Blackhawk Fund
Form 10KSB
March 20, 2007

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

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**FORM 10-KSB**

[X] 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 [ X ] 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 [ X]

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

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.

***OUR COMMON STOCK IS SUBJECT TO THE "PENNY STOCK" RULES OF THE SEC AND THE TRADING MARKET IN OUR SECURITIES IS LIMITED, WHICH MAKES TRANSACTIONS IN OUR STOCK CUMBERSOME AND MAY REDUCE THE VALUE OF AN INVESTMENT IN OUR STOCK.***

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. Inasmuch as that the current bid and ask price of common stock is less than $5.00 per share, our shares are classified as "penny stock" under the rules of the SEC. For any transaction involving a penny stock, unless exempt, the rules require:

- That a broker or dealer approve a person's account for transactions in penny stocks; and

- The broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- Obtain financial information and investment experience objectives of the person; and

- Make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- Sets forth the basis on which the broker or dealer made the suitability determination; and

- That the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks

**ITEM 2. DESCRIPTION OF PROPERTY.**

We lease office space at 1802 N. Carson Street, Suite 212, Carson City, Nevada, 89701. Our Carson Street lease costs $100 per month and is scheduled to expire on December 31, 2007.

**ITEM 3. LEGAL PROCEEDINGS.**

On December 28, 2004, R. Patrick Liska, who served as our director and officer at the time when we were called Zannwell, Inc., filed a lawsuit against us in the Hennepin county, Minnesota District Court. Mr. Liska alleges that he is entitled to receive 1,000,000 shares of our series A convertible preferred stock, and 5,000,000 shares of our common stock, both of which we deny vigorously. In 2005 this lawsuit was settled out of court for 23,000 dollars.

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

On January 3, 2005 the holder of the majority of our voting capital stock acted by written consent to effect the following corporate actions:

1. Amend our articles of incorporation to change our name from "ZannWell Inc." to "The BlackHawk Fund";

2. Approve an amendment to our articles of incorporation to increase the authorized number of shares of our common stock from 900,000,000 to 4,000,000,000 shares;

3. Grant discretionary authority to our board of directors to implement a reverse stock split of our common stock on the basis of one post-consolidation share for up to each 800 pre-consolidation shares to occur at some time within 12 months of the date of this information statement, with the exact time of the reverse split to be determined by the board of directors;

4. Grant discretionary authority to the directors to implement a proposal for ZannWell Inc. to become a Business Development Corporation to occur at some time within 12 months of the date of this information statement, with the exact time of such conversion to be determined by the board of directors;

5. Ratify the removal of R. Patrick Liska from our board of directors; and

6. Ratify the election of Steve Bonenberger and Brent Fouch as our directors.

We had a consenting stockholder, Palomar Enterprises, Inc., a Nevada corporation, ("Palomar"), which held 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 on the record date. The shares of the series A preferred stock do not have voting rights. Each share of the series B preferred stock entitles the holder to one vote of our common stock on all matters brought before our stockholders. 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. Therefore, Palomar had the power to vote 1,010,000,000 shares of the common stock, which number exceeded the 167,750,000 issued and outstanding shares of our common stock on the record date.

Palomar voted in favor of the proposed amendments to our articles of incorporation, to ratify the removal of a director and the election of new directors, and for the grant of discretionary authority to the board with respect to the stock split and conversion to a Business Development Corporation.

Palomar had the power to pass the proposed corporate actions without the concurrence of any of our other stockholders.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Until January 3, 2005, our common stock was quoted on the OTC Board under the symbol "ZWLL.OB." On January 3, 2005, in connection with our name change and 1-800 reverse stock split, our symbol changed from "ZWLL.OB." to "BHWK.OB." These quotations reflect inter-dealer prices, without mark-up, mark-down or commission, and may not represent actual transactions.

| CALENDAR YEAR 2005 | HIGH | LOW |
|---|---|---|
| First Quarter | 0.15 | 0.0003 |
| Second Quarter | 0.0002 | 0.0002 |
| Third Quarter | 0.0002 | 0.0002 |
| Fourth Quarter | 0.0002 | 0.0006 |

| CALENDAR YEAR 2006 | HIGH | LOW |
|---|---|---|
| First Quarter | 0.08 | 0.04 |
| Second Quarter | 0.04 | 0.02 |
| Third Quarter | 0.02 | 0.014 |
| Fourth Quarter | 0.014 | 0.008 |

As of January 25, 2007 we had 24,664,792 shares of our common stock outstanding. Our shares of common stock are held by approximately 35 stockholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies.

### SECTION 15(G) OF THE EXCHANGE ACT

The shares of our common stock are covered by Section 15(g) of the Exchange Act, and Rules 15g-1 through 15g-6 promulgated thereunder, which impose additional sales practice requirements on broker-dealers who sell our securities to persons other than established customers and accredited investors.

Rule 15g-2 declares unlawful any broker-dealer transactions in "penny stocks" unless the broker-dealer has first provided to the customer a standardized disclosure document.

Rule 15g-3 provides that it is unlawful for a broker-dealer to engage in a "penny stock" transaction unless the broker-dealer first discloses and subsequently confirms to the customer the current quotation prices or similar market information concerning the penny stock in question.

Rule 15g-4 prohibits broker-dealers from completing "penny stock" transactions for a customer unless the broker-dealer first discloses to the customer the amount of compensation or other remuneration received as a result of the penny stock transaction.

Rule 15g-5 requires that a broker-dealer executing a "penny stock" transaction, other than one exempt under Rule 15g-1, disclose to its customer, at the time of or prior to the transaction, information about the sales person's compensation.

Our common stock may be subject to the foregoing rules. The application of the "penny stock" rules may affect our stockholders' ability to sell their shares because some broker-dealers may not be willing to make a market in our common stock because of the burdens imposed upon them by the "penny stock" rules.

The following table provides information about purchases by us and our affiliated purchasers during the quarter ended December 31, 2006 of equity securities that are registered by us pursuant to Section 12 of the Securities Exchange Act of 1934:

**SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES**

| Period | Total number of shares (or units) purchased | Average price paid per share (or unit) | Total number of shares (or units) purchased as part of publicly announced plans or programs | Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| October 2006 | -0- | -0- | -0- | -0- |
| November 2006 | -0- | -0- | -0- | -0- |
| December 2006 | -0- | -0- | -0- | -0- |
| Total | -0- | -0- | -0- | -0- |

**ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**

**FORWARD-LOOKING INFORMATION**

Much of the discussion in this Item is "forward looking" as that term is used in Section 27A of the Securities Act and Section 21E of the Exchange Act. Actual operations and results may materially differ from present plans and projections due to changes in economic conditions, new business opportunities, changed business conditions, and other developments. Other factors that could cause results to differ materially are described in our filings with the Securities and Exchange Commission.

There are several factors that could cause actual results or events to differ materially from those anticipated, and include, but are not limited to general economic, financial and business conditions, changes in and compliance with governmental laws and regulations, including various state and federal environmental regulations, our ability to obtain additional financing from outside investors and/or bank and mezzanine lenders and our ability to generate sufficient revenues to cover operating losses and position us to achieve positive cash flow.

Readers are cautioned not to place undue reliance on the forward-looking Statements contained herein, which speak only as of the date hereof. We believe the information contained in this Form 10-KSB to be accurate as of the date hereof. Changes may occur after that date. We will not update that information except as required by law in the normal course of its public disclosure practices.

**MANAGEMENT'S PLAN OF OPERATIONS**

The Management of The Blackhawk Fund plans to aggressively market the real estate properties held, that have been renovated and ready for sale. The Company plans to generate the highest return on their investment, by selling these properties at substantial profits. The Management believes we will sell all three properties held between the first and second quarter of 2007.

The Management plans to expand the Media Division significantly, by developing and airing the cable television productions, produced by Maximum Impact Television Group. The Blackhawk Fund plans to begin receiving revenue in the first quarter from these media properties, which is generated by sponsors paying for air time and commercial productions. The company plans to have all ten cable television shows airing in 2007. The Media Division will generate additional revenue by converting the content from the cable television shows to Online Video Magazines and DVDs, which provide additional advertising vehicles for our sponsors to reach their target audience.

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.

**RESULTS OF OPERATIONS**

**TWELVE MONTHS ENDED DECEMBER 31, 2006 COMPARED TO THE TWELVE MONTHS ENDED DECEMBER 31, 2005.**

**REVENUE**

Revenue for the 12 months ended December 31, 2006 was $149,451 compared to $23,751 for the 12 months ended December 31, 2005. Revenue reflected the start of the acquisition of and sale of residential property. Cost of Sales was 140,000 in 2006 compared to 0 in 2005.

**GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses ("G&A") were $472,780 for the 12 months ended December 31, 2006, compared to $4,803,251 for the 12 months ended December 31, 2005, a decrease of $4,324,471. The decrease in G&A is due primarily to stock issued for services.

We expect G&A expenses to increase substantially in the coming 12 months due to the increase in sales activities within our business units. We intend to focus on operating efficiencies, increasing revenues, and ensuring profitability in our core business units during this period.

**LIQUIDITY AND CAPITAL RESOURCES**

During the twelve-month period ended December 31, 2006, cash used in operating activities was 499,722. We intend to continue to find ways to expand our business through new product development . We believe that revenues and earnings will increase as we grow. We anticipate that we will incur smaller losses in the near future if we are able to expand our business and the marketing of our products and services now under development. The losses will be created to the extent of the excess of technology development and marketing
expenses over the income from operations. Our operating losses as shown may be perceived as alarming and possibly indicate a downward spiral leading to the demise of the company; however, from management's point of view, there is a bright side to the operating losses which are tapering off. We feel now by adopting our new media business we will be profitable in 2007.

During the 12 months ended December 31, 2006, we generated a net loss of $564,065. Cash provided by operating activities was $695,361.

In order to execute our business plan, we will need to acquire additional capital from debt or equity financing. In the absence of significant revenue and profits, we will be completely dependent on additional debt and equity financing arrangements. There is no assurance that any financing will be sufficient to fund our capital expenditures, working capital and other cash requirements for the fiscal year ending December 31, 2007. No assurance can be given that any such additional funding will be available or that, if available, can be obtained on terms favorable to us. If we are unable to raise needed funds on acceptable terms, we will not be able to execute our business plan, develop or enhance existing services, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. A material shortage of capital will require us to take drastic steps such as further reducing our level of operations, disposing of selected assets or seeking an acquisition partner.

**CRITICAL ACCOUNTING POLICIES**

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various
other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our consolidated financial statements, we believe the following critical accounting policy involve the most complex, difficult and subjective estimates and judgments.

**STOCK-BASED COMPENSATION**

In December 2002, the FASB issued SFAS No. 148 - Accounting for Stock-Based Compensation - Transition and Disclosure. This statement amends SFAS No. 123 - Accounting for Stock-Based Compensation, providing alternative methods of voluntarily transitioning to the fair market value based method of accounting for stock based employee compensation. SFAS 148 also requires disclosure of the method used to account for stock-based employee compensation and the effect of the method in both the annual and interim financial statements. The provisions of this statement related to transition methods are effective for fiscal years ending after December 15, 2002, while provisions related to disclosure
requirements are effective in financial reports for interim periods beginning after December 31, 2002.

We adopted SFAS No. 123 effective January 1, 2006.

**RECENT ACCOUNTING PRONOUNCEMENTS**

We adopted SFAS No. 142. Under the new rules, we will no longer amortize goodwill and other intangible assets with indefinite lives, but such assets will be subject to periodic testing for impairment. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write-downs to be included in results from operations may be necessary. SFAS No. 142 also requires us to complete a transitional goodwill impairment test six months from the date of
adoption.

Any goodwill impairment loss recognized as a result of the transitional goodwill impairment test will be recorded as a cumulative effect of a change in accounting principle no later than the end of fiscal year 2002. The adoption of SFAS No. 142 had no material impact on our consolidated financial statements

**OFF-BALANCE SHEET ARRANGEMENTS**

We do not have any off-balance sheet arrangements.

**ITEM 7. FINANCIAL STATEMENTS.**

Please see the audited financial statements and notes thereto included as a part of this report.

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

On June 22, 2004 we engaged Malone & Bailey, PC as our independent accountants. On January 24, 2007 we dismissed Malone & Bailey, PC.

The reports of Malone & Bailey, PC on our financial statements for the fiscal years ended December 31, 2004 and 2005 did not contain an adverse opinion or a disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles.

The decision to dismiss Malone & Bailey, PC was approved by our board of directors.

During that time, there were no "reportable events" as set forth in Item 304(a)(1)(i-v) of Regulation S-B adopted by the Securities and Exchange Commission.

We engaged Gruber & Company, LLC as our independent accountants in January 2007. The decision to engage this firm was recommended by our board of directors.

During our two most recent fiscal years and any subsequent interim period prior to the engagement of Gruber & Company, LLC, neither we nor anyone on our behalf consulted with Gruber & Company, LLC regarding either (i) the application of accounting principles to a spcified transaction, either contemplated or proposed, or the type of audit opinion that might be rendered on our financial statements or (ii) any matter that was either the subject of a "disagreement" or a "reportable event."

We have provided Malone & Bailey, PC with a copy of our current report on Form 8-K prior to its filing with the Commission, and we have requested that they furnish a letter addressed to the Commission stating whether it agreed with the statements made by us in that report and if not, stating the reasons it did not.

**ITEM 8A. CONTROLS AND PROCEDURES.**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the
Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of disclosure and controls and procedures. As of the end of the period covered by this Annual report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be
disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in internal controls over financial reporting. There was no change in our internal controls, which are included within disclosure controls and procedures, during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls.

**ITEM 8B. OTHER INFORMATION.**

None.

## PART III

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

Our directors and executive officers are:

| NAME | AGE | POSITION(S) | POSITION HELD SINCE |
|---|---|---|---|
| Steve Bonenberger | 50 | President, director and chief executive officer | 2004 |
| Brent Fouch | 37 | Secretary, director and chief financial officer | 2004 |

Our executive officers are elected annually by our board of directors.

Steve Bonenberger: During the past five years, Mr. Bonenberger was the owner,operator of a corporate consulting firm. Going forward, he intends to devote a significant portion of his time to the furtherance of our operations.

Brent Fouch: Over the past four years, Mr. Fouch has been a corporate consultant. Mr. Fouch intends to serve as our chief financial officer, director and secretary. In the period encompassing from 2003 to present, Mr.Fouch has served as chief operating officer of Palomar Enterprises, Inc., prior to that he owned and operated a corporate consulting firm, where he performed business consulting services.

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under Section 16(a) of the Exchange Act, our directors and certain of our officers, and persons holding more than 10 percent of our common stock are required to file forms reporting their beneficial ownership of our common stock and subsequent changes in that ownership with the Securities and Exchange Commission. Such persons are also required to furnish us with copies of all forms so filed.

### CODE OF ETHICS

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The code of ethics is designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

- Full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submits to, the SEC and in other public communications made by us;

- Compliance with applicable governmental laws, rules and regulations;

- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and

- Accountability for adherence to the code.

A copy of our code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions is filed as an exhibit to this Annual report. We have posted a copy of the code of ethics on our website.

We will provide to any person without charge, upon request, a copy of our code of ethics. Any such request should be directed to our corporate secretary at 1802 N. Carson Street, Suite 212, Carson City, Nevada, 89701.

## ITEM 10. EXECUTIVE COMPENSATION.

### SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION

The following table provides certain summary information concerning the compensation earned by the named executive officers (determined as of the end of the last fiscal year) for services rendered in all capacities to The Blackhawk Fund and our subsidiaries:

**SUMMARY COMPENSATION TABLE**

| | FISCAL YEAR COMPENSATION | | | | | LONG TERM COMPENSATION | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | - | | Awards | | Payouts | |
| **Name and Principal Position(s)** | **Year** | **Salary ($)** | **Bonus ($)** | | **Other Annual Compensation(4)** | **Securities Underlying Option/SARs Granted** | **Restricted Shares or Restricted Share Units** | **LTIP Payouts ($)** | **All other Compensation ($)** |
| Steve Bonenberger, President, Chief Executive Officer and Director | 2006<br>2005 | -<br>- | 0<br>0 | -<br>- | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |
| Brent Fouch, Secretary, Treasurer, Principal Accounting Officer and Director | 2006<br>2005 | -<br>- | 0<br>0 | -<br>- | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 | 0<br>0 |

### EMPLOYMENT AGREEMENTS

We do not have employment agreements with either of our officers or directors at this time. However, we do intend to enter into employment agreements with each of Mr. Steve Bonenberger and Mr. Brent Fouch in the near future. We will promptly report our entry into such employment agreements with Messrs. Bonenberger and Fouch by making appropriate filing(s) with the Commission. We also plan to enter into consulting agreements with various consulting entities owned by our officers and directors. We will promptly report our entry into such consulting agreements by making appropriate filing(s) with the Commission.

### CONFIDENTIALITY AGREEMENTS

None.

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

### EQUITY COMPENSATION PLAN INFORMATION - SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of the end of the most recently completed fiscal year with respect to compensation plans (including individual compensation arrangements) under which equity securities of the registrant are authorized for issuance, aggregated as follows:

- All compensation plans previously approved by security holders; and

- All compensation plans not previously approved by security holders.

| PLAN CATEGORY | NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A) | WEIGHTED-AVERAGE EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B) | NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A)) (C) |
|---|---|---|---|
| Equity compensation plans approved by security holders | -0- | N/A | N/A |
| Equity compensation plans not approved by security holders | 207,500,000 | 0.001 | N/A |
| Total | 207,500,000 | $0.001 | -0- |

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of December 31, 2006, information concerning ownership of our securities by:

- Each person who owns beneficially more than five percent of the outstanding shares of our common stock;

- Each person who owns beneficially outstanding shares of our preferred stock;

- Each director;

- Each named executive officer; and

- All directors and officers as a group.

| NAME AND ADDRESS OF BENEFICIAL OWNER (1) | COMMON STOCK BENEFICIALLY OWNED (2) | | PREFERRED STOCK BENEFICIALLY OWNED (2) | |
|---|---|---|---|---|
| | NUMBER | PERCENT | NUMBER | PERCENT |
| Steve Bonenberger | -0- | -0- | -0- | -0- |
| Brent Fouch | -0- | -0- | -0- | -0- |
| All directors and officers as a group (two persons) | -0- | -0- | -0- | -0- |
| Palomar Enterprises (6) | -0- | -0- | 19,000,000 (3) | 95 (3) |
| | | | 10,000,000 (4) | 100 (4) |
| | | | 10,000,000 (5) | 100 (4) |

(1) Unless otherwise indicated, the address for each of these stockholders is c/o The Blackhawk Fund, 1802 N. Carson Street, Suite 212, Carson City,Nevada, 89701, telephone number (775) 887-0670. Also, unless otherwise indicated, each person named in the table above has the sole voting and investment power with respect to the shares of our common and preferred stock which he beneficially owns.

(2) Beneficial ownership is determined in accordance with the rules of the SEC. As of December 31, 2006 the total number of outstanding shares of the common stock is 24,664,792, the total number of outstanding shares of the Series A preferred stock is 9,000,000, the total number of outstanding shares of the Series B preferred stock is 10,000,000 and the total number of outstanding shares of the Series C preferred stock is 10,00,000.

(3) Series A preferred stock.

(4) Series B preferred stock.

(5) Series C preferred stock.

(6) Palomar Enterprises, Inc., a Nevada publicly-traded corporation, is controlled by Messrs. Steve Bonenberger and Brent Fouch, our officers and directors. Palomar Enterprises, Inc. holds 9,000,000 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, equivalent to the voting
power of 2,090,000,000 shares of our common stock as of December 31, 2006.

There are no arrangements, known to us, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of The Blackhawk Fund.

There are no arrangements or understandings among members of both the former and the new control groups and their associates with respect to election of directors or other matters.

**ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

During the year ended December 31, 2006, we paid $ 90,000 in consulting fees to BMM, LLC, a Limited liability company owned and controlled by Steve Bonenberger, our officer and director. We also paid $ 90,000 in consulting fees to Prize Entertainment, Inc., a corporation owned and controlled by Brent Fouch, our officer and director.

**ITEM 13. EXHIBITS.**

**EXHIBIT NO. IDENTIFICATION OF EXHIBIT**

3.1** Articles of Incorporation.
3.2** Certificate of Amendment to Articles of Incorporation, filed on June 30, 2004.
3.3** Certificate of Designation establishing our Series A, B and C Preferred Stock, filed effective July 21, 2004.
3.4** Certificate of Correction to the Certificate of Designation for our Series B Preferred Stock, filed effective on November 29, 2004.
3.5** Certificate of Amendment to Articles of Incorporation, filed effective January 3, 2005.
3.6** Certificate of Amendment to Articles of Incorporation, filed effective January 4, 2005
3.7** Amended Bylaws of Zannwell, Inc.
10.1** Zannwell Inc. Capital Stock Purchase Agreement, dated November 29,2004.
14** Code of Ethics
21** Subsidiaries
23.1 Consent of Gruber & Company, LLC
23 .2 Consent of Malone & Bailey, PC
31.1 Certification of Steve Bonenberger, President and Chief Executive Officer of The Blackhawk Fund, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.302 of the Sarbanes-Oxley Act of 2002
31.2 Certification of Brent Fouch, Secretary and Chief Financial Officer of The Blackhawk Fund, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.302 of the Sarbanes-Oxley Act of 2002
32.1 Certification of Steve Bonenberger, President and Chief Executive Officer of The Blackhawk Fund, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002.
32.2 Certification of Brent Fouch, Secretary and Chief Financial Officer of The Blackhawk Fund, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002.

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** Previously Filed

**AUDIT-RELATED FEES**

The aggregate fees billed by Malone & Bailey, PC for professional services rendered for the audit of our annual financial statements and the reviews of our quarterly financial statements were approximately $25,000.

The aggregate fees billed by Malone & Bailey, PC for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements for fiscal year 2005 were $0.

The aggregate fees billed by Malone & Bailey, PC for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements for fiscal year 2005 were $0.

**ALL OTHER FEES**

There were no other fees billed by Malone & Bailey, PC for professional services rendered, other than as stated under the captions Audit Fees, Audit-Related Fees, and Tax Fees.

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## SIGNATURES

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

**The Blackhawk Fund**

Date: March 15, 2007 /s/ Steve Bonenberger
By: Steve Bonenberger, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title(s) | Date |
| --- | --- | --- |
| /s/ Steve Bonenberger<br>By: Steve Bonenberger | President, Chief Executive Officer and Director | March 15, 2007 |
| /s/ Brent Fouch<br>By: Brent Fouch | Secretary, Chief Financial Officer and Director | March 15, 2007 |

**GRUBER & COMPANY, LLC**
**400 Lake Saint Louis Blvd.**
**Lake Saint Louis, MO, United States**
**Phone: (636) 561-5639**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors
The Blackhawk Fund
Cardiff, California

We have audited the accompanying balance sheet of The Blackhawk Fund ("Blackhawk") as of December 31, 2006 and the related statements of operations, stockholders' deficit, and cash flows for the year then ended. These financialstatements are the responsibility of Blackhawk's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public CompanyAccounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as
evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blackhawk as of December 31, 2006 and the results of its operations and its cash flows for the period described in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Blackhawk will continue as a going concern. As discussed in Note 11 to the financial statements, Blackhawk has suffered recurring losses from operations and a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also describedin note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Gruber & Company, LLC
Lake St. Louis, MO.
February 1, 2007

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors
The Blackhawk Fund
(Formerly ZannWell,Inc.
And USA Telcom Internationale)
Cardiff, California

We have audited the accompanying statements of operations, stockholders' deficit and cash flows of The Blackhawk Fund ("Blackhawk") for the year ended December 31, 2005. These financial statements are the responsibility of Blackhawk's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statements of operations, stockholders' deficit and cash flows for the year ended December 31, 2005 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Blackhawk will continue as a going concern. As discussed in Note 11 to the financial statements, Blackhawk has suffered recurring losses from operations and a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Malone & Bailey, PC
www.malone-bailey.com
Houston, Texas

February 24, 2006

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**THE BLACKHAWK FUND**
**BALANCE SHEET**
**DECEMBER 31, 2006**

| **ASSETS** | | **2006** |
|---|---|---|
| Cash | $ | 11,748 |
| Total Current Assets | | 11,748 |
| Property Held For Sale | | 1,692,600 |
| Total Assets | | 1,704,348 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| Current Liabilities | | |
| Accounts Payable | | 1,219 |
| Note Payable- related party | | 590,700 |
| Total Current Liabilities | | 591,919 |
| Long- Term Liabilities | | |
| Note Payable | | 1,496,000 |
| Commitments and Contingencies | | - |
| Stockholders' Deficit | | |
| Preferred Stock, $.001 par value: | | |
| Series A: Authorized 20,000,000, 9,000,000 issued | | 9,000 |
| Series B: Authorized 10,000,000,10,000,000 issued | | 10,000 |
| Series C: Authorized 20,000,000,10,000,000 issued | | 10,000 |
| Common Stock, $.001 par value: | | |
| 4,000,000,000 shares authorized, | | |
| 24,664,792 issued and outstanding | | 24,665 |
| Additional Paid-In Capital | | 34,646,962 |
| Subscriptions Subscribed Not Received | | - |
| Retained Deficit | | (35,084,198) |
| Total Stockholders' Deficit | | (383,571) |
| Total Liabilities and Stockholders' Deficit | | 1,704,348 |

**See accompanying summary of significant accounting policies and notes to financial statements.**

**THE BLACKHAWK FUND**
**STATEMENTS OF OPERATIONS**
**Years Ended December 31, 2006 and 2005**

| | December 31 2006 | December 31 2005 |
|---|---|---|
| Revenues | $ 149,451 | $ 23,751 |
| Cost of Sales | 140,000 | - |
| Gross Profit | 9,451 | 23,751 |
| **OPERATING EXPENSES** | | |
| General & Administrative | 472,780 | 4,803,251 |
| Interest Expense | 100,736 | 907 |
| **NET LOSS** | **$ (564,065)** | **$ (4,780,407)** |
| Basic and Diluted Net Income (Loss) Per Common Share | **$ (0.03)** | **$ (4.52)** |
| Weighted Average Number of Shares Outstanding | **18,424,741** | **1,057,350** |

**See accompanying summary of significant accounting policies and notes to financial statements.**

THE BLACKHAWK FUND
Statement of Stockholders' Equity
Years Ended December 31, 2006 and 2005

| | **Preferred Stock Series A** | | **Preferred Stock Series B** | | **Preferred Stock Series C** | | **Common Stock** | | **Additional Paid-In** | **Stock Subscriptions** |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount $** | **Shares** | **Amount $** | **Shares** | **Amount $** | **Shares** | **Amount $** | **Capital $** | **Receivable $** |
| Balances, December 31, 2004 | 19,000,000 | 19,000 | 10,000,000 | 10,000 | 10,000,000 | 10,000 | 10,000 | (262) | 29,700,726 | - |
| Common Stock Issued for Cash | - | - | - | - | - | - | 740,000,014 | 740,000 | (477,187) | - |
| Common Stock Issued for Services | - | - | - | - | - | - | 226,875,000 | 226,875 | 3,787,825 | - |
| Preferred Series A Converted to Common Shares | (10,000,000) | (10,000) | - | - | - | - | 125,000 | 125 | 9,875 | |
| Stock Option Expense | - | - | - | - | - | - | - | - | 401,121 | - |
| Imputed Interest | - | - | - | - | - | - | - | - | 907 | - |
| Adjustment for 800 to 1 Reverse Stock Split Declared November 2005 | - | - | - | - | - | - | (965,791,269) | (965,791) | 965,791 | - |
| Stock Issued for Subscriptions Receivable | - | - | - | - | - | - | 2,000,000 | 2,000 | 38,000 | (40,000) |
| Net Loss | - | - | - | - | - | - | - | - | - | - |
| | 9,000,000 | 9,000 | 10,000,000 | 10,000 | 10,000,000 | 10,000 | 3,209,007 | 3,209 | 34,457,058 | (40,000) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Balances, December 31, 2005 | | | | | | | | | | |
| Proceeds | - | - | - | - | - | - | 14,000,000 | 14,000 | | 40,000 |
| Proceeds | - | - | - | - | - | - | - | - | 135,168 | - |
| Stock For Services | - | - | - | - | - | - | 1,000,000 | 1,000 | 12,000 | - |
| Subscription Agreement | - | - | - | - | - | - | 2,000,000 | 2,000 | 28,001 | - |
| Stock Cancelled | - | - | - | - | - | - | (5,544,215) | (5,544) | 5,544 | - |
| Proceeds on Agreement | - | - | - | - | - | - | 9,191 | - | - | - |
| Net Loss | - | - | - | - | - | - | - | - | - | - |
| **Balances, December 31, 2006** | **9,000,000** | **9,000** | **10,000,000** | **10,000** | **10,000,000** | **10,000** | **24,664,792** | **24,665** | **34,646,962** | **-** |

**See accompanying summary of significant accounting policies and notes to financial statements.**

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**THE BLACKHAWK FUND**
**STATEMENTS OF CASH FLOWS**
**Years Ended December 31, 2006 and 2005**

| | **2006** | **2005** |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Net Income (Loss) | $ (564,065) | $ (4,780,407) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Stock Option Expense | - | 401,121 |
| Stock Issued for Services | 51,000 | 4,014,700 |
| Imputed Interest | 18,204 | 907 |
| Changes in Operating Assets and Liabilities: | | |
| Increase (Decrease) in Accounts Payable | (4,861) | 6,080 |
| Net cash used in operating activities | (499,722) | (357,599) |
| Cash Flows From Investing Activities: | | |
| Purchase of Building | (196,600) | - |
| Net cash provided by (used in) investing activities | (196,600) | - |
| Cash Flows From Financing Activities: | | |
| Proceeds from the sale of common stock | 200,360 | 292,813 |
| Proceeds from related party loan | 518,001 | 77,495 |
| Payments on loan payable-Shareholder | (23,000) | - |
| Net cash provided by financing activities | 695,361 | 370,308 |
| Net Change in Cash | (961) | 12,709 |
| Cash Beginning of Period | 12,709 | - |
| Cash End of Period | 11,748 | 12,709 |
| Supplemental information: | | |
| Interest Paid | $ 82,532 | - |
| Income Taxes Paid | - | - |

**See accompanying summary of significant accounting policies and notes to financial statements.**

**THE BLACKHAWK FUND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of business. The Blackhawk Fund ("Blackhawk") was organized 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, 2006 the Company was in the business of residential development and sales. For 2007 the company intends to enter the media business. ( See Note 3)

Use of Estimates. In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenue and expenses in the statement of expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents. For purposes of the statement of cash flows, Blackhawk considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition. Blackhawk recognizes revenue when it sells property and a "closing" takes place.

Property held for sale is valued at lower of faire value or cost. Additions are capitalized Gains and losses on dispositions of property are reflected in operations. As property is held for resale, no depreciation is taken.

Impairment of Long-Lived Assets. Blackhawk reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. Blackhawk assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Income taxes. Blackhawk recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. Blackhawk provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Basic and diluted net income (loss) per share. The basic net loss per common share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding. Diluted net income (loss) per common share is computed by dividing the net income (loss) adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the year ended December 31, 2006,there were no potential dilutitive securities.

**THE BLACKHAWK FUND**

**NOTES TO FINANCIAL STATEMENTS**

**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” (“FAS 123”). As permitted under this standard, compensation cost was recognized using the intrinsic value method described in Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”). Effective January 1, 2006, the Company has adopted Statement of Financial Accounting Standards No. 123 (revised 2004), “Share Based Payment” (“FAS 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 FAS 123R, stock based compensation expense recognized during the year ended includes compensation expense for all share based payments granted on or prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and compensation costs 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 FAS 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 FAS 123R.

During the year ended December 31, 2006, the Company did not make any stock option grants and therefore did not recognize any stock based compensation expense.

Blackhawk granted 740,000,014 options to purchase common stock to employees during the year ended December 31, 2005. All options vest immediately, have an exercise price of 85 percent of market value on the date of grant and expire 10 years from the date of grant. Blackhawk recorded compensation expense of $401,122 under the intrinsic value method during the year ended December 31, 2005.

The following table illustrates the effect on net loss and net loss per share if Blackhawk had applied the fair value provisions of FAS No. 123, to stock-based employee compensation.

| | |
|---|---|
| Net loss as reported | |
| ($4,731,357) | |
| Add: stock based compensation determined under intrinsic value-based method | 401,122 |
| Less: stock-based compensation determined under fair value-based method | (2,674,146) |
| Pro forma net loss | |
| ($7,004,381) | |
| Basic and diluted net loss per common share | |
| As reported | ($0.01) |
| Pro forma | ($0.01) |

**THE BLACKHAWK FUND**

**NOTES TO FINANCIAL STATEMENTS**

The weighted average fair value of the stock options granted during 2005 was $.004. Variables used in the Black-Scholes option-pricing model include (1) 1.5% risk-free interest rate (2) expected option life is the actual remaining life of the options as of each period end, (3) expected volatility was 728% and (4) zero expected dividends.

## NOTE 3 - PROPERTIES- HELD FOR SALE

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

In June of 2006, the Company entered into a joint venture with another group to renovate and then sell a residential home located in Oceanside, California. The Company is a 50% joint venture partner, but has the rights to exercise control. The Company is 100% responsible for improvement costs, with these costs to be reimbursed upon sale and any remaining profits split 50/50. The Company has valued the house at the value of the mortgage liability assumed of $1,000,000. As the intention on this property is identical to the condo described above the description related to “held for sale” and depreciation apply.

## NOTE 4 - COMMON STOCK

During the year ended December 31, 2006, the Company issued 21,455,785 shares of common stock. Of this amount 10,455,785 were issued at par value pursuant to a stock subscription agreement. The Balance of 11 million shares were issued for services at market rates valued at $53,000.

On November 7, 2005, the Company’s board of directors declared a 800 to 1 reverse stock split for shareholders of record as of November 17, 2005. All shares and per share information has been retroactively restated in the financial statements to reflect the reverse split.

## NOTE 5-MORTGAGES PAYABLE

In conjunction with the purchase of the condominium described in note 3 above, the Company executed a 30-year adjustable rate promissory note for $496,000. The initial interest rate on the note is 7.875 % and may change on April 1, 2008 and on that date every six month thereafter. Pursuant to the terms of the note, the Company is required to make interest only payments for the first 10 years (first 120 payments). The initial monthly payment will be $3,225 and may change beginning on April 1, 2008. The note is personally guaranteed by the Company’s president.

In conjunction with the joint venture property described in Note 3 above, the Company assumed a 50% interest and corresponding promissory note debt for $1,000,000. Terms indicate a fixed interest rate of 7.25% interest only payment for 120 payments. Monthly amounts are presently $6,042.

**THE BLACKHAWK FUND**

**NOTES TO FINANCIAL STATEMENTS**

## NOTE 6 - RELATED PARTY TRANSACTIONS

For the Year the Company made payments totaling $180,000 to entities controlled by the CEO and CFO for consulting services.
The Company is also obligated to a related party for a loan. Interest has been imputed at 6%.

## NOTE 7 - SUBSEQUENT EVENT

In January 2007 the Company entered into an agreement with Maximum Impact Television Group, whereby The Blackhawk Fund exchanged 15 million shares of common stock and $25,000 for the development of ten media properties. These media properties are network quality cable television shows that will air nationwide. The media content will be converted to Online Video magazines and DVDs. Revenue is generated from advertising sponsors, seeking to reach a target audience.

## NOTE 8 - STOCK OPTION PLAN

In 2004 Blackhawk adopted the 2004 Employee Stock Option Plan ("the Plan"). The Plan provides for the granting of stock options to employees and consultants of Blackhawk. Options granted under the Plan may be either incentive stock options or nonqualified stock options. Incentive stock options ("ISO") may be granted only to Company employees (including officers and directors who are also employees). Nonqualified stock options ("NSO") may be granted to Blackhawk employees and consultants. Blackhawk has reserved 232,500 shares of common stock for issuance under the Plan.

Options under the Plan may be granted for periods of up to ten years and at an exercise price of 85 percent of market value on the date of grant, provided, however, that the exercise price of an ISO and NSO granted to a 10% shareholder shall not be less than 110% of the estimated fair value of the shares on the date of grant. To date, options granted generally are exercisable immediately as of the effective date of the option agreement.

Summary information regarding options is as follows:

| | Options | Exercise Price |
|---|---|---|
| Outstanding at December 31, 2003 | - | n/a |
| Year ended December 31, 2004: | | |
| Granted | 95,000 | $ 3.20 |
| Exercised | (95,000) | $ 3.20 |

| | | |
|---|---|---|
| Outstanding at December 31, 2004 | - | n/a |
| Year ended December 31, 2005 & 2006 | - | n/a |

There were no options outstanding and exercisable as of December 31, 2006 and 2005.

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**THE BLACKHAWK FUND**

**NOTES TO FINANCIAL STATEMENTS**

## NOTE 9 - INCOME TAXES

Blackhawk uses the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes.

Internal Revenue Section 382 restricts the ability to use these carry-forwards whenever an ownership change as defined occurs. Blackhawk incurred such an ownership change on March 19, 2004 and again on November 29, 2004.

## NOTE 10 - PREFERRED STOCK

There are three classes of preferred stock, A, B & C.

Each Series A holder is entitled to receive cash, stock, or other property, as dividends, and at any time, may redeem the whole or any part of the outstanding Series A Preferred Stock. Each share of Series A is convertible at the option of the holder into 10 shares of common stock. The Series A Preferred Stock will have no voting rights, prior to conversion into shares of common stock.

Each Series B holder is entitled to receive cash, stock or other property, as dividends, and at any time may redeem the whole or any part of the outstanding Series B Preferred Stock. Each share of Series B is convertible at the option of the holder into 200 shares of common stock. Series B holders are entitled to one vote per share.

Each Series C holder is entitled to receive cash, stock or other property, as dividends, and at any time may redeem the whole or any part of the outstanding Series C Preferred Stock. Series C is not convertible, but each share has 100 votes per share.

## NOTE 11- GOING CONCERN

While the Company has incurred significant losses and has a negative capital, Management is confident that its new business will be profitable and can continue to operate based upon affiliate funding or capital financing or profits.

## NOTE 12- STOCK SPLIT

On January 3, 2005, Blackhawk declared a 800 to 1 reverse stock split. All share and Per share information relating to this reverse split was retroactively restated in Blackhawk’s 2004 form 10KSB.

On November 7, 2005, the Company's Board of Directors declared a 800 to 1 reverse stock Split for shareholders of record as of November 17,2005. All share and per share information has been retroactively restated in the consolidated financial statements to reflect the reverse split.