Blackhawk Fund
Form 10QSB
October 27, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended September 30, 2005

OR

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

For the transition period from _______, 20___ to _______, 20___.

Commission File Number: 000-49672

THE BLACKHAWK FUND

(Exact Name of Small Business Issuer as Specified in its Charter)

NEVADA	88-0408213
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

1802 N. CARSON STREET, SUITE 212-3018

CARSON CITY, NEVADA 89701

Address of Principal Executive Offices

(775) 887-0670

(Registrant's Telephone Number, Including Area Code)

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

[X] Yes [ ] No

State the number of shares outstanding of each of the Issuer s classes of common equity as of the latest practicable date: As of September 30, 2005, the issuer had 967,209,709 shares of its common stock issued and outstanding.

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

THE BLACKHAWK FUND

BALANCE SHEET

As of September 30, 2005

(Unaudited)

ASSETS	
Cash	$ 9,328

Total Current Assets	$ 9,328
	============
LIABILITIES AND STOCKHOLDERS DEFICIT	
Current Liabilities	
Accounts payable	$ 6,850
Note payable - related party	
25,200	

Total Current Liabilities	32,050

Commitments and Contingencies	-	
STOCKHOLDERS DEFICIT		
Preferred stock, $.001 par value:		
Series A: Authorized 20,000,000, 9,000,000 issued and outstanding	9,000	
Series B: Authorized 10,000,000, 10,000,000 issued and outstanding	10,000	
Series C: Authorized 20,000,000, 10,000,000 issued and outstanding	10,000	
Common stock, $.001 par value, 4,000,000,000 shares authorized, 967,209,709 shares issued and outstanding	967,210	
Additional paid in capital	33,452,151	
Retained deficit	(34,471,083)	

Total Stockholders Deficit	(22,722)	

TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT		$ 9,328
	============	

See accompanying notes to financial statements.

THE BLACKHAWK FUND

STATEMENTS OF OPERATIONS

For the Three Months and Nine Months

Ended September 30, 2005 and 2004

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenue	$ 10,899	$ -	$ 22,550	$ -
Expenses:				
General & administrative	69,694	28,736,029	4,753,907	29,141,279
Other expense:				
Interest expense	-	3,148	-	3,198
Loss on the sale of assets- related party	-	-	-	290,769
NET LOSS	$ (58,795)	$(28,739,177)	$(4,731,357)	$(29,435,246)

Basic and diluted loss				
per share	$ (.00)	$ (.37)	$ (.01)	$ (.87)
Weighted average shares				
outstanding	967,209,709	77,934,783	676,054,397	33,914,234

See accompanying notes to financial statements.

THE BLACKHAWK FUND

STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2005 and 2004

(Unaudited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(4,731,357)	$(29,435,246)
Adjustments to reconcile net loss to net		
cash used in operating activities:		
Stock issued for services	4,014,700	28,558,030
Stock option expense	401,122	54,346
Loss on sale of assets related party	-	290,769
Imputed interest	-	3,148
Changes in:		
Accounts payable & accrued expenses	6,850	142,451
NET CASH USED IN OPERATING ACTIVITIES	(308,685)	(386,502)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to related party	(49,500)	-
Repayments from advances to related party	49,500	-
Proceeds from the sale of		

assets related party	-	10,300
	-----------	------------
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	10,300
	-----------	------------
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	292,813	392,934
Proceeds from note payable - related party	31,063	-
Payments on note payable related party	(5,863)	(5,343)
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NET CASH PROVIDED BY FINANCING ACTIVITIES	318,013	387,591
	-----------	------------
NET CHANGE IN CASH	9,328	11,389
CASH BALANCES		
-Beginning of period	-	115
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-End of period	$ 9,328	$ 11,504
	===========	============
Supplemental disclosures:		
Interest paid	$ -	$ 50
Income taxes paid	-	5,828

See accompanying notes to financial statements.

THE BLACKHAWK FUND

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of The Blackhawk Fund (Blackhawk) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (SEC), and should be read in conjunction with the audited financial statements and notes thereto contained in Blackhawk s Annual Report filed with the SEC on Form 10-KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for 2004 as reported in the 10-KSB have been omitted.

Stock Compensation. Blackhawk has adopted the disclosure requirements of Financial Accounting Standard(FAS) Nos. 123 and 148, Accounting for Stock-Based Compensation, with respect to pro forma disclosure of compensation expense for options issued. For purposes of the pro forma disclosures, the fair value of each option grant is estimated on the grant date using the Black-Scholes option-pricing model.

Blackhawk accounts for its employee stock-based compensation plans under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. Blackhawk granted 740,000,014 options to purchase common stock to employees during the nine months ended September 30, 2005. All of the options had an exercise price of 85 percent of market value on the grant date and were exercised immediately. Blackhawk recorded compensation expense of $401,122 under the intrinsic value method during the nine months ended September 30, 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.

	Three Months Ended	Nine Months Ended

	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Net loss as reported	$ (58,795)	$(28,739,177)	$(4,731,357)	$ (29,435,246)
Add: stock based compensation determined under intrinsic value-based method	-	54,346	401,122	54,346
Less: stock based compensation determined under fair value-based method	-	(362,306)	(2,674,146)	(362,306)
Pro forma net loss	$ (58,795)	$(29,047,137)	$(7,004,381)	$ (29,743,206)

NOTE 1 - BASIS OF PRESENTATION, continued

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Basic and diluted net loss per common share:				
As reported	$(.00)	$(.37)	$(.01)	$(.87)
Pro forma	(.00)	(.37)	(.01)	(.88)

The weighted average fair value of the stock options granted during 2005 and 2004 was $.004 and $.005, respectively. Variables used in the Black-Scholes option-pricing model include (1) 1.5% risk-free interest rate respectively, (2) expected option life is the actual remaining life of the options as of each period end, (3) expected volatility was 728% and 462% respectively, and (4) zero expected dividends.

NOTE 2 RELATED PARTY TRANSACTIONS

Blackhawk loaned $49,500 to their parent company, Palomar Enterprises, Inc. As of September 30, 2005, Palomar had repaid the loan.

In 2005, Palomar has paid $31,063 of expenses on behalf of Blackhawk. During the third quarter, Blackhawk reimbursed Palomar for $5,863. The remaining balance of $25,200 is recorded on the balance sheet as a note payable.

NOTE 3 COMMON STOCK

In January 2005, Palomar converted 10 million shares of Series A preferred stock to 125,000 shares of common stock. At the time of the conversion, Palomar received an additional 99,875,000 shares of common stock as payment for services performed on behalf of Blackhawk. These shares had a total market value of $3,995,000, which has been recorded as a compensation expense.

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

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 Securities Exchange Act of 1934. 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-QSB 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.

Additionally, the following discussion regarding our financial condition and results of operations should be read in conjunction with the financial statements and related notes contained in Item 1 of Part I of this Form 10 Q-SB, as well as the financial statements in Item 7 of Part II of our Form 10-KSB for the fiscal year ended December 31, 2004.

MANAGEMENT'S PLAN OF OPERATIONS.

CURRENT BUSINESS PLAN

The BlackHawk Fund operates as a Business Development Company by identifying profitable ventures to incubate, develop, and acquire as wholly owned subsidiaries. The Company provides the necessary capital and assistance to make each portfolio company successful, in exchange for a majority equity interest in the portfolio company. Once the business model becomes profitable, The BlackHawk Fund will assist the portfolio companies in going public, providing higher valuations for the equity positions held by BlackHawk.

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.

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.

RESULTS OF OPERATIONS

CONTINUING OPERATIONS

REVENUE

THREE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2004.

Total net sales and revenues were at $10,899 for the three months ended September 30, 2005 compared to $0 for the prior period. Revenues in this period were derived from consulting fees.

General and administrative expenses for the three months ended September 30, 2005 compared to 2004 decreased by $28,666,335 to $69,694 from $28,736,029 in the prior period. The large decrease in general and administrative expenses from prior year was mostly due to stock issued for services of $0 and $28,558,030 for the three months ended September 30, 2005 and 2004.

Operating loss decreased from a loss of $28,736,029 to a loss of $69,694 for the three months ended September 30, 2005. The large decrease in operating loss is mostly due to stock issued for services of $0 for the three months ended September 30, 2005 compared to $28,558,030 in 2004.

Interest expense, net for the three months ended September 30, 2005 was $0 compared to $3,148 in 2004.

NINE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2004.

Total net sales and revenues were at $22,550 for the nine months ended September 30, 2005 compared to $0 for the prior period. Revenues in this period were derived from consulting fees.

General and administrative expenses for the nine months ended September 30, 2005 compared to 2004 decreased by $24,387,372 to $4,753,907 from $29,141,279 in the prior period. The 2005 expenses include a $3,995,000 charge for compensation expense on 99,875,000 shares issued in conversion of Preferred A shares into Common shares and a $19,700 charge for 127,000,000 shares issued for services.

Operating loss decreased from a loss of $29,141,279 to a loss of $4,753,907 for the nine months ended September 30, 2005.

Interest expense, net for the nine months ended September 30, 2005 was $0 as compared to the same period of $3,198.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2005, we had a working capital deficit of $22,722.

Cash used in investing activities: During the period an advance of $49,500 to Blackhawk s parent company pursuant to a floating note was collected in full as of September 30, 2005.

Cash provided by financing activities: Blackhawk issued 740,000,014 shares of common stock for proceeds of $292,813. The parent company also advanced Blackhawk $31,063 to meet its working capital needs, of which Blackhawk has repaid $5,863 as of September 30, 2005.

COMPENSATION FOR OFFICERS AND DIRECTORS:

The officers have agreed that any and all salaries and/or other forms of compensation that have not been paid because of the Company s financial condition do not accrue. The officers have agreed to forego any and all amounts that might have come to them for past services rendered in its behalf. Total salaries/ consulting fees paid to officers for the quarter was $24,000.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated 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 Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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. FAS 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 elected to continue to account for stock-based compensation plans using the intrinsic value-based method of accounting prescribed by APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under the provisions of APB No. 25, compensation expense is measured at the grant date for the difference between the fair value of the stock and the exercise price.

RECENT ACCOUNTING PRONOUNCEMENTS

On December 16, 2004, the FASB published SFAS No. 123 (Revised 2004), Share-Based Payment ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R are effective, for small business issuers, as of the first interim period that begins after December 15, 2005. Accordingly, the Company will implement the revised standard in the first quarter of fiscal year 2006. Currently, the Company accounts for its share-based payment transactions under the provisions of APB 25, which does not necessarily require the recognition of compensation cost in the financial statements. Management is assessing the implications of this revised standard, which may materially impact the Company's results of operations in the first quarter of fiscal year 2006 and thereafter.

OFF-BALANCE SHEET ARRANGEMENTS.

We do not have any off-balance sheet arrangements.

ITEM 3. 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 Quarterly 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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to our Annual Report for the year ended December 31, 2004, filed with the Commission on April 15, 2005.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

On January 3, 2005, the holder of the majority of our outstanding voting capital stock voted to effect the following corporate actions:

1.

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

2.

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 holds 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. 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 will have the power to vote 1,010,000,000 shares of the common stock, which number exceeds 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.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
31.1	Certification of Chief Executive Officer 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 Chief Financial Officer 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 Chief Executive Officer, 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 Chief Financial Officer pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE BLACKHAWK FUND

Dated October 26, 2005.

By /s/ Steve Bonenberger

Steve Bonenberger, President, Chief

Executive Officer and Director

By: /s/ Brent Fouch

Brent Fouch, Treasurer, Chief

Financial Officer and Director