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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

Or

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

Commission file number: 000-51777

PACIFIC ALLIANCE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	87-044584-9
(State or other jurisdiction of incorporation or organization	(I.R.S. employer identification No.)

1661 Lakeview Circle, Ogden, UT 84403

(Address of principal executive offices)

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

N/A

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

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

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

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

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

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

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2008

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

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

See Notes to Interim Unaudited Financial Statements

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS (Unaudited)

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

See Notes to Interim Unaudited Financial Statements

PACIFIC ALLIANCE CORPORATION
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STATEMENTS OF CASH FLOWS (Unaudited)

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

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

See Notes to Interim Unaudited Financial Statements

PACIFIC ALLIANCE CORPORATION
(A DEVELOPMENT STAGE COMPANY)

NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Company filed a petition for Chapter 11 under the Bankruptcy Code in June 1995. The debtor in possession kept operating until December 21, 1995, when all assets, except cash and accounts receivable, were sold to a third party, Starcom. The purchaser assumed all post-petition liabilities and all obligations collateralized by the assets acquired.

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

The accompanying financial statements have been prepared on a going concern basis, which contemplated the March 31, 2008 financial statements, the Company did not generate any revenue, and has a net capital deficiency. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time. For the first three months ended March 31, 2008, the Company funded its disbursements using loans from an officer.

Presentation of Interim Information The financial information at March 31, 2008 and for the three months ended March 31, 2008 and 2007 are unaudited, but includes all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair presentation of the financial information set forth herein, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, and with the instructions to Form 10-Q. Accordingly, such information does not include all of the information and footnotes required by U.S. GAAP for annual financial statements. For further information refer to the Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007.

The balance sheet as of December 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The results for the three months ended March 31, 2008 may not be indicative of results for the year ending December 31, 2008 or any future periods.

Use of estimates The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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PACIFIC ALLIANCE CORPORATION
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NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

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

Income (Loss) Per Common Share The Company accounts for income (loss) per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." SFAS No. 128 requires that presentation of basic and diluted earnings per share for entities with complex capital structures. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity. Diluted net loss per common share does not differ from basic net loss per common share as the Company lacks of dilutive items.

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

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

In June 2007, the FASB ratified Emerging Issues Task Force Issue No. 07-3, *"Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities"* ("EITF 07-3"). EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development activities to be recorded as an asset and the payments to be expensed when the research and development activities are performed. EITF 07-1 will be effective for the Company's fiscal year beginning August 1, 2008. Currently, the Company does not anticipate that this statement will have a significant impact on its financial statements.
In December 2007, the FASB issued SFAS No. 141 (revised 2007), *"Business Combinations"* ("SFAS No.141(R)"). SFAS No. 141(R) will replace SFAS 141, and establishes principles and requirements for how the acquirer in a business combination reorganizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Currently, the Company does not anticipate

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

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

PACIFIC ALLIANCE CORPORATION
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NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

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

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

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

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

NOTE 2 – TAX LIABILITIES

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

The IRS portion of tax liabilities was payable in quarterly installments of $ 11,602, and the final payment was due in January 2002. However, no payments have been made since April 2000. As of March 31, 2008, and December 31, 2007 the Company owes $284,241 and $281,172 to the IRS, respectively. The taxes owed to the IRS are delinquent and accruing interest at 9% per annum.

As of March 31, 2008 and December 31, 2007, the Company owes $5,455 and $5,455 to California Franchise Tax Board, respectively. No payments have been made and the taxes owed to California Franchise Tax Board are delinquent. No interest is being accrued; however, a protection lien is being filed.

As of March 31, 2008 and December 31, 2007, the Company owes $43,548 and $43,057 to California State Board of Equalization, respectively. No payments have been made and the taxes owed to California State Board of Equalization are delinquent and accruing an interest at 9% per annum.

As of March 31, 2008 and December 31, 2007, the Company owes $7,530 and $7,446 to the County of Los Angeles, respectively. No payments have been made and the taxes owed to the County of Los Angeles are delinquent and accruing an interest at 9% per annum.

NOTE 3 – SHORT TERM NOTE PAYABLE

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

NOTE 4 – NOTES PAYABLE TO RELATED PARTIES

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

PACIFIC ALLIANCE CORPORATION
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NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS

NOTE 5 – COMMON STOCK

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

NOTE 6 – NET LOSS PER SHARE

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

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

NOTE 7 – RELATED PARTY TRANSACTIONS

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

During the quarter ended June 30, 2002, the Company passed a resolution to pay rent, office and secretarial services to a stockholder of the Company at a rate of $500 per month. These charges were retroactive