Blackhawk Fund
Form 10-Q
November 15, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

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

For the transition period from _________________ to _________________

Commission File No.: 000-49672

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

| | |
|---|---|
| Large accelerated filer 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 o No x

APPLICABLE ONLY TO CORPORATE ISSUERS

As of November 15, 2010, 1,000,293,791 shares of our common stock were outstanding.

ITEM 1 – CONDENSED FINANCIAL STATEMENTS

THE BLACKHAWK FUND
BALANCE SHEETS

| | (Unaudited) September 30 2010 | December 31 2009 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 25,266 | 2,719 |
| Total current assets | 25,266 | 2,719 |
| | | |
| PROPERTY -- HELD FOR SALE | 1,000 | 1,000 |
| TOTAL ASSETS | $ 26,266 | $ 3,719 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 294,472 | $ 199,256 |
| Convertible notes payable, net of discount | 410,407 | 130,483 |
| Notes payable - related party | 95,780 | 89,764 |
| Total current liabilities | 800,659 | 419,503 |
| COMMITMENTS AND CONTINGENCIES | - | - |
| STOCKHOLDERS' DEFICIT | | |
| Preferred stock, $0.0001 par value: | | |
| Series A, authorized 500,000, 500,000 issued and outstanding | 50 | 50 |
| Series B, authorized 10,000,000, 10,000,000 issued and outstanding | 1,000 | 1,000 |
| Series C, authorized 20,000,000, 10,000,000 issued and outstanding | 1,000 | 1,000 |
| Common stock, $0.0001 par value, 4,000,000,000 shares authorized, 1,000,293,791 and 896,293,791 shares issued and outstanding, respectively | 100,029 | 89,629 |
| Common stock B, $0.001 par value 150,000,000 authorized, 30,000,000 issued and outstanding | 3,000 | 3,000 |
| Additional paid in capital | 38,029,434 | 38,013,284 |
| Accumulated deficit | (38,908,906) | (38,523,747) |
| Total stockholders' deficit | (774,393) | (415,784) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | $ 26,266 | $ 3,719 |

See accompanying notes to financial statements

THE BLACKHAWK FUND
STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | $ - | $ - | $ - | $ - |
| Cost of Sales | - | - | - | - |
| Gross Income | - | - | - | - |
| OPERATING EXPENSES | | | | |
| General and Administrative | 83,192 | 41,772 | 140,712 | 85,387 |
| OTHER INCOME / (EXPENSES) | | | | |
| Gain on sale of assets | - | - | - | 1,015,178 |
| Loss on Guarantee | - | - | | (618,750) |
| Other expense | - | - | (684) | - |
| Interest Expense | (16,957) | (326,943) | (243,763) | (341,883) |
| NET LOSS | $ (100,149) | $ (368,715) | $ (385,159) | $ (30,842) |
| Basic and Diluted Net Loss Per Common Share | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| Weighted Average Number of Shares Outstanding | 951,315,769 | 725,584,114 | 959,695,965 | 666,417,079 |

See accompanying notes to financial statements

THE BLACKHAWK FUND
STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended September 30 2010 | 2009 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Net loss | $ (385,159) | $ (30,842) |
| | | |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Discount accretion on note | 210,517 | 315,258 |
| Gain on sale of assets | - | (1,015,178) |
| Stock issued for services and financing | - | 24,000 |
| Loss on guarantee | - | 618,750 |
| Issuance of note for consulting services | 41,107 | - |
| Changes in operating assets and liabilities: | | |
| Prepaid financing costs | - | 415 |
| Accounts payable and accrued liabilities | 106,082 | 58,547 |
| | | |
| Net cash used in operating activities | (27,453) | (29,050) |
| | | |
| Cash Flows From Investing Activities: | - | - |
| | | |
| Cash Flows From Financing Activities: | | |
| Proceeds from notes payable | 50,000 | - |
| Proceeds from notes payable - related party | - | 19,000 |
| | | |
| Net cash provided by financing activities | 50,000 | 19,000 |
| | | |
| Net Change in Cash | 22,547 | (10,050) |
| | | |
| Cash Beginning of Period | 2,719 | 11,161 |
| | | |
| Cash End of Period | $ 25,266 | $ 1,111 |
| | | |
| Supplemental disclosures: | | |
| Cash paid for: | | |
| Interest | - | - |
| Income Taxes | - | - |
| | | |
| Supplemental disclosure of non-cash financing activities | | |
| | | |
| Partial conversion of notes payable | $ 20,700 | $ - |
| Common stock issued for services | $ 5,850 | $ 24,000 |
| Common stock issued for debt interest | $ - | $ 210,000 |

See accompanying notes to financial statements

4

THE BLACKHAWK FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Blackhawk Fund ("Blackhawk" or the "Company") was organized on November 5, 1998 in Nevada as USA Telecom. In 1998, the entity amended its articles of incorporation to change its name to USA Telcom, in 2000 it amended its articles of incorporation to change its name to USA Telcom Internationale, in 2004 it amended its articles of incorporation to change its name to ZannWell Inc., and in January 2005, it amended its articles of incorporation to change its name to Blackhawk Fund. For the year ended December 31, 2009 the Company was in the business of residential and commercial real estate acquisition and development.

Cash and cash equivalents

The Company considers all cash on hand and in banks, including accounts in book overdraft positions, certificates of deposit and other highly- liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

Advertising expenses

Advertising and marketing expenses are charged to operations as incurred there were no expenses for the nine-months ended September 30, 2010 and 2009.

Revenue recognition

The Company generates revenue from the sale of real estate, brokerage commissions, and rental income from rental properties. Revenues from real estate sales and commissions are recognized on execution of the sales contract. The Company records gross commissions on the sales of properties closed. The Company pays the broker of record five percent of all transactions and 100 percent of personal sales. The Company compensates its independent agents on a sliding scale between 70 and 80 percent based on productivity. The Company also recognizes sales when it sells properties that have been held for sale when their renovation is complete. Revenue is recognized at "closing".

The Company has not recognized any revenue from its new business plan for the nine-months ended September 30, 2010 and 2009.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes, primarily accumulated depreciation and amortization.

As of September 30, 2010, the deferred tax asset is related solely to the Company's net operating loss carry forward and is fully reserved.

Loss per share

Loss per share are computed by dividing the net loss by the weighted-average number of shares of common stock and common stock equivalents (primarily outstanding options and warrants). Common stock equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method. The calculation of fully diluted loss per share assumes the dilutive effect of the exercise of outstanding options and warrants at either the beginning of the respective period presented or the date of issuance, whichever is later. As of September 30, 2010, the Company's outstanding warrants are considered anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 accounting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Effective September 30, 2009, the Company adopted the Financial Accounting Standard Board’s new Accounting Standards Codificaiton (“ASC”) as the single source of authoritative accounting guidance under the Generally Accepted Accounting Principles (“GAAP”) Topic. The ASC does not create new accounting and reporting guidance, rather it reorganizes GAAP pronouncements into approximately 90 topics within a consistent structure. All guidance in the ASC carries an equal level of authority. Relevant portions of authoritative content, issued by the Securities and Exchange Commission ("SEC"), for SEC registrants, have been included in the ASC. After the effective date of the Codification, all nongrandfathered, non-SEC accounting literature not included in the ASC is superseded and deemed nonauthoritative. Adoption of the Codification also changed how the Company references GAAP in its financial statements.

In February 2010, FASB issued Accounting Standards Update (“ASU”) 2010-9 Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements ("ASU 2010-9"). ASU 2010-9 amends disclosure requirements within Subtopic 855-10. An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between Subtopic 855-10 and the SEC's requirements. ASU 2010-9 is effective for interim and annual periods ending after June 15, 2010. The Company does not expect the adoption of ASU 2010-09 to have a material impact on its results of operations or financial position.

In January 2010, FASB issued ASU 2010-6 Improving Disclosures about Fair Measurements ("ASU 2010-6"). ASU 2010-6 provides amendments to Subtopic 820-10 that require separate disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements and the presentation of separate information regarding purchases, sales, issuances and settlements for Level 3 fair value measurements. Additionally, ASU 2010-6 provides amendments to Subtopic 820-10 that clarify existing disclosures about the level of disaggregation and inputs and valuation techniques. ASU 2010-6 is effective for financial statements issued for interim and annual periods ending after December 15, 2010. The Company does not expect the adoption of ASU 2010-06 to have a material impact on its results of operations or financial position.

In January 2010, FASB issued ASU 2010-2 Accounting and Reporting for Decreases in Ownership of a Subsidiary- a Scope Clarification ("ASU 2010-2"). ASU 2010-2 addresses implementation issues related to the changes in ownership provisions in the Consolidation—Overall Subtopic (Subtopic 810-10) of the FASB Accounting Standards Codification, originally issued as FASB Statement of Financial Accounting Standards (“SFAS”) No. 160, Noncontrolling Interests in Consolidated Financial Statements. Subtopic 810-10 establishes the accounting and reporting guidance for noncontrolling interests and changes in ownership interests of a subsidiary. An entity is required to deconsolidate a subsidiary when the entity ceases to have a controlling financial interest in the subsidiary. Upon deconsolidation of a subsidiary, an entity recognizes a gain or loss on the transaction and measures any retained investment in the subsidiary at fair value. The gain or loss includes any gain or loss associated with the difference between the fair value of the retained investment in the subsidiary and its carrying amount at the date the subsidiary is deconsolidated. In contrast, an entity is required to account for a decrease in ownership interest of a subsidiary that does not result in a change of control of the subsidiary as an equity transaction. ASU 2010-2 is effective for the Company starting January 1, 2010. The Company does not expect the adoption of ASU 2010-2 to have a material impact on the Company's results of operations or financial position.

6

NOTE 2 - STOCK BASED COMPENSATION

Prior to January 1, 2006, we accounted for stock based compensation under Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”). As permitted under this standard, compensation cost was recognized using the intrinsic value method described in Accounting Principles Board Opinion (“APB”) No. 25, “Accounting for Stock Issued to Employees” (“APB 25”). Effective January 1, 2006, the Company has adopted SFAS No. 123 (Revised 2004), “Share-Based Payment” (“SFAS 123R”) and applied the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 107 using the modified-prospective transition method. Prior periods were not restated to reflect the impact of adopting the new standard. As a result of the adoption of SFAS 123R, stock-based compensation expense recognized during the year ended December 31, 2008 includes compensation expense for all share-based payments granted on or prior to, but not yet vested as of December 31, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, and compensation cost for all share-based payments granted on or subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R.

Beginning on January 1, 2006, any future excess tax benefits derived from the exercise of stock options will be recorded prospectively and reported as cash flows from financing activities in accordance with SFAS 123R.

During the nine-months ended September 30, 2010 and 2009, the Company had no stock based consulting expenses as determined under SFAS 123R.

NOTE 3 - PROPERTY - HELD FOR SALE/FIXED ASSETS

In late March 2006, the Company purchased a condominium located in Carlsbad, California for $625,083 (“Carlsbad Property”). The Company intended to renovate and sell the condominium upon completion of the planned renovations, and, accordingly, it has been designated as “held-for-sale.” Therefore, it will be carried at the lower cost or fair value (net of expected sales costs) during the renovation period and will not be depreciated. Major improvements and renovations were capitalized.

In June of 2006, the Company entered into a joint venture agreement to renovate and then sell a residential home located in Oceanside, California (“Oceanside Property”). The Company is a 50% joint venture partner, but has the right to exercise control. The Company is 100% responsible for improvement costs, with these costs to be reimbursed upon sale and any remaining profits allocated evenly. The Company has valued the house at the original value of the liability assumed of $1,000,000. As the intention on this property is identical to the Carlsbad Property, the Oceanside Property has been designated as “held for sale”. The Company has capitalized improvements on this property of $149,817.

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

The Company also entered into a settlement agreement with a joint venture partner in relation to the Oceanside, Property. Pursuant to the agreement, the joint venture partner released the Company from any and all liability pursuant to the joint venture as well as any liability associated with the two mortgage notes on this property ($1,120,000 and $320,000) in exchange for the property.

The Company recognized a gain on of $1,015,178 in connection with the settlement agreements for the Carlsbad Property and the Oceanside Property.

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

NOTE 4 - PREFERRED STOCK

Series A Preferred Stock

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

On April 24, 2008, the Company issued 500,000 shares of the newly designated Series A Preferred Stock as part of a financing transaction with Teriminus, Inc. ("Terminus"). See Note 6. The Company has valued the convertible shares using the Black-Scholes model and has recognized a financing expense equivalent to the stated value of the Series A Preferred Stock of $500,000.

On August 19, 2008, the Company amended and restated its articles of incorporation ("August Amendment") to increase the aggregate number of shares of all classes of preferred stock which the Company shall have authority to issue to 50,000,000 shares with a par of $0.0001 per share.

Series B Preferred Stock

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

Series C Preferred Stock

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

NOTE 5 - COMMON STOCK

During the quarter ended June 30, 2010, the Company issued 45,000,000 shares of common stock in connection with a partial conversion of the Terminus note. See Note 7.

During the quarter ended March 31, 2010, the Company issued 14,000,000 shares of common stock in connection with a partial conversion of the Terminus note. See Note 7.

In connection with the August Amendment, the Company's changed the par value of its common stock from $0.001 to $0.0001.

On September 22, 2010, the Company issued 45,000,000 shares of common stock as payment for certain professional services rendered.  See Note 8.

NOTE 6 – PROMISSORY NOTES

On April 24, 2008, the Company and Terminus, as co-issuers, issued and sold to a single accredited investor: (i) a $550,000 due on demand secured promissory note with an interest rate of 12% per annum ("Terminus Note Payable") and (ii) 500,000 shares of the Company's Series A Preferred Stock. To secure payment of the note, Terminus pledged the 10,000,000 shares of the Company's Series C Preferred Stock. The Company is a guarantor of the Terminus Note, and accordingly, has treated the note as a contingent liability and as an "off-balance sheet arrangement."

On May 4, 2009, the Company and Terminus both defaulted on repayment of the Terminus Note. As a result of the default on the Terminus Note, the Company has become unconditionally liable for repayment of all principal and interest due under the note, has recorded the full amount of $550,000 in principal and $68,750 in accrued interest as a liability, and has incurred an expense for such amounts. In addition, the Company continues to accrue interest from the date of default.

On July 10, 2009, the Company, along with Terminus, entered into a first amendment to the Terminus Note with the holder of the note. The amended note extends the maturity date until July 10, 2010. In addition, the amendment provides that the note may be converted into shares of the Company's common stock. The conversion price for the amended note is the greater of (i) the then existing par value of the Company's common stock or (i) 75 % of the average of the per shares market values (as defined in the amended note) during the 20 trading days immediately preceding a conversion date. If at any time after September 10, 2009, there is either (i) insufficient shares of the Company's common stock to permit conversions pursuant to the amended note or (ii) the per share market value is less than the then existing par value of the Company's common stock for a period of 5 consecutive trading days, the Company will use its best efforts to amend its capital structure by means of either a reverse split of its common stock, an increase in its authorized common stock, or a reduction of the par value of its common stock, or any combination of the foregoing as determined by the Company's board of directors in its reasonable judgment. The Company has recorded a beneficial conversion feature relating to the Terminus Note in the amount of $631,033.

Subsequent to the Terminus Note amendment, the holder of the note has effected a series of partial conversions and was issued an aggregate of 210,000,000 shares of common stock at a conversion price of $0.001 per share. In the aggregate, these issuances reduced the debt by $210,000 in principal.

On March 19, 2010, the Company issued an 8% $50,000 convertible promissory note ("Terminus Note 2") to the same holder of the Terminus Note. The note is due and payable on March 19, 2015. In addition, the note is convertible into shares of our common stock. The conversion price for the note is the greater of (i) the then existing par value of the Company's common stock or (i) 75 % of the average of the per shares market values (as defined in the amended note) during the 20 trading days immediately preceding a conversion date. If at any time after September 10, 2009, there is either (i) insufficient shares of the Company's common stock to permit conversions pursuant to the amended note or (ii) the per share market value is less than the then existing par value of the Company's common stock for a period of 5 consecutive trading days, the Company will use its best efforts to amend its capital structure by means of either a reverse split of its common stock, an increase in its authorized common stock, or a reduction of the par value of its common stock, or any combination of the foregoing as determined by the Company's board of directors in its reasonable judgment. The proceeds for the sale of the note were for working capital and general corporate purposes. The issuance was exempt under Section 4(2) and Rule 506 of the Securities Act of 1933, as amended. No discount was recorded in connection with this note.

On March 25, 2010, the holder of the Terminus Note effected a partial conversion and was issued 14,000,000 shares of common stock. The issuance reduced the debt by $5,355.

On April 5, 2010, the holder of the Terminus Note exercised a partial conversion and was issued 45,000,000 shares of common stock. The issuance reduced the debt by $15,345.

9

On July 7, 2010, the Company entered into a second amendment to the Terminus Note extending the maturity date under the note from July 10, 2010 to February 1, 2011.

The balance of the Terminus Note at September 30, 2010 and December 31, 2009 are $429,300 and $130,483, respectively. The note discount related to the Terminus Note was fully amortized as of July 10, 2010.

On September 15, 2010, the Company entered into a consulting agreement. In connection with the consulting agreement the Company issued a convertible note payable ("Consulting Note") in the amount of $60,000. The entire principal amount is due on September 15, 2020, and the Consulting Note accrues interest on the unpaid principal amount at the rate of 4% per annum. The holder of the Consulting Note may exercise its right to convert any portion of unpaid principal and accrued interest into shares of the Company's common stock any time after March 15, 2011 at a conversion price calculated as 85% of the average of the three per share market values of the Company's common stock immediately preceding a conversion date. Each conversion is limited to $10,000 per calendar month. In connection with the Consulting Note, the Company recorded a note discount in the amount of $18,893.

NOTE 7 - RELATED PARTY TRANSACTIONS

For the quarter ended September 30, 2010 and the year ended December 31, 2009, Terminus, Inc. the holder of the Company's Series C Preferred Stock, has loaned the Company $82,127 and $81,127, respectively. The loan is payable upon demand with interest at 12% per annum. At September 30, 2010 and December 31, 2009 interest accrued to this loan was $13,653 and $8,637, respectively.

NOTE 8 – 2009 STOCK INCENTIVE PLAN

On August 10, 2009, the Company's Board of Directors adopted its 2009 Stock Incentive Plan (the "Plan"). The Board of Directors approved the issuance of 124,000,000 shares of common stock pursuant to the 2009 Stock Incentive Plan in payment of legal services. The Company issued 45,000,000 shares of common stock as payment for certain professional services rendered under the Plan during the quarter ended September 30, 2010.

NOTE 9 - GOING CONCERN

The Company has incurred significant losses, has a negative capital, and negative current ratio. These factors, among others indicate that the Company may not be able to continue as a going concern. No adjustments have been made to the carrying value of assets and liabilities should the company not continue as a going concern.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

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

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

General

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

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

Change of Control and Change in Management

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

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

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

Plan of Operation

Our new management determined that our company has incurred operating and net losses in each of the last two fiscal years, had a working capital deficit as of the end of the latest fiscal year and as of the latest fiscal quarter, and has a large accumulated deficit. Accordingly, new management commenced an analysis of each of our two business lines to determine the viability of each line during the second and third quarters of 2008. Within each line of business, management has evaluated and is evaluating historical and projected costs in running the line, existing and potential revenue streams, and the availability of additional capital for expansion of the business line. In particular, with respect to the real estate business, management is evaluating our current real estate portfolio in light of current market conditions, both in the real estate markets and the credit markets. Upon completion of the analysis, management will determine whether to seek to expand the business line or to discontinue or divest of the division.

In 2008, management determined that, based on its analysis of the foregoing factors, the media and television production operations are not viable. Accordingly, management has determined to discontinue the media and television production operations. Management is continuing the evaluation of our real estate business, the existing real estate portfolio valuations, the existing and potential rental possibilities, the current market values, and the existing financing arrangements. In addition, in light of the distress in the real estate markets, management is looking at potential real estate acquisition opportunities that, if consummated, would increase and diversify our real estate portfolio. Management is also considering diversifying into additional lines of business. In all cases, management may seek to form one or more partnerships, enter into one or more joint ventures, or conduct one or more strategic acquisitions.

We are currently focused on expanding our real estate development business. We currently have one property in our portfolio and are engaged in preliminary discussion for the acquisition of two others. We expect to have at least two properties in our portfolio at the end of fiscal 2010.

Critical Accounting Policies

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

Results of Operations

Basis of Presentation

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | $ -- | $ -- | $ -- | $ -- |
| Costs of Sales | -- | -- | -- | -- |
| General and administrative | 81,192 | 41,772 | 140,712 | 85,317 |
| Gain on sale of assets | -- | -- | -- | 1,015,178 |
| Loss on Guarantee | -- | -- | -- | (618,750) |
| Other expense | -- | -- | (684) | -- |
| Interest Expense | (16,957) | (326,943) | (243,763) | (341,883) |
| Operating income (loss) | $ (100,149) | $ (368,715) | $ (385,159) | $ (30,842) |

Comparison of the three months ended September 30, 2010 and 2009

Net sales. Our revenues were $0 for the three months ended September 30, 2010 and 2009. This resulted from our prior decision to cease our media operations in the end of fiscal 2008 as well as from a lack of sales of any real estate properties held for development or any real estate properties generating rental revenue.

Cost of Sales.  Costs of sales were $0 for the three months ended September 30, 2010 and 2009.

General and administrative. General and administrative expenses increased to $83,192 for the three months ended September 30, 2010 as compared to $41,772 for the three months ended September 30, 2009. The increase resulted primarily from our incurring additional consulting services in the third quarter of 2010.

Interest. Interest expense decreased to $16,957 for the three months ended September 30, 2010 as compared to interest expense of $243,763 for the three months ended September 30, 2009. The decrease in interest was primarily attributed to reduced amortization of beneficial conversion feature discount on outstanding promissory notes.

Net loss. We incurred a net loss of $100,149 for the three months ended December 31, 2010, as compared to net loss of $368,715 for the three months ended September 30, 2009. Our decrease in net loss is primarily attributable to a decrease in interest expense for the period, offset by an increase general and administrative expenses.

Comparison of the nine months ended September 30, 2010 and 2009

Net sales. Our revenues were $0 for the nine months ended September 30, 2010 and 2009. This resulted from our prior decision to cease our media operations in the end of fiscal 2008 as well as from a lack of sales of any real estate properties held for development or any real estate properties generating rental revenue.

Cost of Sales. Costs of sales were $0 for the nine months ended September 30, 2010 and 2009.

General and administrative. General and administrative expenses increased to $140,712 for the nine months ended September 30, 2010 from $85,387 for the comparable period in 2009. The increase resulted primarily from our incurring additional consulting services in the third quarter of 2010.

Gain on sale of assets. We did not incur any gain or loss on sale of assets in the nine months ended September 30, 2010. In February 2009, we disposed of two properties in connection with settlement agreements under which the transferees assumed certain notes associated with such properties in connection with the disposition. Accordingly, as a result of these transactions, we realized a gain on the disposition of assets equal to $1,015,178.

Loss on Guarantee. We did not incur any gain or loss on guarantee in the nine months ended September 30, 2010. However, we incurred a loss on guarantee of $618,750 in the second quarter of 2009 as a result of a default by us and Terminus, Inc., as co-issuers, on repayment of a 12% promissory note in the principal amount of $550,000 and accrued interest of $68,750.

Other expense. We incurred other expense of $684 during the nine months ended September 30, 2010. We did not occur such an expense in the comparable period in 2009.

Interest. Interest expense decreased to $243,763 for the nine months ended September 30, 2010 as compared to interest expense of $341,883 for the nine months ended September 30, 2009. The decrease in interest was primarily attributed to reduced amortization of beneficial conversion feature discount on outstanding promissory notes.

Net loss. We incurred a net loss of $385,159 for the nine months ended September 30, 2010 as compared to a net loss of $30,842 for the nine months ended September 30, 2009. In February 2009, we disposed of two properties in connection with settlement agreements under which the transferees assumed certain notes associated with such properties in connection with the disposition. Our net income on the nine months ended September 30, 2009 is primarily attributable to these transactions for which we realized a gain on the disposition of assets equal to $1,015,178, offset by the loss on guarantee of $618,750.

Liquidity and Capital Resources

We have financed our operations, debt service, and capital requirements through cash flows generated from operations and through issuance of debt and equity securities. Our working capital deficit at September 30, 2010 was $775,393, and we had cash of $25,266 as of September 30, 2010.

We used $27,453 of net cash in operating activities for the nine months ended September 30, 2010, compared to using $29,050 in the nine months ended September 30, 2009. The net loss of $385,159 was offset by non-cash expenses of $210,517 in discount accretion on notes, $41,107 for issuance of a note for consulting services, and an increase of $106,082 in accounts payable and accrued liabilities.

We generated no cash flows from investing activities for the nine months ended September 30, 2010 and 2009.

Net cash flows provided by financing activities were $50,000 for the nine months ended September 30, 2010, compared to net cash flows provided by financing activities of $19,000 for the nine months ended September 30, 2009. The only proceeds received in the nine months ended September 30, 2010 was generated from issuance of a convertible promissory note.

### Capital Requirements

Our financial statements for the nine months ended September 30, 2010 state that we have incurred significant losses, have a negative capital, and a negative current ratio. These factors, among others indicate that we may not be able to continue as a going concern. We believe that, as of the date of this report, in order to fund our plan of operations over the next 12 months, we will need to fund operations out of cash flows generated from operations, from the borrowing of money, and from the sale of additional securities. It is possible that we will be unable to obtain sufficient additional capital through the borrowing of money or the sale of our securities as needed.

Part of our growth strategy may include diversifying into additional lines of business, forming one or more partnerships, entering into one or more joint ventures, or conducting one or more strategic acquisitions, which may require us to raise additional capital. We do not currently have binding agreements or understandings to acquire any other companies.

We intend to retain any future earnings to pay our debts, finance the operation and expansion of our business and any necessary capital expenditures, and for general corporate purposes.

### Off-Balance Sheet Arrangements

None.

## ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this item.

## ITEM 4 – CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports that we file under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of “disclosure controls and procedures” in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

At the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our former management, including our former Chief Executive Officer and former Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures.  Based on the foregoing, our former Chief Executive Officer and our former Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that all material information required to be disclosed in this Quarterly Report on Form 10-Q has been made known to them in a timely fashion.

Our former Chief Executive Officer and former Chief Financial Officer have also evaluated whether any change in our internal controls occurred during the last fiscal quarter and have concluded that there were no material changes in our internal controls or in other factors that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, these controls.

## PART II: OTHER INFORMATION

### ITEM 1 – LEGAL PROCEEDINGS

None.

### ITEM 1A – RISK FACTORS

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide information required by this item.

### ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On September 15, 2010, we issued a 4% 650,000 convertible promissory note to a single accredited investor for consulting services. The note is due and payable on September 15, 2020. In addition, the note is convertible into shares of our common stock at any time after March 15, 2011. The conversion price for the note is the greater of (i) the then existing par value of the Company's common stock or (ii) 85 % of the average of the per shares market values (as defined in the note) during the three trading days immediately preceding a conversion date. The issuance was exempt under Section 4(2) and Rule 506 of the Securities Act of 1933, as amended.

### ITEM 3 – DEFAULT UPON SENIOR SECURITIES

None.

### ITEM 4 – (REMOVED AND RESERVED)

### ITEM 5 – OTHER INFORMATION

None.

### ITEM 6 – EXHIBITS

| Item No. | Description | Method of Filing |
|---|---|---|
| 31.1 | Certification of Frank Marshik pursuant to Rule 13a-14(a) | Filed herewith. |
| 32.1 | Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. § 1350 adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 | Filed herewith. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | THE BLACKHAWK FUND |
| November 15, 2010 | /s/ Frank Marshik<br>Frank Marshik<br>President<br>(Principal Executive Officer and Principal Accounting Officer) |