DeSisto Duane
Form 4
February 15, 2011

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person [*]
DeSisto Duane

(Last) (First) (Middle)

C/O INSULET CORPORATION, 9 OAK PARK DRIVE

(Street)

BEDFORD, MA 01730

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
INSULET CORP [PODD]

3. Date of Earliest Transaction (Month/Day/Year)
02/11/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President and CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/11/2011		M		9,600	A	$ 1.19	55,626 [(2)] [(3)]	D	
Common Stock	02/11/2011		S [(6)]		9,600	D	$ 18.0007 [(5)]	46,026 [(2)] [(3)]	D	
Common Stock	02/14/2011		M		17,400	A	$ 1.19	63,426 [(2)] [(3)]	D	
Common Stock	02/14/2011		S [(6)]		17,400	D	$ 18.009 [(4)]	46,026 [(2)] [(3)]	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (Right to Buy)	$ 1.19	02/11/2011		M			9,600	(1)	10/09/2012	Common Stock	9,600
Employee Stock Option (Right to Buy)	$ 1.19	02/14/2011		M			17,400	(1)	10/09/2012	Common Stock	17,400

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DeSisto Duane C/O INSULET CORPORATION 9 OAK PARK DRIVE BEDFORD, MA 01730	X		President and CEO	

Signatures

/s/ R. Anthony Diehl, attorney in fact	02/15/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1)

This option is subject to a four-year vesting period, with 25% of the total award vesting one year after the grant date and the remainder vesting in equal monthly installments each month thereafter for 36 months, subject to continued employment.

(2) Includes 40,000 restricted stock units granted on March 1, 2010 which vest one-third of the total units on the first anniversary date of the grant and one-third each on the second and third anniversaries of the date of the grant. Vested shares will be delivered to the reporting person as soon as practicable following a vesting date.

(3) Includes an aggregate of 6,026 shares acquired under the Insulet Corporation 2007 Employee Stock Purchase Plan on the following dates: 219 shares acquired on December 31, 2007; 694 shares acquired on June 30, 2008; 1,429 shares acquired on December 31, 2008; 1,431 shares acquired on June 30, 2009; 772 shares acquired on December 31, 2009; 749 shares acquired on June 30, 2010; and 732 shares acquired on December 31, 2010.

(4) The price reported represents the weighted average sale price of the shares sold. The shares were sold at varying prices in the range of $18.00 to $18.11. The reporting Person hereby undertakes, upon request of the Staff of the U.S Securities Exchange Commission, the Issuer or a security holder of the Issuer, to provide full information regarding the number of shares sold at each separate price.

(5) The price reported represents the weighted average sale price of the shares sold. The shares were sold at varying prices in the range of $18.00 to $18.02. The Reporting Person hereby undertakes, upon request of the Staff of the U.S. Securities Exchange Commission, the Issuer or a security holder of the Issuer, to provide full information regarding the number of shares sold at each separate price.

(6) The sales reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on March 11, 2010.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. entities without established records of revenues or income), we will become subject to numerous risks inherent in the business and operations of financially unstable and early stage or potential emerging growth companies. Although management will endeavor to evaluate the risks inherent in a particular Target Business or industry, there can be no assurance that we will properly ascertain or assess all such risks. -21- Probable Lack of Business Diversification. As a result of our limited resources, in all likelihood, we will have the ability to complete only a single Business Combination. Accordingly, our prospects for success will be entirely dependent upon the future performance of a single business. Unlike certain entities which have the resources to consummate several Business Combinations or entities operating in multiple industries or multiple segments of a single industry, it is highly likely that the we will not have the resources to diversify our operations or benefit from the possible spreading of risks or offsetting of losses. Our probable lack of diversification may subject us to numerous economic, competitive and regulatory developments, any or all of which may have a material adverse impact upon the particular industry in which we may operate subsequent to a consummation of a Business Combination. There can be no assurance that the Target Business will prove to be commercially viable. Conflicts of Interest; Absence of Independent Directors. None of the Company's directors or executive officers are required to commit their full time to the affairs of the Company and it is likely that such persons will not devote a substantial amount of time to the affairs of the Company. Such personnel will have conflicts of interest in allocating management time among various business activities. As a result, the consummation of a Business Combination may require a greater period of time than if the Company's management devoted their full time to the Company's affairs. Limited Ability to Evaluate Target Business Management; Possibility That Management Will Change. The role of the present management in the operations of a Target Business of the Company following a Business Combination cannot be stated with certainty. Although we intend to scrutinize closely the management of a prospective Target Business in connection with our evaluation of the desirability of effecting a Business Combination with such Target Business, there can be no assurance that our assessment of such management will prove to be correct, especially in light of the possible inexperience of current key personnel of the Company in evaluating certain types of businesses. While it is possible that certain of our directors or executive officers will remain associated in some capacities with the Company following a consummation of a Business Combination, it is unlikely that any of them will devote a substantial portion of their time to the affairs of the Company subsequent thereto. Moreover, there can be no assurance that such personnel will have significant experience or knowledge relating to the operations of the Target Business acquired by the Company. We may also seek to recruit additional personnel to supplement the incumbent management of the Target Business. There can be no assurance that we will successfully recruit additional personnel or that the additional personnel will have the requisite skills, knowledge or experience necessary or desirable to enhance the incumbent management. In addition, there can be no assurance that our future management will have the necessary skills, qualifications or abilities to manage a public company

embarking on a program of business development. -22- Competition. We expect to encounter intense competition from other entities having business objectives similar to our business objectives. Many of these entities, including venture capital partnerships and corporations, shell companies, large industrial and financial institutions, small business investment companies and wealthy individuals, are well-established and have extensive experience in connection with identifying and effecting Business Combinations directly or through affiliates. Many of these competitors possess greater financial, technical, human and other resources than the Company and there can be no assurance that the Company will have the ability to compete successfully. The Company's financial resources will be limited in comparison to those of many of its competitors. Further, such competitors will generally not be required to seek the prior approval of their own stockholders, which may enable them to close a Business Combination more quickly than we can. This inherent competitive limitation may compel us to select certain less attractive Business Combination prospects. There can be no assurance that such prospects will permit us to achieve our business objectives. Uncertainty of Competitive Environment of Target Business. In the event that we succeed in effecting a Business Combination, we will, in all likelihood, become subject to intense competition from competitors of the Target Business. In particular, certain industries which experience rapid growth frequently attract an increasingly larger number of competitors, including competitors with greater financial, marketing, technical, human and other resources than the initial competitors in the industry. The degree of competition characterizing the industry of any prospective Target Business cannot presently be ascertained. There can be no assurance that, subsequent to a consummation of a Business Combination, we will have the resources to compete in the industry of the Target Business effectively, especially to the extent that the Target Business is in a high-growth industry. Additional Financing Requirements. We will not generate any revenues until, at the earliest, the consummation of a Business Combination. We cannot ascertain the capital requirements for any particular Business Combination we may consider. We will likely be required to seek additional financing. There can be no assurance that such financing will be available on acceptable terms, or at all. To the extent that additional financing proves to be unavailable when needed to consummate a particular Business Combination, we would, in all likelihood, be compelled to restructure the transaction or abandon that particular Business Combination and seek an alternative Target Business candidate, if possible. In addition, in the event of the consummation of a Business Combination, we may require additional financing to fund the operations or growth of the Target Business. Our failure to secure additional financing could have a material adverse effect on the continued development or growth of the Target Business. We do not have any arrangements with any bank or financial institution to secure additional financing and there can be no assurance that any such arrangement, if required or otherwise sought, would be available on terms deemed to be commercially acceptable and in our best interests. No Appraisal of Potential Business Combination. We do not anticipate that we will obtain an independent appraisal or valuation of a Target Business. Accordingly, our stockholders will need to rely primarily upon management to evaluate a prospective Business Combination. -23- No Public Market for Securities. Currently, there is no public market for our common stock and no assurance can be given that an active market will develop or if developed, that it will be sustained. It is unlikely that any market will develop prior to the consummation of a Business Combination. Even if a Business Consummation is completed, there can be no assurance that a trading market for our securities will ever develop. Risk of Application of Penny Stock Rules. Our common stock is subject to the penny stock rules as adopted by the Securities and Exchange Commission (the "Commission"). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the Commission that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from such rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. If our common stock remains subject to the penny stock rules, investors in the Offering may find it more difficult to sell their shares. ITEM 7. FINANCIAL STATEMENTS Index to Financial Statements Pacific Alliance Corporation Financial Statements Page
--- Report of Independent Registered Public

Accounting Firms 25 Balance Sheet 26 Statements of Operations 27 Statements of Changes in Stockholders' Deficit 28 Statements of Cash Flows 29 Notes to Financial Statements 30 -24- Microsoft Word 11.0.6568; 1 SPECTOR & WONG, LLP HAROLD Y. SPECTOR, CPA Certified Public Accountants 80 SOUTH LAKE AVENUE CAROL S. WONG, CPA (888) 584-5577 SUITE 723 FAX (626) 584-6447 PASADENA, CA 91101 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM To the Board of Directors and Stockholders of Pacific Alliance Corporation We have audited the accompanying balance sheet of Pacific Alliance Corporation (a development stage company) as of December 31, 2006, and the related statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2006, and 2005, and from the inception of the development stage on December 21, 1995 to December 31, 2006. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on out audits. We conducted our audits in accordance with the 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. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Pacific Alliance Corporation (a development stage company) as of December 31, 2006, and the results of its operations and its cash flows for the years ended December 31, 2006 and 2005, and for the periods from inception of the development stage on December 21, 1995 to December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company did not generate revenue and has a net capital deficiency and minimal working capital. Those conditions raise substantial doubt about its ability to continue as going concern. Management's plans regarding those matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. /s/ Spector & Wong, LLP Pasadena, California April 10, 2007 -25- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) BALANCE SHEET -- As of December 31, 2006 ------------------- ASSETS Current Assets Cash $ -- ----------- TOTAL ASSETS $ -- =========== LIABILITIES AND STOCKHOLDERS' DEFICIT Current Liabilities Overdraft $ 6 Accrued Interest 29,247 Other Accrued Expenses 47,985 Notes payable 120,000 Advances from Officer 144,507 Tax Liabilities 322,554 Notes payable to Related Parties 144,293 ----------- Total current liabilities 808,592 ----------- Stockholders' Deficit Common Stock, par value $0.001, authorized 100,000,000 shares; and 36,083,450 shares issued and outstanding 36,083 Paid-in Capital 3,332,953 Accumulated deficit prior to the developmental stage (2,632,447) Accumulated deficit during the developmental stage (1,545,181) ----------- Total Stockholders Deficit (808,592) ----------- TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT $ -- =========== See notes to financial statements -26- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) -- STATEMENTS OF OPERATIONS From Inception of the Developmental Stage, For the years ended December 21, 1995 December 31, Through 2006 2005 December 31, 2006 --- Operating Expenses: Selling, General and Administrative Expenses $ 128,620 $ 139,687 $ 1,163,559 Tax Penalty and Interest Expense 20,031 114,051 134,081 Loss on Investment - - 6,844 Interest Expense 46,863 38,032 309,772 --- Net Loss before Extraordinary Item (195,514) (291,770) (1,614,256) Extraordinary Item, Gain on Forgiveness of Tax debt -- -- 69,075 --- Net Loss $ (195,514) $ (291,770) $ (1,545,181) === Net Loss per share, Basic and Diluted $ (0.01) $ (0.02) ==================================== Weighted Average Number of Shares 17,492,704 15,067,600 ==================================== See notes to financial statements -27- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) STATEMENT OF CHANGES

IN STOCKHOLDERS' DEFICIT Common Stock Additional Accumulated Accumulated ------------------------ Paid-in Deficit Prior to Deficit After Shares Amount Capital December 21,1995 December 21,1995 Total -- Balance at December 21, 1995 2,099,125 $ 2,099 $ 884,901 $ (2,632,447) -- $ (1,745,447) Conversion of Trade Accounts Payable 1,458,005 1,458 1,456,547 -- 1,458,005 Issuance of Common Stock -- for Cash 5,000,000 5,000 20,000 -- 25,000 Issuance of Common Stock -- for Services 216,000 216 864 -- -- 1,080 Conversion of Debt 300,000 300 14,700 -- 15,000 Issuance of Common Stock for IRS -- Claim Reduction 80,078 80 79,998 -- -- 80,078 Issuance of Common Stock 1,250,000 1,250 248,621 -- 249,871 Conversion of Management -- Compensation Liability 1,854,292 1,854 183,575 -- 185,429 Issuance of Common Stock for -- Consulting Services 337,500 338 33,412 -- 33,750 Activity from December 21, 1995 -- Through December 31, 2002 -- -- -- -- (675,396) (675,396) -- Balance at December 31, 2002 12,595,000 12,595 2,922,618 (2,632,447) (675,396) (372,630) -- Net Loss for the Year Ended December 31, 2003 -- -- -- -- (144,588) (144,588) -- Balance at December 31, 2003 12,595,000 12,595 2,922,618 (2,632,447) (819,984) (517,218) -- Issuance of Common Stock for Consulting Services 1,250,000 1,250 98,750 -- -- 100,000 Issuance of Common Stock for Stock Subscription 100,000 100 19,878 -- -- 19,978 Issuance of Common Stock for Management Compensation Expense 857,300 857 84,873 -- -- 85,730 Net Loss for the Year Ended December 31, 2004 -- -- -- -- (237,913) (237,913) -- Balance at December 31, 2004 14,802,300 14,802 3,126,119 (2,632,447) (1,057,897) (549,423) -- Issuance of Common Stock for Management Compensation 678,300 679 67,152 -- -- 67,831 Net Loss for the Year Ended December 31, 2005 -- -- -- -- (291,770) (291,770) -- Balance at December 31, 2005 15,480,600 15,481 3,193,271 (2,632,447) (1,349,667) (773,362) -- Issuance of Common Stock for Management Compensation 602,850 602 59,682 -- -- 60,284 Conversion of related party debt to common stock 20,000,000 20,000 80,000 -- -- 100,000 Net Loss for the Year Ended December 31, 2006 -- -- -- -- (195,514) (195,514) -- Balance at December 31, 2006 36,083,450 $ 36,083 $ 3,332,953 $ (2,632,447) $ (1,545,181) $ (808,592) -- See notes to financial statements -28- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) STATEMENTS OF CASH FLOWS -- From Inception of the Developmental Stage, For the years ended December 21, 1995 December 31, Through 2006 2005 December 31, 2006 -- Cash Flow from Operating Activities: Net Loss $ (195,514) $ (291,770) $ (1,545,181) Adjustments to Reconcile Net Loss to Net Cash Used in Operations: Loss on investments -- -- 6,844 Gain on forgiveness on tax debt -- -- (69,075) Stock issued for services 60,284 67,831 534,105 (Increase) Decrease in: Accounts receivable -- -- 95,841 Increase (Decrease) in: Accrued expenses 25,141 133,815 234,293 Tax liabilities 20,031 6,211 (53,283) -- Net Cash Used in Operating Activities (90,058) (83,913) (796,456) -- Cash Flow from Investing Activities Purchase of investments -- -- (30,180) Proceeds from sale of investments -- -- 23,336 -- Net Cash Used In Investing Activities -- -- (6,844) -- Cash Flow from Financing Activities: Bank overdraft (3,354) 3,347 (2,581) Proceeds from notes payable 1,500 35,000 206,486 Payments of note payable (1,277) -- (51,277) Net Proceeds from notes payable to related parties 65,000 54,084 119,084 Advance from officer 184,100 90,961 787,746 Repayment of advance from officer (155,911) (99,479) (541,007) Proceeds from issuance of common stock -- -- 25,000 Proceeds from common stock subscription -- -- 259,849

--- Net Cash Flow Provided by Financing Activities 90,058 83,913 803,300 --- Net Increase in Cash -- -- -- Cash Balance at Beginning of Period -- -- -- --- Cash Balance at End of Period $ -- $ -- $ -- === Supplemental Disclosures of Cash Flow Information Interest paid $ 23,538 $ 28,819 Noncash Investing and Financiang: Conversion of debt to common stock $ 100,000 $ -- See notes to financial statements -29- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) NOTES TO FINANCIAL STATEMENTS -- NOTE 1 - NATURE OF BUSINESS Pacific Alliance Corporation (the "Company"), whose name was changed from Pacific Syndication, Inc. in 1997, was originally incorporated in December 1991 under the laws of the State of Delaware. It also became a California corporation in 1991. Pacific Syndication, Inc. was engaged in the business of videotape duplication, standard conversion and delivery of television programming. In 1994, Pacific Syndication, Inc. merged with Kaiser Research, Inc. The Company filed a petition for Chapter 11 under the Bankruptcy Code in June 1995. The debtor in possession kept operating until December 21, 1995, when all assets, except cash and accounts receivable, were sold to a third party, Starcom. The purchaser assumed all post-petition liabilities and all obligations collateralized by the assets acquired. In 1997, a reorganization plan was approved by the Bankruptcy Court, and the remaining creditors of all liabilities subject to compromise, excluding tax claims, were issued 1,458,005 shares of the Company's common stock in March 1998, which corresponds to one share for every dollar of indebtedness. Each share of common stock issued was also accompanied by an A warrant and a B warrant (see note 9). The IRS portion of tax liabilities was payable in cash by quarterly installments (see note 5). Repayment of other taxes is still being negotiated. NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Reclassification: Certain reclassifications have been made to the 2005 financial statements to conform with the 2006 financial statements presentation. Such reclassification had no effect on net losses previously reported. Use of estimates The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. Revenue Recognition The Company currently has no source of revenues. Revenue recognition policies will be determined when principal operations begin. Cash Equivalents For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. Property and Equipment As of December 31, 2006, the Company did not maintain or control any fixed assets. Income Taxes Income tax expense is based on pretax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Net Loss Per Share Net Loss Per Share Basic net loss per share includes no dilution and is computed by dividing net loss available to common stockholders by the weighted average number of common stock outstanding for the period. Diluted net loss per share does not differ from basic net loss per share as the Company did not have dilutive items during the audit period. -30- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) NOTES TO FINANCIAL STATEMENTS -- NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) Non-employees Equity Transactions The Company accounts for equity instruments issued to non-employees in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 and the Emerging Issues Task Force (EITF) Issue No. 00-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. SFAS No. 123 states that equity instruments that are issued in exchange for the receipt of goods or services should be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Under the guidance in Issue 00-18, the measurement date occurs as of the earlier of (a) the date at which a performance commitment is reached or (b) absent a performance commitment, the date at which the performance necessary to earn the equity instruments is complete (that is, the vesting date). New Accounting Pronouncements In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No.

109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material impact on its financial statements. In September 2006, the FASB issued Financial Accounting Standards ("FAS") No. 157, Fair Value Measurements. FAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement addresses how to calculate fair value measurements required or permitted under other accounting pronouncements. Accordingly, this statement does not require any new fair value measurements. However, for some entities, the application of the statement will change current practice. FAS No. 157 is effective for the Company beginning January 1, 2008. The Company is currently evaluating the impact of this standard. In September 2006, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 108 ("SAB 108"), Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements. The stated purpose of SAB 108 is to provide consistency between how registrants quantify financial statement misstatements. Prior to the issuance of SAB 108, there have been two widely-used methods, known as the "roll-over" and "iron curtain" methods, of quantifying the effects of financial statement misstatements. The roll-over method quantifies the amount by which the current year income statement is misstated while the iron curtain method quantifies the error as the cumulative amount by which the current year balance sheet is misstated. Neither of these methods considers the impact of misstatements on the financial statements as a whole. SAB 108 established an approach that requires quantification of financial statement misstatements based on the effects of the misstatement on each of the Company's financial statements and the related financial statement disclosures. This approach is referred to as the "dual approach" as it requires quantification of errors under both the roll-over and iron curtain methods. SAB 108 allows registrants to initially apply the dual approach by either retroactively adjusting prior financial statements as if the dual approach had always been used, or by recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. -31- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) NOTES TO FINANCIAL STATEMENTS --- NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) The Company will initially apply SAB 108 using the cumulative effect transition method in connection with the preparation of the annual financial statements for the year ending December 31, 2006. The Company does not believe the adoption of SAB 108 will have a significant effect on its financial statements. The FASB has also issued FAS 155, Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140, FAS 156, Accounting for Servicing of Financial Assets-an amendment of FASB Statement No. 140, and FAS 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, but they will not be applicable to the current operations of the Company. Therefore a description and the impact on the Company's operations and financial position for each of the pronouncements above have not been disclosed. NOTE 3 - GOING CONCERN The accompanying financial statements have been prepared on a going concern basis, which contemplated the realizations of assets and the satisfaction of liabilities in the normal course of business. As shown in the December 31, 2006 financial statements, the Company did not generate any revenue, and has a net capital deficiency. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time. For the year ended, December 31, 2006 the Company funded its disbursements using loans from an officer and other related parties. The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company is no longer operating, and is attempting to locate a new business (operating company), and offer itself as a merger vehicle for a company that may desire to go public through a merger rather than through its own public stock offering. NOTE 4- OTHER ACCRUED EXPENSES Other accrued expenses at December 31, 2006 consist of: Accrued Professional Fees $ 33,952 Other Accrued Expenses 14,033 ---------------- Total $ 47,985 ================ -32- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) NOTES TO FINANCIAL STATEMENTS --- NOTE 5- TAX LIABILITIES The Company owes back taxes to the IRS, California Franchise Tax Board, California State Board of Equalization, and

County of Los Angeles, before the bankruptcy. The Company is attempting to negotiate settlements and the final amount may differ from the amount recorded on the balance sheets. The IRS portion of tax liabilities was payable in quarterly installments of $ 11,602, and the final payment was due in January 2002. However, no payments have been made since April 2000. As of December 31, 2006, the Company owes $268,897 to the IRS. The taxes owed to IRS are delinquent and accruing interest at 9% per annum. As of December 31, 2006, the Company owes $5,454 to California Franchise Tax Board. No payments have been made and the taxes owed to California Franchise Tax Board are delinquent. No interest is being accrued; however, a protection lien is being filed. As of December 31, 2006, the Company owes $41,096 to California State Board of Equalization. No payments have been made and the taxes owed to California State Board of Equalization are delinquent and accruing an interest at 9% per annum. As of December 31, 2006, the Company owes $7,107 to the County of Los Angeles. No payments have been made and the taxes owed to the County of Los Angeles are delinquent and accruing an interest at 9% per annum. NOTE 6 - SHORT TERM NOTE PAYABLE During 2006, the Company obtained additional notes payable of $65,000, from third parties. The notes payable bear interest at 10% per annum and are due on demand. As of December 31, 2006, the balance was $120,000. NOTE 7 - NOTES PAYABLE TO RELATED PARTIES Notes payable to minority shareholders amounted to $144,293 at December 31, 2006. These notes bear interest at 10% to 12%, and are due on demand. NOTE 8 - INCOME TAXES The Company has loss carryforwards available to offset future taxable income. The total loss carryforwards at December 31, 2006 are estimated at approximately $1,590,000 and expire between 2015 and 2026. Loss carryforwards are limited in accordance with the rules of change in ownership. A valuation allowance is recorded for the full amount of deferred tax assets of approximately $540,000, which relates to these loss carryforwards, since future profits are indeterminable. The valuation allowance increased by $47,000 during the year ended December 31, 2006. As of the audit report date, the Company did not file its corporate income tax returns for the year ended December 31, 2006. -33- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) NOTES TO FINANCIAL STATEMENTS -- NOTE 9 - COMMON STOCK AND WARRANTS On May 28, 1997, a reorganization plan was approved by the Bankruptcy Court. As a result, existing shares of the Company were reverse split 1-for-6 and pre-bankruptcy creditors were issued 1,458,005 shares of Company's common stock. On November 13, 1997, an additional 5,000,000 shares of common stock were issued (after reverse split) to an officer of the Company in return for proceeds of $25,000 ($.005 per share). In accordance with the reorganization plan, the pre-bankruptcy creditors were also issued 1,458,005 class "A" warrants and 1,458,005 class "B" warrants. The class "A" warrants allowed the purchase of a share of common stock at an exercise price of $2.50 per share. The "A" warrants expired in June 2000 and none were exercised. The class "B" warrants allowed the purchase of a share of common stock at an exercise price of $5.00 per share, and the warrants expired in June 2002, and none were exercised. In May and June 1998, the Company issued 16,000 and 200,000 shares of common stock respectively, for professional services received from non-related individuals. These shares were valued at $0.005 per share. In June 1998, the IRS applied a personal tax refund from a former officer of the Company against the Company's tax liability, reducing it by $80,078. In accordance with an agreement between the management and the former officer, 80,078 shares of common stock were issued to the former officer in exchange for the loss of his personal tax refund. In February 2000, the Company issued 300,000 shares to an officer for repayment of $15,000 in advances the officer loaned to the Company and accrued interest. In May 2000, the Company issued 150,000 shares for repayment of consulting services rendered to the Company from a former officer. These shares were valued at $0.10 per share. Pursuant to the provisions of the modified joint plan of reorganization, Pacific Alliance Corporation compensates its management on an hourly basis at $75 per hour for the time actually devoted to the business of the Company. Payment for services is made through issuance of shares of common stock until such time as the Company's net worth reaches $350,000. According to the modified joint plan of reorganization, the stock issued for services shall be valued at $0.10 per share. During the year ended December 31, 2000, the Company issued 1,666,801 shares of common stock for accrued compensation, and in June 2002, the company issued an additional 187, 491 shares of common stock. In October 2001, the Company entered into an agreement under which PIL S.A. would make a capital infusion and bring in new majority shareholders. Total capital to be brought to the Company was to be $500,000 by October 31, 2001, and an additional $500,000 by December 31, 2001, at a rate of $0.20 per share. The right to cancel any subscription under the agreement and have the consideration refunded would have required a breach of the agreement, termination of the agreement by mutual consent, or termination of the agreement by its own terms. At December 31, 2002, 1,250,000 shares of stock were issued to PIL S.A. for the $249,871 that had

been received from PIL S.A. in previous quarters as subscription of shares of common stock. In May 2004, 50,000 shares for an additional subscription of $9,978 received in 2002 were issued to PIL S.A. In June 2002, PIL S.A. elected to convert a loan with balance of $10,000 into 50,000 shares of common stock. At June 30, 2004 the 50,000 shares were issued. Both the $10,000 and $9,978 were classified as common stock subscription deposit as of December 31, 2002. The agreement with PIL S.A. has been terminated. In September 2002, the Company issued 187,500 shares of its common stock for consulting services received from a non-related individual. The shares were valued at $0.10 per share. -34- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) NOTES TO FINANCIAL STATEMENTS -- NOTE 9 - COMMON STOCK AND WARRANTS (continued) In 2004, the Company issued 857,300 shares of common stock for management services of $85,730, of which $50,000 was accrued at December 31, 2003. The shares were valued at $0.10 per share pursuant to the Modified Joint Plan of Reorganization approved by U.S. Bankruptcy Court. The Company also issued 1,250,000 shares of common stock in 2004 for consulting fees of $ 100,000, of which $12,500 was accrued at December 31, 2003. The shares were valued at $0.08, the closing market price on the Board's authorization date. In 2005, the Company issued 678,300 shares of common stock for management services of $67,830, pursuant to the provisions of the Modified Plan of Reorganization approved by the U.S. Bankruptcy Court. Pursuant to the Modified Joint Plan of Reorganization, the stock issued for services was valued at $0.10 per share. In 2006, the Company issued 602,850 shares of common stock for management services of $60,284, pursuant to the provisions of the Modified Plan of Reorganization approved by the U.S. Bankruptcy Court. Pursuant to the Modified Joint Plan of Reorganization, the stock issued for services was valued at $0.10 per share. In 2006, the Company issued 20,000,000 shares of restricted common stock to Mr. Scharmann, the CEO of the Company, as payment of $100,000 of debt owed by the Company to him as advances from officer. NOTE 10 - NET LOSS PER SHARE The following table sets forth the computation of basic and diluted net loss per share: -------------------------------- For the years ended December 31, -------------------------------- 2006 2005 -------------------------------- Numerator: Net Loss $ (195,514) $ (291,770) ---------- ---------- Denominator: Weighted Average Number of Shares 17,492,704 15,067,600 ---------- ---------- Net Loss per share-Basic and Diluted $ (0.01) $ (0.02) ========== ========== NOTE 11 - RELATED PARTY TRANSACTIONS An officer of the Company, the CEO, advanced $184,100 for the year ended December 31, 2006. The Company repaid $155,911 for the year ended December 31, 2006. These advances bear interest at 10% and have no maturity date. The balance of advances was $144,507 at December 31, 2006. During the quarter ended March 31, 2002, the Company passed a resolution to pay rent, office and secretarial services to a stockholder of the Company at a rate of $500 per month. These charges were retroactive to July 1997, subsequent to the date of approval of the reorganization plan by the Bankruptcy court. As such, $6,000 was recorded as expense during the years ended December 31, 2006 and 2005. -35- PACIFIC ALLIANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) NOTES TO FINANCIAL STATEMENTS -- NOTE 12 - EXTRAORDINARY ITEM On December 19, 2000, the Employment Development Department (EDD) accepted an "Offer in Compromise" in the amount of $7,600 to satisfy in full, all outstanding liabilities of $76,675 due to the EDD by Pacific Alliance Corporation. The settlement amount was paid in January 2001, and an extraordinary gain of $69,075 was recognized. -36- ITEM 8. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE On August 2, 2005, Pacific Alliance Corporation (the "Registrant") dismissed HJ & Associates, LLC ("HJ") as its principal accountant to audit its financial statements. HJ audited the Registrant's financial statements for the year ended December 31, 2004, but did not audit the Registrant's financial statements for any other period. HJ's report on the financial statements of the Registrant for the past year did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles. The opinion of HJ on the Auditor's financial statement did contain a going concern qualification. During the most recent fiscal year ended December 31, 2006 and the subsequent period to and including April 12, 2007, there have been no disagreements between HJ and the Registrant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of HJ, would have caused it to make a reference to the subject matter of any such disagreement with its report. On July 27, 2005, the Registrant engaged Spector & Wong, LLP ("Spector") as its principal accountant to audit the Registrant's financial statements. Prior to the engagement of Spector, Harold Spector sold his 16,000 shares of common stock, his whole holdings in the Company. During the two most recent fiscal years ended December 31, 2006 and the subsequent

period to and including April 12, 2007, the Registrant has not consulted with Spector regarding any of the following: (1) the application of accounting principles to a specified transaction, either completed or proposed; (2) the type of audit opinion that might be rendered on the Registrant's respective financial statements, and neither a written report nor oral advice was provided to the Registrant that Spector concluded was an important factor considered by the Registrant in reaching a decision as to the accounting, auditing or financial reporting issue, or (3) any other matter. On March 2, 2005 Rose, Snyder & Jacobs resigned as our Independent Accountant effective March 2, 2005. On April 13, 2005, we appointed HJ & Associates, LLC as our independent accountants for the year ending December 31, 2004. Prior to appointing HJ & Associates, LLC as our independent accountant we have not consulted with HJ & Associates, LLC regarding: (i) either the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-B) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-B). -37- The reports of Rose, Snyder & Jacobs on our financial statements for the fiscal years ended December 31, 2003 and 2002 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except for Rose, S