

Blackhawk Fund  
Form 10KSB  
March 20, 2007

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**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.

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM

**COMMISSION FILE NO. 000-49672**

**THE BLACKHAWK FUND**

(Exact name of issuer as specified in its charter)

**NEVADA 88-0408213**

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

**1802 N. CARSON STREET, SUITE 212**

**CARSON CITY, NEVADA 89701**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (775) 887-0670

Securities registered under Section 12(b) of the Exchange Act: NONE

Securities registered under Section 12(g) of the Exchange Act: Common Stock, Par Value \$0.001 per share

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 twelve months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant'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 large accelerated filer, an accelerated filer or a non-accelerated filer, as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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State issuer's revenues for its most recent fiscal year: \$149,451

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of January 23, 2007: \$319,007.

As of March 7, 2007, Issuer had a total of 166,996,792 shares of common stock issued and outstanding.

Documents incorporated by reference: None.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

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## PART I

### ITEM 1. BUSINESS.

#### COMPANY OVERVIEW

We were formed on or about November of 1998. USA Telcom, as we were previously called, acted as an agent in commercial transactions between Vietnamese purchasers and U.S. manufacturers.

#### CHANGE OF CONTROL

On March 19, 2004, we issued 13,000,000 shares of common stock to Robert C. Simpson, Ph.D. for a purchase price of \$260,000.00 which constituted approximately 75 percent of our issued and outstanding shares of common stock. Before the purchase by Dr. Simpson, Allen Jones was our controlling stockholder. Following the purchase of our shares by Dr. Simpson, he and George Peterman were appointed to our board of directors. Dr. Simpson was also elected as our president, chief financial officer and secretary.

On May 26, 2004, Mr. Peterman resigned as our director. On July 14, 2004, Dr. Simpson resigned as our president and became chairman of our board of directors. At that time, we elected Luther E. Lindner, M.D., Ph.D. as president and chief executive officer. We and Dr. Lindner have since mutually agreed that Dr. Lindner would resign as our president and chief executive officer in order to allow Dr. Lindner to accept a position as president and chief executive officer of Cryptobe, Inc., an affiliated privately-held company.

We retained AMVI, a company controlled by Mr. Jones, as a consultant. Under the terms of the consulting agreement, AMVI received a total of \$141,516 from March 19, 2004 through October 1, 2004, payable in four installments. In addition, we sold certain assets to AMVI for \$10,300, which consisted of 5,000 shares of common stock of an unrelated corporation, certain computer equipment and a note receivable in the principal amount of \$300,000. All monies were put into a trust managed by counsel and paid on schedule.

After Dr. Simpson initially acquired our shares, we intended to acquire Blue Kiwi, Inc., a company in which Dr. Simpson has an equity interest. However, we decided that we would not acquire Blue Kiwi, Inc. Instead, we entered into a strategic alliance with Blue Kiwi based on the synergies as seen by Dr. Simpson.

On July 21, 2004, we filed certificates of designation establishing our Series A, B and C preferred stock. 20 million shares have been designated as our Series A preferred stock, 10 million shares have been designated as our Series B preferred stock, and 20 million shares have been designated as our Series C preferred stock.

Each share of our Series A preferred stock is convertible into 10 shares of our common stock. Each share of the Series B preferred stock is convertible into 200 shares of our common stock. The shares of our Series C preferred stock are not convertible into shares of our common stock.

The holders of shares of our Series A preferred stock do not have voting rights on any matters submitted to a vote of our stockholders. On all matters submitted to a vote of our stockholders, each holder of shares of our Series B preferred stock is entitled to one vote per share of the Series B preferred stock held by such holder. On all matters submitted to a vote of our stockholders, each holder of shares of our Series C preferred stock is entitled to 100 votes per share of the Series C preferred stock held by such holder.

Effective November 29, 2004, we filed a certificate of correction to our certificate of designation establishing our Series B preferred stock. Our certificate of designation for the Series B preferred stock, as originally filed on June 21, 2004, incorrectly stated that the shares of the Series B preferred stock were not convertible into the shares of our common stock. The certificate of correction, filed on November 29, 2004, corrected the error by stating that each share of the Series B preferred stock is convertible into 200 shares of our common stock.

On October 12, 2004, R. Patrick Liska was elected a director and appointed our president, secretary, treasurer, chairman of the board and chief executive officer.

On November 23, 2004, R. Patrick Liska was removed as our director, secretary, treasurer, president, chairman of the board and chief executive officer. The removal of R. Patrick Liska as our director and officer resulted from philosophical differences between our former management and Mr. Liska regarding business operations, policies and practices. The effective date of the removal was November 23, 2004.

Effective November 23, 2004, Robert C. Simpson was elected our sole director, president, chairman of the board and chief executive officer.

On November 29, 2004, a change in control occurred as the result of the acquisition of our series A, series B and series C preferred stock by Palomar Enterprises, Inc., a Nevada corporation ("Palomar").

Pursuant to that certain capital Stock Purchase Agreement dated November 9, 2004, between Robert C. Simpson, our then-sole director and officer and Palomar, on November 29, 2004, Palomar acquired from Dr. Simpson 19,000,000 shares of our series A preferred stock, 10,000,000 shares of our series B preferred stock and 10,000,000 shares of our Series C preferred stock. Each share of the series A preferred stock is convertible into ten shares of our common stock. The shares of the series A preferred stock do not have voting rights. Each share of the series B preferred stock is convertible into two hundred shares of our common stock. On all matters submitted to a vote of the holders of the Common Stock, a holder of the Series B Preferred Stock is entitled to one vote per share of the Series B Preferred Stock held by such holder. The series C preferred stock is not convertible into our common shares. Each share of the series C preferred stock entitles the holder to 100 votes of our common stock on all matters brought before our stockholders.

All of the preferred shares acquired by Palomar carried a legend restricting the transfer thereof under the Securities Act of 1933, as amended. Palomar used \$380,000 of its working capital as consideration for the preferred shares purchased by it pursuant to the Capital Stock Purchase Agreement.

Concurrently with the stock purchase transaction, Robert C. Simpson, our then-sole director and officer, nominated Steve Bonenberger and Brent Fouch as directors. Steve Bonenberger was also elected president and chief executive officer and Brent Fouch was elected Secretary and chief financial officer. Following the election of Messrs. Bonenberger and Fouch as our officers and directors, Robert C. Simpson resigned his positions as our director and officer.

## **CURRENT BUSINESS PLAN**

The BlackHawk Fund is a principally owned company that is operated by its managing partner, Palomar Enterprises, Inc. (PLMA.OB). The BlackHawk Fund operates as a business development company with the specific interest in Media and Television Production, as well as real estate (both residential and commercial) development projects.

We have the following business model in place and operating: The Company takes a lead role in managing and implementing proprietary media properties that are 100% owned, operated and managed by The Blackhawk Fund. These Media Properties are network quality cable television shows that air nationwide. This media content is converted into Online Video magazines and DVDs, which provide advertising opportunities to selected sponsors. We also re-develop residential and commercial properties to be sold at higher prices. Our purpose is to gain a higher valuation for the equity positions that are held by The BlackHawk Fund in both our redeveloped real properties and also in our media properties that are expanding their advertiser and viewer bases.

During the past twelve months, the company has accomplished the following:

- a. Real property redevelopment: the company successfully purchased a property in the St. Louis, MO region out of foreclosure, completed the renovation and refurbishments and re-sold the property for a profit
- b. Real property redevelopment: the company successfully purchased a property in Carlsbad, CA and completely renovated this existing structure. The company currently has this property in its held for sale portfolio. The company has this property leased on a month-to-month basis. The property is currently on the market to be sold and the company expects this to occur sometime in the first or second quarter of 2007
- c. Real property redevelopment: the company engaged SAN DIEGO REAL ESTATE EXPERTS in a joint-venture development in Oceanside, CA. This property has undergone a complete and exhaustive renovation. The company is nearing completion of this redevelopment project. The property located within yards of the beach is expected to be placed for re-sale in the short-term. The company expects to recognize the revenue and profit from this joint-venture in the first or second quarter of 2007
- d. Joint-venture of media properties: the company signed a business development agreement in 2006 with Maximum Impact Television Group to develop GOLF SHOW USA. This project was launched in the last quarter of 2006. GOLF SHOW USA is now functional and the company expects to begin receiving revenue and its portion of the profit from this program in the first quarter of 2007. Subsequent events: In January of 2007, the company expanded its relationship with Maximum Impact Television Group to develop nine (9) more proprietary media properties and the attending revenue and profit zones associated with them. The company will be unveiling these nine (9) programs throughout fiscal 2007.

The company has identified the following benchmarks for the next 12-24 months:

- a. Raise enough capital to expand our core real property redevelopment projects
- b. Raise additional capital to strengthen and expand our media properties, with a look to bring our advertiser partners a substantial return on their media investments
- c. Maintain good corporate relationships with all of our advertising partners and the vendors that assist us in the redevelopment projects.

In 2006, The BlackHawk Fund was able to establish firm footings in its two core business sectors. The company looks for 2007 to be the largest year in its existence in terms of revenue produced, potential profits retained and shareholder equity increased.

#### **KEY PERSONNEL**

Our future financial success depends to a large degree upon the efforts of Messrs. Bonenberger and Fouch, our officers and directors. Messrs. Bonenberger and Fouch have played major roles in developing and executing our business strategy. The loss of Messrs. Bonenberger and Fouch could have an adverse effect on our business and our chances for profitable operations. While we intend to employ additional management and marketing personnel in order to minimize the critical dependency upon any one person, there can be no assurance that we will be successful in attracting and retaining the persons needed. If we do not succeed in retaining and motivating our current employees and attracting new high quality employees, our business could be adversely affected. We do not maintain key man life insurance on the lives of Messrs. Bonenberger and Fouch.

#### **OUR FINANCIAL RESULTS MAY BE AFFECTED BY FACTORS OUTSIDE OF OUR CONTROL**

Our future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are outside our control. Our anticipated expense levels are based, in part, on our estimates of future revenues and may vary from our projections. We may be unable to adjust spending rapidly enough to compensate for any unexpected revenues shortfall. Accordingly, any significant shortfall in revenues in relation to our planned expenditures would materially adversely affect our business, operating results and financial condition.

We cannot predict with certainty our revenues and operating results. Further, we believe that period-to-period comparisons of our operating results are not necessarily a meaningful indication of future performance.

#### **CORPORATE OFFICES**

Our executive office is located at 1802 N. Carson Street, Suite 212, Carson City, Nevada, 89701, telephone number (775) 887-0670.

#### **RECENT EVENTS**

Effective January 3, 2005, we changed our name from "Zannwell Inc." to "The Blackhawk Fund" and implemented a one for 800 reverse split of our common stock.

All share and per share amounts presented in our financial statements which are part of this Annual Report on Form 10-KSB have been restated retroactively to reflect the split as if it had occurred on the first day of the first period presented, or January 1, 2003. However, all share and per share amounts have not been restated retroactively to reflect the split in the narrative portion of this Annual Report on Form 10-KSB. Consequently, the retroactive restatement may cause some apparent inconsistencies between the narrative portion of this Annual Report on Form 10-KSB and our other filings with the Securities and Exchange Commission on one hand, and the financial statements and accompanying notes forming part of this Annual Report on Form 10-KSB on the other hand.

Effective January 4, 2005, we amended our articles of incorporation to authorize 4,000,000,000 shares of common stock, par value \$0.001 per share, and 50,000,000 shares of preferred stock, par value \$0.001 per share.

On November 17, 2005, the Company effected a 800 to 1 reverse split.

## **EMPLOYEES**

We have two full-time employees and two part-time employees as of February 15, 2007. As we grow, we will need to attract an unknown number of additional qualified employees. Although we have experienced no work stoppages and believe our relationships with our employees are good, we could be unsuccessful in attracting and retaining the persons needed. None of our employees are currently represented by a labor union.

## **RISK FACTORS**

### ***NEED FOR ONGOING FINANCING.***

We will need additional capital to continue our operations and will endeavor to raise funds through the sale of equity shares and revenues from operations.

There can be no assurance that we will generate sufficient revenues from operations or obtain sufficient capital on acceptable terms, if at all. Failure to obtain such capital or generate such operating revenues would have an adverse impact on our financial position and results of operations and ability to continue as a going concern. Our operating and capital requirements during the next fiscal year and thereafter will vary based on a number of factors, including the level of sales and marketing activities for our services and products. There can be no assurance that additional private or public financing, including debt or equity financing, will be available as needed, or, if available, on terms favorable to us. Any additional equity financing may be dilutive to stockholders and such additional equity securities may have rights, preferences or privileges that are senior to those of our existing common stock.

Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. Our failure to successfully obtain additional future funding may jeopardize our ability to continue our business and operations.

If we raise additional funds by issuing equity securities, existing stockholders may experience a dilution in their ownership. In addition, as a condition to giving additional funds to us, future investors may demand, and may be granted, rights superior to those of existing stockholders.

### ***BUSINESS CONCENTRATION.***

While we consider our relationships with our customers to be satisfactory, given the concentration of our sales to a few key customers, our continued relationships may be subject to the policies and practices of the customers. We continue to concentrate our efforts on expanding our customer base in order to reduce our reliance on our current



customers.

***INFLATION.***

In our opinion, inflation has not had a material effect on our financial condition or results of our operations.

***TRENDS, RISKS AND UNCERTAINTIES.***

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our common stock.

***CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS.***

We provide the following cautionary discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business and our products. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed here could adversely affect us.

***POTENTIAL FLUCTUATIONS IN QUARTERLY OPERATING RESULTS.***

Our quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside our control, including the demand for our services, seasonal trends in purchasing, the amount and timing of capital expenditures; price competition or pricing changes in the industry; technical difficulties or system downtime; general economic conditions, and economic conditions specific to our industry. Our quarterly results may also be significantly impacted by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly at our early stage of development, occurrences such as accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely that our operating results will fall below our expectations or those of investors in some future quarter.

***LACK OF INDEPENDENT DIRECTORS.***

We cannot guarantee that our board of directors will have a majority of independent directors in the future. In the absence of a majority of independent directors, our executive officers, could establish policies and enter into transactions without independent review and approval thereof. This could present the potential for a conflict of interest between us and our stockholders generally and the controlling officers, stockholders or directors.

***LIMITATION OF LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS.***

Our officers and directors are required to exercise good faith and high integrity in our management affairs. Our articles of incorporation provide, however, that our officers and directors shall have no liability to our stockholders for losses sustained or liabilities incurred which arise from any transaction in their respective managerial capacities unless they violated their duty of loyalty, did not act in good faith, engaged in intentional misconduct or knowingly violated the law, approved an improper dividend or stock repurchase, or derived an improper benefit from the transaction. Our articles and bylaws also provide for the indemnification by us of the officers and directors against any losses or liabilities they may incur as a result of the manner in which they operate our business or conduct the internal affairs, provided that in connection with these activities they act in good faith and in a manner that they reasonably believe to be in, or not opposed to, our best interests, and their conduct does not constitute gross negligence, misconduct or breach of fiduciary obligations.

***MANAGEMENT OF POTENTIAL GROWTH.***

We may experience rapid growth which will place a significant strain on our managerial, operational, and financial systems resources. To accommodate our current size and manage growth, we must continue to implement and improve our financial strength and our operational systems, and expand, train and manage our sales and distribution base. There is no guarantee that we will be able to effectively manage the expansion of our operations, or that our facilities, systems, procedures or controls will be adequate to support our expanded operations. Our inability to effectively manage our future growth would have a material adverse effect on us.

***WE PAY NO DIVIDENDS.***

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any earnings for funding growth however these plans may change depending upon capital raising requirements.

***QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.***

We believe that we do not have any material exposure to interest or commodity risks. Our financial results are quantified in U.S. dollars and a majority of our obligations and expenditures with respect to our operations are incurred in U.S. dollars. Although we do not believe we currently have any materially significant market risks relating to our operations resulting from foreign exchange rates, if we enter into financing or other business arrangements denominated in currency other than the U.S. dollars, variations in the exchange rate may give rise to foreign exchange gains or losses that may be significant.

We do not use financial instruments for trading purposes and we are not a party to any leverage derivatives.

## **RISKS RELATING TO OUR BUSINESS**

### ***WE ARE NOT LIKELY TO SUCCEED UNLESS WE CAN OVERCOME THE MANY OBSTACLES WE FACE.***

As an investor, you should be aware of the difficulties, delays and expenses we encounter, many of which are beyond our control, including unanticipated market trends, employment costs, and administrative expenses. We cannot assure our investors that our proposed business plans as described in this report will materialize or prove successful, or that we will ever be able to finalize development of our products or services or operate profitably. If we cannot operate profitably, you could lose your entire investment. As a result of the nature of our business, initially we expect to sustain substantial operating expenses without generating significant revenues.

### ***OUR AUDITORS HAVE STATED WE MAY NOT BE ABLE TO STAY IN BUSINESS.***

Our auditors have issued a going concern opinion, which means that there is substantial doubt that we can continue as an ongoing business for the next 12 months. Unless we can raise additional capital, we may not be able to achieve Our objectives and may have to suspend or cease operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

***OUR NEW BUSINESS STRATEGY INVOLVES A NUMBER OF RISKS.***

We intend to pursue growth through the expanding of the media business. This strategy involves certain risks, including difficulties in the integration of operations and systems, the diversion of our management's attention from other business concerns, and the potential loss of key employees. We may not be able to successfully integrate this businesses into our operations.

**RISKS RELATING TO OUR STOCK**

***WE MAY NEED TO RAISE ADDITIONAL CAPITAL. IF WE ARE UNABLE TO RAISE NECESSARY ADDITIONAL CAPITAL, OUR BUSINESS MAY FAIL OR OUR OPERATING RESULTS AND OUR STOCK PRICE MAY BE MATERIALLY ADVERSELY AFFECTED.***

Due to the lack of profitability, we need to secure adequate funding. If we are unable to obtain adequate funding, we may not be able to successfully develop and market our products and services and our business will most likely fail. We do not have commitments for additional financing. To secure additional financing, we may need to borrow money or sell more securities, which may reduce the value of our outstanding securities. Under these circumstances, we may be unable to secure additional financing on favorable terms or at all.

Selling additional stock, either privately or publicly, would dilute the equity interests of our stockholders. If we borrow more money, we will have to pay interest and may also have to agree to restrictions that limit our operating flexibility. If we are unable to obtain adequate financing, we may have to curtail business operations which would have a material negative effect on operating results and most likely result in a lower stock price.

***OUR COMMON STOCK HAS EXPERIENCED IN THE PAST, AND IS EXPECTED TO EXPERIENCE IN THE FUTURE, SIGNIFICANT PRICE AND VOLUME VOLATILITY, WHICH SUBSTANTIALLY INCREASES THE RISK THAT YOU MAY NOT BE ABLE TO SELL YOUR SHARES AT OR ABOVE THE PRICE THAT YOU PAY FOR THE SHARES.***

Because of the limited trading market for our common stock, and because of the possible price volatility, you may not be able to sell your shares of common stock when you desire to do so. During 2005 and 2006, our common stock was sold and purchased at prices that ranged from a high of \$0.08 to a low of \$0.008 per share. The inability to sell your shares in a rapidly declining market may substantially increase your risk of loss because of such illiquidity because the price for our common stock may suffer greater declines due to its price volatility.

The price of our common stock that will prevail in the market after this filing may be higher or lower than the price you pay. Certain factors, some of which are beyond our control, that may cause our share price to fluctuate significantly include, but are not limited to, the following:

- Variations in our quarterly operating results;
- The development of a market in general for our products and services;
- Changes in market valuations of similar companies;
- Announcement by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

- Loss of a major customer or failure to complete significant transactions;
- Additions or departures of key personnel; and
- Fluctuations in stock market price and volume.

Additionally, in recent years the stock market in general, and the OTC Bulletin Board and technology stocks in particular, have experienced extreme price and volume fluctuations. In some cases, these fluctuations are unrelated or disproportionate to the operating performance of the underlying company. These market and industry factors may materially and adversely affect our stock price, regardless of our operating performance.

Over the past few months, there have been periods of significant increases in trading volume of our common stock during which the price of our stock has both increased and decreased. The historical trading of our common stock is not necessarily an indicator of how it will trade in the future and our trading price as of the date of this report does not necessarily portend what the trading price of our common stock might be in the future.

In the past, class action litigation has often been brought against companies following periods of volatility in the market price of the common stock of those companies. If we become involved in this type of litigation in the future, it could result in substantial costs and diversion of management attention and resources, which could have a further negative effect on your investment in our stock.

***OUR DIRECTORS HAVE THE RIGHT TO AUTHORIZE THE ISSUANCE OF PREFERRED STOCK AND ADDITIONAL SHARES OF OUR COMMON STOCK.***

Our directors, within the limitations and restrictions contained in our articles of incorporation and without further action by our stockholders, have the authority to issue shares of preferred stock from time to time in one or more series and to fix the number of shares and the relative rights, conversion rights, voting rights, and terms of redemption, liquidation preferences and any other preferences, special rights and qualifications of any such series. We have no intention of issuing preferred stock at the present time. Any issuance of preferred stock could adversely affect the rights of holders of our common stock.

Should we issue additional shares of our common stock at a later time, each investor's ownership interest in The Blackhawk Fund would be proportionally reduced. No investor will have any preemptive right to acquire additional shares of our common stock, or any of our other securities.

***THE ISSUANCE OF SHARES UPON THE EXERCISE OF OUTSTANDING WARRANTS MAY CAUSE IMMEDIATE AND SUBSTANTIAL DILUTION TO OUR EXISTING STOCKHOLDERS.***

The issuance of shares upon the exercise of warrants may result in substantial dilution to the interests of other stockholders since the selling stockholders may ultimately convert and sell the full amount issuable on conversion. There is no upper limit on the number of shares that may be issued which will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock, including investors in this offering.

***IF WE FAIL TO REMAIN CURRENT ON OUR REPORTING REQUIREMENTS, WE COULD BE REMOVED FROM THE OTC BULLETIN BOARD WHICH WOULD LIMIT THE ABILITY OF BROKER-DEALERS TO SELL OUR SECURITIES AND THE ABILITY OF STOCKHOLDERS TO SELL THEIR SECURITIES IN THE SECONDARY MARKET.***

Companies trading on the OTC Bulletin Board, such as The Blackhawk Fund, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.