of the SEC took the position that it would not recommend action if stockbrokers did not comply with the Disclosure Statement delivery requirements of Section 1145 (a) (4) as long as the issuer of the securities was a reporting person under the 1934 Act and was current and timely in its reporting obligations.

Shares Issued Subsequent to Confirmation Date

As part of the Plan, the Company issued 5,000,000 shares to Troika Capital for \$25,000. Subsequent to the Confirmation Date, the Company issued its securities in non-registered transactions pursuant to the exemption provided by Section 4(2) of the Securities Act. The Company did not pay a commission or any finders fees in connection with such transactions. In addition to the following transactions, we issued shares to management for services (See Item 12 of this Form 10-KSB). The securities issued in such transactions were as follows:

Issued To	Number of Shares	Date	Consideration
Harold Spector	16,000	5/28/98	Consulting services valued at
Workout Specialists, Inc.	200,000	6/29/98	Consulting services valued at
William M. Hynes, II	80,078	9/30/98	These shares were issued to payment in full for \$80,077. credits transferred to the C

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

			Mr. Hynes.
Mark Scharmamm	300,000	2/29/00	Repayment of \$15,000 loan fr
William M. Hynes, II	150,000	5/20/00	Consulting Services valued a
Michael Harrop	187,500	8/7/02	Consulting Services valued a
PIL S.A.	1,250,000	6/28/02	\$249,871
Northcliffe Consulting	1,000,000	2/24/04	Consulting Services value at
William M. Hynes, II	250,000	2/24/04	Consulting Services valued a
PIL S.A.	100,000	5/14/04	\$19,978
Mark Scharmamm	20,000,000	12/19/06	Repayment of \$100,000 of not Scharmamm
Total:	23,533,578		

-14-

Shares Issued for Services from 1997 to December 31, 2006

Those persons who have been serving as the Company's officers and directors since 1996 have been issued shares of common stock for services rendered in lieu of cash compensation. Total compensation shares issued to each of the Company's officers and directors is as follows:

Mark A. Scharmamm	1,785,026
Dan Price	68,775
David Knudson	2,678,941

Holdings

As of April 12, 2007, there were 36,147,050 shares of common stock outstanding and approximately 148 stockholders of record of common stock.

Purchases of Equity Securities by the Small Business Issuer and Affiliated Purchasers

None

Limitation on Directors' Liability, Charter Provisions and Other Matters

Delaware law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breach of directors' fiduciary duty of care. The duty of care requires that, when acting on behalf of the corporation, directors must exercise an informed business judgment based on all material information reasonably available to them. Absent the limitations authorized by Delaware law, directors are accountable to corporations and their stockholders for monetary damages for conduct constituting gross negligence in the exercise of their duty of care. Delaware law enables corporations to limit available relief to equitable

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

remedies such as injunction or rescission. Our Certificate of Incorporation limits the liability of our directors to us or to our stockholders (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by Delaware law.

The inclusion of this provision in the Certificate of Incorporation may have the effect of reducing the likelihood of derivative litigation against directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited the Company and its stockholders.

Our Bylaws provide indemnification to our officers and directors and certain other persons with respect to certain matters. Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to our directors and officers, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable.

-15-

### Transfer Agent and Registrar

Our transfer agent is Fidelity Transfer Company, 1800 South West Temple, Suite 301, Salt Lake City, UT 84115; telephone (801) 484-7222.

### Dividends

The Company has not paid any cash dividends to date and does not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of the Company's business.

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### Overview

The Company is currently inactive. Our current business plan calls for us to locate and acquire an operating company. Currently, we are a "shell" company conducting virtually no business operation, other than our efforts to seek merger partners or acquisition candidates. We have no full time employees and own no real estate.

We were 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 June 8, 1997. On February 23, 2000, United States Bankruptcy Judge Kathleen T. Lax 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.

Our Plan of Operation is further described in Item 1 of this Form 10-KSB.

### Liquidity and Capital Resources

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

As of December 31, 2006, we had no assets. Therefore, we are dependent upon loans and advances from our management and affiliates to fund our expenses pending the completion of a merger or acquisition. As of December 31, 2006, we had total liabilities of \$808,592 of which \$322,554 was for tax liabilities. At December 31, 2006, a total of \$408,800 of our liabilities was for funds loaned to us by management and other stockholders compared to \$415,389 in such loans as of December 31, 2005. At December 31, 2006, a total of \$-0- of our liabilities was for accrued compensation expenses for our officers and directors.

-16-

In the last quarter of 2006, we issued 20,000,000 shares of our common stock to our president Mark Scharmann as payment for \$100,000 of notes we owed Mr. Scharmann.

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 pay 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.

It is likely that we will be required to raise additional capital in order to attract and potential acquisition partner but there can be no assurance that we 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 our common stock which will result in the dilution of the percentage ownership of the current shareholders.

The auditors' report on our December 31, 2005 financial statements 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.

### Results of Operations

We have not conducted any active operations since our Confirmation Date and generated no revenue for the year ended December 31, 2006 or the year ended December 31, 2005. We anticipate that we will not generate any revenues until we acquire or merge with another company.

Our total expenses of \$195,514 for the year ended December 31, 2006 compared to \$291,770 for the year ended December 31, 2005. Our total cost of compensation for the year ended December 21, 2006 was \$60,285 compared to \$67,830 for the year ended December 31, 2005. Our total interest costs were \$46,863 for the year ended December 31, 2006 compared to \$38,032 for year ended December 31, 2005.

### 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.

-17-



## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

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 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.

-18-

**Stock-Based Compensation.** In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation" -- Transition and Disclosure, which amends SFAS 123. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS 148 also requires prominent disclosures in both annual and interim financial statements about the method of accounting for

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

stock-based employee compensation and the effect of the method used on reported results. As permitted by SFAS 123, we have elected to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including Financial Accounting Standards Board ("FASB") Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation -- an Interpretation of APB Opinion No. 25," and have adopted the disclosure-only provisions of SFAS 123. Accordingly, for financial reporting purposes, compensation cost for stock options granted to employees is measured as the excess, if any, of the estimated fair market value of our stock at the date of the grant over the amount an employee must pay to acquire the stock. Equity instruments issued to nonemployees are accounted for in accordance with FAS 123 and Emerging Issues Task Force ("EITF") Abstract No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services."

### 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.

### Plan of Operation

The Company's current plan of operation is to acquire another operating company. (See "Item 1 - Description of Business - Current Business Plan.")

It is likely that any acquisition will be a "reverse merger" acquisition whereby the Company acquires a larger company by issuing shares of the Company's common stock to the shareholders of the larger company. Although the Company would be the surviving or parent company from a corporate law standpoint, the shareholders of the larger company would be the controlling shareholders of the Company 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 the Company 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 the Company is able to acquire another company, there can be no assurance that the Company will ever operate at a profit.

-19-

### 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.

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

### Forward Outlook and Risks

This Form 10-KSB 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 Form 10-KSB, 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-KSB. These forward-looking statements represent our judgment as of the date of this Form 10-KSB. 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.

Operating History; No Assets; No Present Source of Revenues. We have been inactive since 1995. We intend to attempt to commence active operations in the future by acquiring a Target Business. Potential investors should be aware that there is only a limited basis upon which to evaluate our prospects for achieving our intended business objectives. We have no resources and have had no revenues since 1995. In addition, we will not generate any revenues (other than investment income) until, at the earliest, the consummation of a Business Combination. Moreover, there can be no assurance that any Target Business will derive any material revenues from its operations or operate on a profitable basis.

-20-

Possibility of Total Loss of Investment. An investment in the Company, is an extremely high risk investment, and should not be made unless the investor has no need for current income from the invested funds and unless the investor can afford a total loss of his or her investment.

Absence of Substantive Disclosure Relating to Prospective Business Combinations; Investment in the Company Versus Investment in a Target Business. We have not yet identified a prospective Target Business. Accordingly, investors will have no substantive information concerning consummation of any specific Business Combination in considering a purchase of the Preferred Shares in this offering.

Seeking to Achieve Public Trading Market through Business Combination. While a prospective Target Business may deem a consummation of a Business Combination with the Company desirable for various reasons, a Business Combination may involve the acquisition of, merger or consolidation with, a company which does not need substantial additional capital, but which desires to establish a public trading market for its shares, while avoiding what it may deem to be adverse consequences of undertaking a public offering itself, including time delays, significant expense, loss of voting control and the time and expense incurred to comply with various Federal and state securities laws that regulate initial public offerings. Nonetheless, there can be no assurance

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

that there will be an active trading market for the Company's securities following the completion of a Business Combination or, if a market does develop, as to the market price for the Company's securities.

**Uncertain Structure of Business Combination.** The structure of a future transaction with a Target Business cannot be determined at the present time and may take, for example, the form of a merger, an exchange of stock or an asset acquisition. We may form one or more subsidiary entities to complete a Business Combination and may, under certain circumstances, distribute the securities of subsidiaries to our stockholders. There can be no assurance that a market would develop for the securities of any subsidiary distributed to stockholders or, if it did, any assurance as to the prices at which such securities might trade. The structure of a Business Combination or the distribution of securities to stockholders may result in taxation of the Company, the Target Business or stockholders.

**Unspecified Target Business; Unascertainable Risks.** We have not selected an acquisition or other Business Combination as of the date of this Form 10-KSB. Accordingly, there is no basis for prospective investors to evaluate the possible merits or risks of the Target Business or the particular sector of the technology industries in which the Company may ultimately operate. To the extent we effect 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 revenues or income), we will become subject to numerous risks inherent in the business and operations of financially unstable and early stage or potential emerging growth companies. Although management will endeavor to evaluate the risks inherent in a particular Target Business or industry, there can be no assurance that we will properly ascertain or assess all such risks.

-21-

**Probable Lack of Business Diversification.** As a result of our limited resources, in all likelihood, we will have the ability to complete only a single Business Combination. Accordingly, our prospects for success will be entirely dependent upon the future performance of a single business. Unlike certain entities which have the resources to consummate several Business Combinations or entities operating in multiple industries or multiple segments of a single industry, it is highly likely that we will not have the resources to diversify our operations or benefit from the possible spreading of risks or offsetting of losses. Our probable lack of diversification may subject us to numerous economic, competitive and regulatory developments, any or all of which may have a material adverse impact upon the particular industry in which we may operate subsequent to a consummation of a Business Combination. There can be no assurance that the Target Business will prove to be commercially viable.

**Conflicts of Interest; Absence of Independent Directors.** None of the Company's directors or executive officers are required to commit their full time to the affairs of the Company and it is likely that such persons will not devote a substantial amount of time to the affairs of the Company. Such personnel will have conflicts of interest in allocating management time among various business activities. As a result, the consummation of a Business Combination may require a greater period of time than if the Company's management devoted their full time to the Company's affairs.

**Limited Ability to Evaluate Target Business Management; Possibility That Management Will Change.** The role of the present management in the operations of a Target Business of the Company following a Business Combination cannot be stated with certainty. Although we intend to scrutinize closely the management of a prospective Target Business in connection with our evaluation of the desirability of effecting a Business Combination with such Target Business,

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

there can be no assurance that our assessment of such management will prove to be correct, especially in light of the possible inexperience of current key personnel of the Company in evaluating certain types of businesses. While it is possible that certain of our directors or executive officers will remain associated in some capacities with the Company following a consummation of a Business Combination, it is unlikely that any of them will devote a substantial portion of their time to the affairs of the Company subsequent thereto. Moreover, there can be no assurance that such personnel will have significant experience or knowledge relating to the operations of the Target Business acquired by the Company. We may also seek to recruit additional personnel to supplement the incumbent management of the Target Business. There can be no assurance that we will successfully recruit additional personnel or that the additional personnel will have the requisite skills, knowledge or experience necessary or desirable to enhance the incumbent management. In addition, there can be no assurance that our future management will have the necessary skills, qualifications or abilities to manage a public company embarking on a program of business development.

-22-

**Competition.** We expect to encounter intense competition from other entities having business objectives similar to our business objectives. Many of these entities, including venture capital partnerships and corporations, shell companies, large industrial and financial institutions, small business investment companies and wealthy individuals, are well-established and have extensive experience in connection with identifying and effecting Business Combinations directly or through affiliates. Many of these competitors possess greater financial, technical, human and other resources than the Company and there can be no assurance that the Company will have the ability to compete successfully. The Company's financial resources will be limited in comparison to those of many of its competitors. Further, such competitors will generally not be required to seek the prior approval of their own stockholders, which may enable them to close a Business Combination more quickly than we can. This inherent competitive limitation may compel us to select certain less attractive Business Combination prospects. There can be no assurance that such prospects will permit us to achieve our business objectives.

**Uncertainty of Competitive Environment of Target Business.** In the event that we succeed in effecting a Business Combination, we will, in all likelihood, become subject to intense competition from competitors of the Target Business. In particular, certain industries which experience rapid growth frequently attract an increasingly larger number of competitors, including competitors with greater financial, marketing, technical, human and other resources than the initial competitors in the industry. The degree of competition characterizing the industry of any prospective Target Business cannot presently be ascertained. There can be no assurance that, subsequent to a consummation of a Business Combination, we will have the resources to compete in the industry of the Target Business effectively, especially to the extent that the Target Business is in a high-growth industry.

**Additional Financing Requirements.** We will not generate any revenues until, at the earliest, the consummation of a Business Combination. We cannot ascertain the capital requirements for any particular Business Combination we may consider. We will likely be required to seek additional financing. There can be no assurance that such financing will be available on acceptable terms, or at all. To the extent that additional financing proves to be unavailable when needed to consummate a particular Business Combination, we would, in all likelihood, be compelled to restructure the transaction or abandon that particular Business Combination and seek an alternative Target Business candidate, if possible. In addition, in the event of the consummation of a Business Combination, we may require additional financing to fund the operations

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

or growth of the Target Business. Our failure to secure additional financing could have a material adverse effect on the continued development or growth of the Target Business. We do not have any arrangements with any bank or financial institution to secure additional financing and there can be no assurance that any such arrangement, if required or otherwise sought, would be available on terms deemed to be commercially acceptable and in our best interests.

No Appraisal of Potential Business Combination. We do not anticipate that we will obtain an independent appraisal or valuation of a Target Business. Accordingly, our stockholders will need to rely primarily upon management to evaluate a prospective Business Combination.

-23-

No Public Market for Securities. Currently, there is no public market for our common stock and no assurance can be given that an active market will develop or if developed, that it will be sustained. It is unlikely that any market will develop prior to the consummation of a Business Combination. Even if a Business Consummation is completed, there can be no assurance that a trading market for our securities will ever develop.

Risk of Application of Penny Stock Rules. Our common stock is subject to the penny stock rules as adopted by the Securities and Exchange Commission (the "Commission"). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from such rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. If our common stock remains subject to the penny stock rules, investors in the Offering may find it more difficult to sell their shares.

### ITEM 7. FINANCIAL STATEMENTS

#### Index to Financial Statements

Pacific Alliance Corporation Financial Statements	Page
Report of Independent Registered Public Accounting Firms	25
Balance Sheet	26
Statements of Operations	27
Statements of Changes in Stockholders' Deficit	28
Statements of Cash Flows	29
Notes to Financial Statements	30

-24-



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

/s/ Spector & Wong, LLP

Pasadena, California

April 10, 2007

-25-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEET

	As of December 31, 2006
ASSETS	
Current Assets	
Cash	\$       --
TOTAL ASSETS	\$       -- =====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current Liabilities	
Overdraft	\$           6
Accrued Interest	29,247
Other Accrued Expenses	47,985
Notes payable	120,000
Advances from Officer	144,507
Tax Liabilities	322,554
Notes payable to Related Parties	144,293
Total current liabilities	808,592 -----
Stockholders' Deficit	
Common Stock, par value \$0.001, authorized 100,000,000 shares; and 36,083,450 shares issued and outstanding	36,083
Paid-in Capital	3,332,953
Accumulated deficit prior to the developmental stage	(2,632,447)
Accumulated deficit during the developmental stage	(1,545,181)
Total Stockholders Deficit	(808,592) -----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$       -- =====



See notes to financial statements

-26-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS

	For the years ended	
	December 31,	
	2006	2005
Operating Expenses:		
Selling, General and Administrative Expenses	\$ 128,620	\$ 139,687
Tax Penalty and Interest Expense	20,031	114,051
Loss on Investment	-	-
Interest Expense	46,863	38,032
Net Loss before Extraordinary Item	(195,514)	(291,770)
Extraordinary Item, Gain on Forgiveness of Tax debt	--	--
Net Loss	\$ (195,514)	\$ (291,770)
Net Loss per share, Basic and Diluted	\$ (0.01)	\$ (0.02)
Weighted Average Number of Shares	17,492,704	15,067,600

See notes to financial statements

-27-

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

### STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

	Common Stock		Additional Paid-in Capital	Accumulated Deficit Prior to December 21, 1995
	Shares	Amount		
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 for Cash	5,000,000	5,000	20,000	--
Issuance of Common 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	--	--	--	--
Balance at December 31, 2002	12,595,000	12,595	2,922,618	(2,632,447)
Net Loss for the Year Ended December 31, 2003	--	--	--	--
Balance at December 31, 2003	12,595,000	12,595	2,922,618	(2,632,447)
Issuance of Common Stock for Consulting Services	1,250,000	1,250	98,750	--
Issuance of Common Stock for Stock Subscription	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	--	--	--	--
Balance at December 31, 2004	14,802,300	14,802	3,126,119	(2,632,447)
Issuance of Common Stock for Management Compensation	678,300	679	67,152	--
Net Loss for the Year Ended December 31, 2005	--	--	--	--
Balance at December 31, 2005	15,480,600	15,481	3,193,271	(2,632,447)
Issuance of Common Stock for Management Compensation	602,850	602	59,682	--
Conversion of related party debt to common stock	20,000,000	20,000	80,000	--
Net Loss for the Year Ended December 31, 2006	--	--	--	--
Balance at December 31, 2006	36,083,450	\$ 36,083	\$ 3,332,953	\$ (2,632,447)

See notes to financial statements

-28-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF CASH FLOWS

	For the year December 2006
<hr/>	
Cash Flow from Operating Activities:	
Net Loss	\$ (195,514)
Adjustments to Reconcile Net Loss to Net Cash Used in Operations:	
Loss on investments	--
Gain on forgiveness on tax debt	--
Stock issued for services	60,284
(Increase) Decrease in:	
Accounts receivable	--
Increase (Decrease) in:	
Accrued expenses	25,141
Tax liabilities	20,031
Net Cash Used in Operating Activities	<hr/> (90,058) <hr/>
Cash Flow from Investing Activities	
Purchase of investments	--
Proceeds from sale of investments	--
Net Cash Used In Investing Activities	<hr/> -- <hr/>
Cash Flow from Financing Activities:	
Bank overdraft	(3,354)
Proceeds from notes payable	1,500
Payments of note payable	(1,277)
Net Proceeds from notes payable to related parties	65,000
Advance from officer	184,100
Repayment of advance from officer	(155,911)
Proceeds from issuance of common stock	--
Proceeds from common stock subscription	--
Net Cash Flow Provided by Financing Activities	<hr/> 90,058 <hr/>
Net Increase in Cash	--

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

Cash Balance at Beginning of Period		--	
		-----	
Cash Balance at End of Period	\$	--	\$
		=====	
Supplemental Disclosures of Cash Flow Information			
Interest paid	\$	23,538	\$
Noncash Investing and Financiang:			
Conversion of debt to common stock	\$	100,000	\$

See notes to financial statements

-29-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS

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 9). The IRS portion of tax liabilities was payable in cash by quarterly installments (see note 5). Repayment of other taxes is still being negotiated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

America (GAAP).

Reclassification: Certain reclassifications have been made to the 2005 financial statements to conform with the 2006 financial statements presentation. Such reclassification had no effect on net losses previously reported.

Use of estimates The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

Revenue Recognition The Company currently has no source of revenues. Revenue recognition policies will be determined when principal operations begin.

Cash Equivalents For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Property and Equipment As of December 31, 2006, the Company did not maintain or control any fixed assets.

Income Taxes Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

Net Loss Per Share Net Loss Per Share Basic net loss per share includes no dilution and is computed by dividing net loss available to common stockholders by the weighted average number of common stock outstanding for the period. Diluted net loss per share does not differ from basic net loss per share as the Company did not have dilutive items during the audit period.

-30-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

---

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-employees Equity Transactions The Company accounts for equity instruments issued to non-employees in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 and the Emerging Issues Task Force (EITF) Issue No. 00-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. SFAS No. 123 states that equity instruments that are issued in exchange for the receipt of goods or services should be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Under the guidance in Issue 00-18, the measurement date occurs as of the earlier of (a) the date at which a performance commitment is reached or (b) absent a performance commitment, the date at which the performance necessary to earn the equity instruments is complete (that is, the vesting date).

New Accounting Pronouncements In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material impact on its financial statements.

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

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

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

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

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

-31-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

---

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The FASB has also issued FAS 155, Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140, FAS 156, Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140, and FAS 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, but they will not be applicable to the current operations of the Company. Therefore a description and the impact on the Company's operations and financial position for each of the pronouncements above have not been disclosed.

NOTE 3 - GOING CONCERN

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 December 31, 2006 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 year ended, December 31, 2006 the Company funded its disbursements using loans from an officer and other related parties.

The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is no longer operating, and is attempting 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.

NOTE 4- OTHER ACCRUED EXPENSES

Other accrued expenses at December 31, 2006 consist of:

Accrued Professional Fees	\$ 33,952
Other Accrued Expenses	14,033
	-----
Total	\$ 47,985
	=====

-32-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

-----

NOTE 5- 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

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

been made since April 2000. As of December 31, 2006, the Company owes \$268,897 to the IRS. The taxes owed to IRS are delinquent and accruing interest at 9% per annum.

As of December 31, 2006, the Company owes \$5,454 to California Franchise Tax Board. No payments have been made and the taxes owed to California Franchise Tax Board are delinquent. No interest is being accrued; however, a protection lien is being filed.

As of December 31, 2006, the Company owes \$41,096 to California State Board of Equalization. No payments have been made and the taxes owed to California State Board of Equalization are delinquent and accruing an interest at 9% per annum.

As of December 31, 2006, the Company owes \$7,107 to the County of Los Angeles. No payments have been made and the taxes owed to the County of Los Angeles are delinquent and accruing an interest at 9% per annum.

### NOTE 6 - SHORT TERM NOTE PAYABLE

During 2006, the Company obtained additional notes payable of \$65,000, from third parties. The notes payable bear interest at 10% per annum and are due on demand. As of December 31, 2006, the balance was \$120,000.

### NOTE 7 - NOTES PAYABLE TO RELATED PARTIES

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

### NOTE 8 - INCOME TAXES

The Company has loss carryforwards available to offset future taxable income. The total loss carryforwards at December 31, 2006 are estimated at approximately \$1,590,000 and expire between 2015 and 2026. Loss carryforwards are limited in accordance with the rules of change in ownership. A valuation allowance is recorded for the full amount of deferred tax assets of approximately \$540,000, which relates to these loss carryforwards, since future profits are indeterminable. The valuation allowance increased by \$47,000 during the year ended December 31, 2006. As of the audit report date, the Company did not file its corporate income tax returns for the year ended December 31, 2006.

-33-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

### NOTES TO FINANCIAL STATEMENTS

---

### NOTE 9 - 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).

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



## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

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 into an agreement under which PIL S.A. would make a capital infusion and bring in new majority shareholders. Total capital to be brought to the Company was to be \$500,000 by October 31, 2001, and an additional \$500,000 by December 31, 2001, at a rate of \$0.20 per share. The right to cancel any subscription under the agreement and have the consideration refunded would have required a breach of the agreement, termination of the agreement by mutual consent, or termination of the agreement by its own terms. 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. In May 2004, 50,000 shares for an additional subscription of \$9,978 received in 2002 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. Both the \$10,000 and \$9,978 were classified as common stock subscription deposit as of December 31, 2002. The agreement with PIL S.A. has been terminated.

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.

-34-

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

---

NOTE 9 - COMMON STOCK AND WARRANTS (continued)

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

In 2004, the Company issued 857,300 shares of common stock for management services of \$85,730, of which \$50,000 was accrued at December 31, 2003. The shares were valued at \$0.10 per share pursuant to the Modified Joint Plan of Reorganization approved by U.S. Bankruptcy Court.

The Company also issued 1,250,000 shares of common stock in 2004 for consulting fees of \$ 100,000, of which \$12,500 was accrued at December 31, 2003. The shares were valued at \$0.08, the closing market price on the Board's authorization date.

In 2005, the Company issued 678,300 shares of common stock for management services of \$67,830, pursuant to the provisions of the Modified Plan of Reorganization approved by the U.S. Bankruptcy Court. Pursuant to the Modified Joint Plan of Reorganization, the stock issued for services was valued at \$0.10 per share.

In 2006, the Company issued 602,850 shares of common stock for management services of \$60,284, pursuant to the provisions of the Modified Plan of Reorganization approved by the U.S. Bankruptcy Court. Pursuant to the Modified Joint Plan of Reorganization, the stock issued for services was valued at \$0.10 per share.

In 2006, the Company issued 20,000,000 shares of restricted common stock to Mr. Scharmann, the CEO of the Company, as payment of \$100,000 of debt owed by the Company to him as advances from officer.

### NOTE 10 - NET LOSS PER SHARE

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

	For the years ended December 31,	
	2006	2005
Numerator:		
Net Loss	\$ (195,514)	\$ (291,770)
Denominator:		
Weighted Average Number of Shares	17,492,704	15,067,600
Net Loss per share-Basic and Diluted	\$ (0.01)	\$ (0.02)

### NOTE 11 - RELATED PARTY TRANSACTIONS

An officer of the Company, the CEO, advanced \$184,100 for the year ended December 31, 2006. The Company repaid \$155,911 for the year ended December 31, 2006. These advances bear interest at 10% and have no maturity date. The balance of advances was \$144,507 at December 31, 2006.

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, \$6,000 was recorded as expense during the years ended December 31, 2006 and 2005.

PACIFIC ALLIANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS  
-----

NOTE 12 - 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 of \$76,675 due to the EDD by Pacific Alliance Corporation. The settlement amount was paid in January 2001, and an extraordinary gain of \$69,075 was recognized.

ITEM 8. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On August 2, 2005, Pacific Alliance Corporation (the "Registrant") dismissed HJ & Associates, LLC ("HJ") as its principal accountant to audit its financial statements. HJ audited the Registrant's financial statements for the year ended December 31, 2004, but did not audit the Registrant's financial statements for any other period. HJ's report on the financial statements of the Registrant for the past year did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles. The opinion of HJ on the Auditor's financial statement did contain a going concern qualification.

During the most recent fiscal year ended December 31, 2006 and the subsequent period to and including April 12, 2007, there have been no disagreements between HJ and the Registrant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of HJ, would have caused it to make a reference to the subject matter of any such disagreement with its report.

On July 27, 2005, the Registrant engaged Spector & Wong, LLP ("Spector") as its principal accountant to audit the Registrant's financial statements. Prior to the engagement of Spector, Harold Spector sold his 16,000 shares of common stock, his whole holdings in the Company. During the two most recent fiscal years ended December 31, 2006 and the subsequent period to and including April 12, 2007, the Registrant has not consulted with Spector regarding any of the following: (1) the application of accounting principles to a specified transaction, either completed or proposed; (2) the type of audit opinion that might be rendered on the Registrant's respective financial statements, and neither a written report nor oral advice was provided to the Registrant that Spector concluded was an important factor considered by the Registrant in reaching a decision as to the accounting, auditing or financial reporting issue, or (3) any other matter.

On March 2, 2005 Rose, Snyder & Jacobs resigned as our Independent Accountant effective March 2, 2005. On April 13, 2005, we appointed HJ & Associates, LLC as our independent accountants for the year ending December 31, 2004. Prior to appointing HJ & Associates, LLC as our independent accountant we have not consulted with HJ & Associates, LLC regarding: (i) either the

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-B) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-B).

-37-

The reports of Rose, Snyder & Jacobs on our financial statements for the fiscal years ended December 31, 2003 and 2002 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except for Rose, Snyder & Jacobs issuance of going concern opinions on the financial statements for the fiscal years ending December 31, 2003 and 2002. During the period it served as our independent accountant, there were no disagreements between us and Rose, Snyder & Jacobs on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Rose, Snyder & Jacobs would have caused it to make a reference to the subject matter of the disagreement in connection with its audit report.

### ITEM 8A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our President/Principal Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rule13a-15(e) under the Securities Exchange Act of 1934. Based on this evaluation, our Princial Chief Executive Officer and Chief 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.

The Sarbanes-Oxley Act of 2002 (the "Act") imposed many requirements regarding corporate governance and financial reporting. One requirement under section 404 of the Act, beginning with our annual report for the year ended December 31, 2007, is for management to report on the Company's internal controls over financial reporting and for our independent registered public accountants to attest to this report for the year ended December 31, 2008.

### ITEM 8B. OTHER INFORMATION

We must disclose under this item any information required to be disclosed in a report on Form 8-K during the fourth quarter of the year covered by this Form 10-KSB, but not reported, whether or not otherwise required by this Form 10-KSB. If disclosure of such information is made under this item, it need not be repeated in a report on Form 8-K which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 10-KSB. No additional disclosure is required under this item.

## PART III

### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

A. Identification of Directors and Executive Officers. The current directors and officers of the Company, who will serve until the next annual

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

meeting of shareholders or until their successors are elected or appointed and qualified, are set forth below:

-38-

Name	Age	Position
Mark Scharmann	48	President/Director
Dan Price	52	Vice President/Director
David Knudson	47	Secretary/Treasurer/Director

Mark Scharmann. Mr. Scharmann has been a private investor and business consultant since 1981. Mr. Scharmann became involved in the consulting business following his compilation and editing in 1980 of a publication called Digest of Stocks Listed on the Intermountain Stock Exchange. In 1981 he compiled and edited an 800 page publication called the OTC Penny Stock Digest. Mr. Scharmann has rendered consulting services to public and private companies regarding reverse acquisition transactions and other matters. Mr. Scharmann was vice president of OTC Communications, Inc. from March 1984 to January 1987. From 1982 to 1996, he was the president of Royal Oak Resources Corporation. In 1996, Royal Oak Resources completed an acquisition and in connection therewith changed its name to Hitcom Corporation. Mr. Scharmann was the President of Norvex, Inc., a blank check company which completed an acquisition and in connection therewith, changed its name to Capital Title. Mr. Scharmann is a promoter of Nightingale, Inc., a publicly-held corporation blank check company. He has also been an officer and director of several other blind pool companies.

Dan O. Price. Since February 2001, Mr. Price has been working as an Enrollment Counselor for the University of Phoenix. From 1998 to October 2000, Mr. Price worked as an evaluator at Learning Technics, Kirkland, WA and Salt Lake City, UT. From 1993 to 1998, Mr. Price served as Vice-President of Corporate Development for Troika Capital Investment. Prior to that, Mr. Price worked for seven (7) years as the National Sales Director for a business providing electronic bankcard processing and other merchant services. For four (4) years he worked as an Organizational Manager involved in direct sales of educational material, with 50 sales people in the western states under his management. Mr. Price has been in sales and marketing for twenty (20) years and sales management and business management for fifteen (15) years. Mr. Price received his B.A. from Weber State College in 1983. He has served as an officer and director on two (2) small publicly traded companies.

David Knudson. Mr. Knudson has worked as a business consultant since 1985. He earned his B.S. Degree in Finance from Weber State College in 1984 and a B.S. Degree in Information Systems and Technologies at Weber State University in 1996. He has been an officer and director of several small publicly-held "blind-pool" companies. Mr. Knudson was also employed as an adjunct professor and from 1992 to 1996 was employed as a computer information systems consultant at Weber State University. Mr. Knudson is an officer and director of Nightingale, Inc., an inactive publicly-held corporation.

B. Significant Employees. None

-39-

C. Family Relationships. There are no family relationships among the Company's officers and directors.

D. Other Involvement in Certain Legal Proceedings. There have been no

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

events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any director or executive officer during the last five years.

E. Compliance With Section 16(a). No disclosure is required here.

Code of Ethics

We have not yet adopted a code of ethics that applies to all executive officers, directors and employees of the Company. We intend to do so within the next fiscal year.

Audit Committee Financial Expert

We have not established an audit committee or designated any person as our financial expert. We anticipate that we will not establish an audit committee or designate a financial expert until such time as we complete an acquisition.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth the aggregate compensation paid by the Company for services rendered during the last three years to the Company's Chief Executive Officer and to the Company's most highly compensated executive officers other than the CEO, whose annual salary and bonus exceeded \$100,000:

SUMMARY COMPENSATION TABLE

Annual Compensation

Name and Principal Position	Year	Salary	Commissions	Other Annual	Restri
			and Bonuses (\$)	Compensation (\$)	Stock Awards (\$)
Mark Scharmann (1) President	2006	-0-	-0-	-0-	\$ 17,
	2005	-0-	-0-	-0-	\$ 17,
	2004	-0-	-0-	-0-	\$ 13,

(1) Mr. Scharmann's compensation is paid in shares of Restricted Stock priced at \$.10 per share.

-40-

Stock Options

The following table sets forth certain information concerning stock options granted during fiscal 2006 to the named executive officers.

Options Grants in the Year Ended December 31, 2006

Percentage

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

Name	Number of Securities Underlying Options Granted (#)	of Total Options Granted to Employees in Fiscal Year	Exercise of Base Price Per Share (\$)
Mark Scharmann	-0-	-0-	N/A

The following table sets forth information concerning the number and value of options held at December 31, 2005 by each of the named executive officers. No options held by such executive officers were exercised during 2005.

Option Values at December 31, 2006

Name	Number of Unexercised Options at December 31, 2006 (#)		Value of Unexercised In-the-Money Options at December 31, 2006 (\$)
	Exercisable	Unexercisable	Exercisable
Mark Scharmann	-0-	-0-	N/A

Compensation of Directors

The Company does not currently compensate its directors for director services to the Company.

Employment Agreements

The Company is currently not a party to any employment agreement. The Plan of Reorganization provides that the Company's officers will be compensated at the rate of \$75.00 per hour for services rendered to the Company. Until such time as the Company's shareholder's equity reaches \$350,000, the Company's officers shall be issued shares of its common stock for services rendered. Such shares shall be valued at \$.10 per share. At such time as the Company effects an acquisition or merger, the Board of Directors, as then constituted, shall set the compensation of officers, directors and employees.

-41-

For the year ended December 31, 2006 the Company compensated its officers as follows:

Name	Compensation	Shares Issued
Mark Scharmann	\$ 17,925	179,250
Dan Price	\$ 3,150	31,500
David Knudson	\$ 39,210	392,100

The Company's Bankruptcy Plan of Reorganization also provides that upon the completion of an acquisition or merger, the Company's management group will be issued shares of the Company's common stock which amount to 1% of the total shares issued in connection with such acquisition or merger.

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

### Equity Compensation Plan

We are not a party to any equity compensation plan.

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### Security Ownership of Certain Beneficial Owners

The following table sets forth information regarding shares of the Company's common stock beneficially owned as of April 12, 2007 by: (i) each officer and director of the Company; (including and (ii) each person known by the Company to beneficially own 5 percent or more of the outstanding shares of the Company's common stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1) Ownership
Mark Scharmann(1) 1661 Lakeview Circle Ogden, UT 84403	25,439,896	70.4%
Dan Price(1) 1661 Lakeview Circle Ogden, UT 84403	69,775	0.2%
David Knudson(1) 1661 Lakeview Circle Ogden, UT 84403	2,453,708	6.8%
All Officers and Directors as a Group (3 Persons)	27,963,379	77.4%
Total Shares Issued	36,147,050	100%

-42-

(1)These individuals are the officers and directors of the Company.

Unless otherwise indicated in the footnotes below, the Company has been advised that each person above has sole voting power over the shares indicated above. All of the individuals listed above are officers and directors of the Company.

#### Security Ownership of Management

See Item 4(a) above.

#### Changes in Control

We currently have no proposed change of control transaction. We are continuing to discuss business combinations with Target Businesses. If, and when



**Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB**

we complete a Business Combination, it will likely result in a change of control.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

As part of its Plan of Reorganization, the Company issued 5,000,000 shares of its common stock to Troika Capital in consideration of \$25,000 and Troika's agreement to provide an additional \$75,000 in equity or debt funding to pay the Company's tax obligations.

During 1998, Troika Capital loaned \$50,263 to the Company. Such loan is due on demand and bears interest at the rate of 10% per annum.

During 1999, Troika Capital loaned \$56,250 to the Company. The Company repaid \$2,000 during 1999. Such loan is due on demand and bears interest at the rate of 10% per annum.

During 2000, Troika Capital loaned \$154,030 to the Company. The Company repaid \$90,335 during 2000. Such loan is due on demand and bears interest at the rate of 10% per annum.

During 2001, Troika Capital loaned \$89,250 to the Company. The Company repaid \$127,971. Such loan is due on demand and bears interest at the rate of 10% per annum.

During 2002, Troika Capital loaned \$28,215 to the Company. The Company repaid \$57,890 in 2002. Such loan is due on demand and bears interest at the rate of 10% per annum.

-43-

During 2003, Troika Capital loaned \$85,550 to the Company. Such loan is due on demand and bears interest at 10% per annum.

During 2004, Troika Capital loaned \$36,206 to the Company. Such loan is due on demand and bears interest at 10% per annum.

During 2005, The Company repaid \$8,517 to Troika Capital. Such loan is due on demand and bears interest at 10% per annum.

During 2006, Troika Capital loaned \$27,923 to the Company. Such loan is due on demand and bears interest at 10% per annum.

During 2006, the Company issued 20,000,000 shares of its common stock to Mark Scharmann, the Company's president as payment of \$100,000 of outstanding notes.

-44-

The Company's officers and directors were issued shares of the Company's common stock for services rendered during the last three years in the following amounts:

Year	Officer	Shares Issued or Accrued	Value of Services
----	-----	-----	-----

## Edgar Filing: PACIFIC ALLIANCE CORP /UT/ - Form 10KSB

2006	Mark Scharmann	179,250	\$	17,925
2006	Dan Price	31,500	\$	3,150
2006	David Knudson	392,100	\$	39,210
2005	Mark Scharmann	177,750	\$	17,775
2005	Dan Price	-0-	\$	-0-
2005	David Knudson	500,550	\$	50,055
2004	Mark Scharmann	134,250	\$	13,425.00
2004	Dan Price	-0-	\$	-0-
2004	David Knudson	223,050	\$	22,305.00
2003	Mark Scharmann	84,460	\$	8,446.00
2003	Dan Price	-0-	\$	-0-
2003	David Knudson	266,815	\$	26,681.50

### Parents of Company

The only parents of the Company, as defined in Rule 12b-2 of the Exchange Act, are the officers and directors of the Company. For information regarding the share holdings of the Company's officers and directors, see Item 11.

### ITEM 13. EXHIBITS

Exhibit Number	Exhibit
3.1	Amended and Restated Articles of Incorporation (1)
3.2	Bylaws (1)
21.1	Subsidiaries of Registrant (None)
31.1	Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002

-45-

(1) Previously Filed

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

2006

#### Independent Auditors

On July 27, 2005, we appointed Spector & Wong, LLP to audit the consolidated financial statements of the Company for the year ending December 31, 2005 and to report the results of their audit to our Board of Directors. Spector & Wong, LLP was also appointed as the Company's auditor for the year ended December 31, 2006. As an inactive Company our Board of Directors serves as our audit committee.

Fees billed to the Company by Spector & Wong, LLP

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

		2006	2005
		-----	-----
(1)	Audit Fees	\$ 18,500	\$ 14,500
(2)	Tax Fees	\$ -0-	\$ -0-
(3)	Other Fees	\$ -0-	\$ -0-

- (1) Audit fees billed to the Company by Spector & Wong, LLP were for all professional services performed in connection with the audit of the Company's annual financial statements and review of those financial statements, reviews of our quarterly reports on Form 10-QSB. Audit fees during 2006 and 20055 also included audit services related to our compliance with Section 404 of the Sarbanes-Oxley Act regarding our internal controls over financial reporting.
- (2) Tax services generally include fees for services performed related to tax compliance, consulting services.
- (3) Spector & Wong, LLP did not bill the Company for other services during 2006 or 2005.

All audit and non-audit services and fees are pre-approved by the Audit Committee or by the Chairman of the Audit Committee pursuant to delegated authority.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before Spector & Wong, LLP was engaged by us to render any auditing or permitted non-audit related service, the engagement be:

- o approved by our Audit Committee; or
- o entered into pursuant to pre-approval policies and procedures established by the Audit Committee, provided the policies and procedures are detailed as to the particular service, the Audit

-46-

Committee is informed of each service, and such policies and procedures do not include delegation of the Audit Committee's responsibilities to management.

All of the above services and fees were reviewed and approved by our entire Board of Directors either before or after the respective services were rendered. Our Board of Directors has considered the nature and amount of fees billed by Spector & Wong, LLP and believes that the provision of services for activities unrelated to the audit is compatible with maintaining Spector & Wong, LLP independence.

-47-

SIGNATURES

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

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pacific Alliance Corporation

Date: April 12, 2007                      By:            /s/ Mark A. Scharmann  
-----  
President/Principal Executive Officer

Date: April 12, 2007                      By:            /s/ David Knudson  
-----  
Secretary/Treasurer  
Principal Financial Officer

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Capacity	Date
----- /s/ Mark A. Scharmann	----- President/Principal Executive Officer/Director	----- April 12, 2007
/s/ Dan Price	Vice President/Director	April 12, 2007
/s/ David Knudson	Secretary/Treasurer/Principal Accounting Officer/Director	April 12, 2007