QUEST RESOURCE HOLDING CORP

FORM 10-Q
(Quarterly Report)

Filed 11/16/09 for the Period Ending 09/30/09

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

or

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

For the transition period from ___________to ___________

Commission File Number: 333-152959

BLUESTAR FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

NEVADA	**51-0665952**
(State or other jurisdiction of Incorporation or organization)	*(I.R.S. Employer Identification No.)*

1145 E. Via Linda, Suite 2419
Scottsdale, AZ 85259
(Address, including zip code, of principal executive offices)

(480) 463-4246
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No ☐

The total number of shares of common stock outstanding as of October 30, 2009, was 12,400,000.

BLUESTAR FINANCIAL GROUP, INC.
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BLUESTAR FINANCIAL GROUP, INC.

(A DEVELOPMENT STAGE COMPANY)

Unaudited Financial Statements

For the Three Months Ended September 30, 2009 and 2008, and the
Period of July 12, 2002 (Inception) to September 30, 2009

BLUESTAR FINANCIAL GROUP, INC.

(A DEVELOPMENT STAGE COMPANY)

Unaudited Financial Statements

For the Three Months Ended September 30, 2009 and 2008, and the
Period of July 12, 2002 (Inception) to September 30, 2009

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BLUESTAR FINANCIAL GROUP, INC.
(A Development Stage Company)
Balance Sheets

	September 30, 2009 *(unaudited)*	June 30, 2009
ASSETS		
Current assets		
Cash	$ 3	$ 3
Due from consultant	15,000	15,250
Notes receivable	94,520	94,520
Total current assets	109,523	109,773
Total assets	$ 109,523	$ 109,773
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	1,523	250
Related party payables	15,400	13,900
Total current liabilities	16,923	14,150
Stockholders' Equity		
Common stock, $.001 par value; 60,000,000 shares authorized, 12,400,000 shares issued and outstanding	12,400	12,400
Additional paid in capital	145,000	145,000
Deficit accumulated during the development stage	(64,800)	(61,777)
Total stockholders' equity	92,600	95,623
Total liabilities and stockholders' equity	$ 109,523	$ 109,773

See accompanying notes to financial statements

BLUESTAR FINANCIAL GROUP, INC.
(A Development Stage Company)
Statement of Operations (unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	For the period from July 12, 2002 (inception) to September 30, 2009
Revenue	$ -	$ -	$ -
Expenses			
Professional fees	3,023	600	64,648
Other general and administrative	-	-	152
Total expenses	3,023	600	64,800
Net loss	$ (3,023)	$ (600)	$ (64,800)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	
Weighted average shares outstanding	12,400,000	7,400,000	

See accompanying notes to financial statements

BLUESTAR FINANCIAL GROUP, INC.
(A Development Stage Company)
Statements of Cash Flows (unaudited)

	Three months ended September 30, 2009	Three months ended September 30, 2008	For the period from July 12, 2002 (inception) to September 30, 2009
Cash flows from operating activities			
Net loss	$ (3,023)	$ (600)	$ (64,800)
Adjustments to reconcile net loss to net cash used in operating activities			
Common stock issued for services	-	-	2,400
Changes in operating assets and liabilities			
Prepaid expenses	-	600	-
Due from consultant	250		(15,000)
Accounts payable	1,273		1,523
Net cash used in operating activities	(1,500)	-	(75,877)
Cash flows from investing activities			
Notes receivable	-	-	(94,520)
Net cash used in investing activities			(94,520)
Cash flows from financing activities			
Proceeds from related party payables	1,500	-	15,400
Proceeds from sale of stock	-	-	155,000
Net cash provided by financing activities	1,500	-	170,400
Increase in cash	-	-	3
Cash at beginning of period	3	500	-
Cash at end of period	$ 3	500	$ 3
Supplemental disclosure of non-cash investing and financing activities:			
Issuance if 5,000,000 shares of common stock for professional and consulting services	$ -	$ -	$ 2,400
Supplemental Cash Flow Information:			
Cash paid for interest	$ -	$ -	$ -
Cash paid for income taxes	$ -	$ -	$ -

See accompanying notes to financial statements

BLUESTAR FINANCIAL GROUP, INC.
(A Development Stage Company
Notes to the Unaudited Financial Statements
For the Three Months Ended September 30, 2009 and 2008 and the
Period of July 12,2002 (Inception) to September 30, 2009

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows as of and for the periods ended September 30, 2009 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's June 30, 2009 audited financial statements as reported in Form 10-K. The results of operations for the period ended September 30, 2009 are not necessarily indicative of the operating results for the full year ended June 30, 2010.

NOTE 2 - GOING CONCERN

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plans to obtain such resources for the Company include (1) obtaining capital from management and significant stockholders sufficient to meet its minimal operating expenses, and (2) as a last resort, seeking out and completing a merger with an existing operating company. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3 – SUBSEQUENT EVENTS

On October 27, 2009, the Company appointed Rick Papworth as interim CEO and a member of the board of directors and Jeffrey Rassas was appointed chairman of the board.

On November 11, 2009, the Company announced it had entered into a Letter of Intent to purchase YouChange, Inc. in a stock transaction. YouChange, Inc. is an electronic industry re-commerce company with a robust consumer rewards program and recycling network.

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

SPECIAL NOTE: ***This section contains statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "expect," "estimate," "anticipate," "predict," "believe," and similar expressions and variations thereof are intended to identify forward-looking statements. Such forward-looking statements include statements regarding, among other things, (a) our estimates of raw material, (b) our projected sales and profitability, (c) our growth strategies, (d) anticipated trends in our industry, (e) our future financing plans, (f) our anticipated needs for working capital and (g) the benefits related to ownership of our common stock. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements for the reasons, among others, described within the various sections of this Form 10-Q. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Form 10-Q will in fact occur as projected. We undertake no obligation to release publicly any updated information about forward-looking statements to reflect events or circumstances occurring after the date of this Form 10-Q or to reflect the occurrence of unanticipated events. For a discussion of risk factors affecting our business and prospects, see "Part II — Item 1A — Risk Factors." This section should be read in conjunction with "Part I — Item 1 — Financial Statements."***

Overview

The following discussion should be read in conjunction with the information contained in the financial statements of BlueStar Financial Group ("BSFG") and the notes which form an integral part of the financial statements which are attached hereto.

The financial statements mentioned above have been prepared in conformity with accounting principles generally accepted in the United States of America and are stated in United States dollars.

BSFG is a start-up, development Stage Company, incorporated in the State of Nevada on July 12, 2002 and with a fiscal year end of June 30th. We have no subsidiaries, affiliated companies or joint venture partners.

We have not conducted any revenue generating operations since our inception. We anticipate that this industry will become more and more competitive over the course of the next twelve months. Competitors within this market segment will more than likely have superior financing and be better positioned than BSFG.

On October 27, 2009, Richard A. Papworth was appointed as Interim Chief Executive officer and appointed to the board of directors. Jeffrey Rassas was appointed Chairman of the board of directors. Mr. Papworth was hired to facilitate BSFG's relocation from Richland, Washington to Scottsdale, Arizona in preparation of rolling out the repositioned growth strategy focused in the Green Tech sector to provide a solution to the ever growing environmental challenges of e-Waste. On November 11, 2009, we announced we had entered into a Letter of Intent to purchase YouChange, Inc. in a stock transaction. YouChange is our initial entry into Green Tech/e-Waste and is an electronic industry re-commerce company with a robust consumer rewards program and recycling network.

Plan of Operation

As of the end of September 30, 2009, we had $3 of cash on hand and receivables of $109,520. We have accounts payable of $1,523 and notes payable of $15,400. Over the next twelve months we estimate in order to maintain reporting company status as defined under the '34 Act we will require $15,000, expenses include bookkeeping, accounting, and filing fees. We must raise cash to cover these expenses and implement our business plan. We estimate that we must raise a minimum of $25,000 in order to continue our proposed business and maintain our status as a reporting company

The Company's ability to commence operations is entirely dependent upon the proceeds to be raised. If BSFG does not raise at least $25,000, it will be unable to establish a base of operations, without which it will be unable to begin to generate any significant revenues in the future. If BSFG does not produce sufficient cash flow to support its operations over the next 12 months, the Company will need to raise additional capital by issuing capital stock in exchange for cash in order to continue as a going concern. There are no formal or informal agreements to attain such financing. BSFG cannot assure any investor that, if needed, sufficient financing can be obtained or, if obtained, that it will be on reasonable terms. Without realization of additional capital, it would be unlikely for operations to continue and any investment made by an investor would be lost in its entirety.

On August 12, 2008 the Company filed a registration statement on Form S-1, which was deemed effective August 21, 2008 registering 5,000,000 shares to be sold to the public at a price of $0.03 per share. As of the fourth quarter 2008 the offering was filled and total proceeds raised were $150,000.

BSFG management does not expect to incur research and development costs within the next twelve months. BSFG currently does not own any significant plant or equipment that it would seek to sell in the near future

The Company has not paid for expenses on behalf of any director. Additionally, BSFG believes that this policy shall not materially change within the next twelve months.

Employees

BSFG management does not anticipate the need to hire employees over the next twelve months. Currently, the Company believes the services provided by its officers and directors appears sufficient at this time. Our officers and directors do not have an employment agreement with us. We presently do not have pension, health, annuity, insurance, profit sharing or similar benefit plans; however, we may adopt such plans in the future. There are presently no benefits available to any employee. On October 27, 2009, Richard A. Papworth was appointed as Chief Executive officer and appointed to the board of directors. Jeffrey Rassas was appointed Chairman of the board of directors.

Investment Policies

BSFG does not have an investment policy at this time. Any excess funds it has on hand will be deposited in interest bearing notes such as term deposits or short term money instruments. There are no restrictions on what the directors are able to invest or nor on additional funds held by BSFG. Presently BSFG does not have any excess funds to invest.

Since we have had very minimal business activity, it is the opinion of management that the most meaningful financial information relates primarily to current liquidity and solvency. As at September 30, 2009, we had $3 cash on hand pre-paid expenses of $15,000, notes receivable of $94,520 and liabilities of $16,923. The Company will require cash injections of approximately $25,000 or collections in that amount on its notes receivable to enable the Company to meet its anticipated expenses over the next twelve months. Unless we raise additional funds immediately, we will be faced with a working capital deficiency that may result in the failure of our business, resulting in a complete loss of any investment made into the Company. Our future financial success will be dependent on the success of obtaining capital.

Our financial statements contained herein have been prepared on a going concern basis, which assumes that we will be able to realize our assets and discharge our obligations in the normal course of business. We incurred a net loss for the period from the inception of our business on July 12, 2002 to September 30, 2009 of $64,800. We did not earn any revenues during the aforementioned period.

Critical Accounting Policies

Our discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States.

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments. The going concern basis of presentation assumes we will continue in operation throughout the next fiscal year and into the foreseeable future and will be able to realize our assets and discharge our liabilities and commitments in the normal course of business. Certain conditions, discussed below, currently exist which raise substantial doubt upon the validity of this assumption. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

Our intended business activities are dependent upon our ability to obtain third party financing in the form of debt and equity and ultimately to generate future profitable business activity. As of September 30, 2009, we have not generated revenues, and have experienced negative cash flow from minimal activities. We may look to secure additional funds through future debt or equity financings. Such financings may not be available or may not be available on BSFG terms.

Recently Issued Accounting Pronouncements

For information on recently issued accounting pronouncements see the footnote disclosure in Part II, Item 7

Trends

We are a development stage business and have not generated any revenue and have no prospects of generating any revenue in the foreseeable future. There can be no guarantee or assurance that management will be successful in developing the proposed business of the Company. Investors must be aware that failure to do so would result in a complete loss of any investment made into the Company

Limited Operating History; Need for Additional Capital

There is no historical financial information about us upon which to base an evaluation of our performance as a business. We are a development stage company and have not generated any revenues since our formation on July 12, 2002. We require immediate additional capital in order to continue as a going concern. If we are unable to secure approximately $25,000 of the course of the next twelve months our business will fail and any investment made into the Company would be lost in its entirety. We cannot guarantee we will be successful in our business activities or in any activity that management directs the business. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources, and possible cost overruns due to price and cost increases in services.

Results of Operations – Since inception to June 30, 2009.

For the period ended September 30, 2009, we had a net loss of $3,023 and an accumulated loss since inception of $64,800. We have not generated any revenue from operations since inception. Our accumulated loss from our date of inception represents various expenses incurred with organizing the company, undertaking audits, professional and consultant fees and general office expenses.

Balance Sheet as at June 30, 2009.

We ended September 30, 2009 and June 30, 2009 with $3 and $3 of cash, respectively, and $109,520 and $109,770 in receivables, respectively. Accounts receivable of $15,000 at the end of September 30, 2009 relates to the dispute with Delos Stock Transfer-- *See Part I, Item 3—Legal Proceedings* . We ended September 30, 2009 and Fiscal 2009 with $15,400 and $13,900 in payables, respectively. Total shares issued outstanding, as at the end of Fiscal 2009, were 12,400,000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MAKET RISK

We believe that there have been no significant changes in our market risk exposures for the three months ended September 30, 2009.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Based on their evaluation as of September 30, 2009, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective at a reasonable assurance level to ensure that

the information required to be disclosed by us in this quarterly report on Form 10-Q was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, being Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

ITEM 4T. CONTROLS AND PROCEDURES

(b) Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are likely to materially affect our internal control over financial reporting. Our management, being Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, will be detected.

PART 11 – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no legal proceedings to which BSFG is a party or is subject. There is a currently a dispute between BSFG and Delos Stock Transfer ("DST"). DST provided the escrow account and acted as escrow agent for the investor funds relating to the recent registered offering completed by BSFG. BSFG believes DST misappropriated approximately $15,000 from this escrow account. BSFG is considering legal action against DST if this dispute is not resolved in a timely manner.

ITEM 1A—RISK FACTORS

There are many risk factors that affect our business and results of operations, some of which are beyond our control. The following is a description of some of the important risk factors that may cause our actual results in future periods to differ substantially from those we currently expect or desire.

BlueStar's auditor has substantial doubts as to BlueStar's ability to continue as a going concern. Our auditor's report on our June 30, 2009 financial statements expresses an opinion that substantial doubt exists as to whether we can continue as an ongoing business.

Because our officer may be unable or unwilling to loan or advance any capital to BlueStar we believe that if we do not raise at least $25,000, we may be required to suspend or cease the implementation of our business plans within twelve (12) months. *See "June 30, 2009 Audited Financial Statements - Auditors Report" in Part II, Item 8.*

Because the Company has been issued an opinion by its auditors that substantial doubt exists as to whether the company can continue as a going concern, it may be more difficult for the company to attract investors. BlueStar incurred a $61,777 loss for the period from inception to June 30, 2009 and we have no revenue. Our future is dependent upon our ability to obtain financing and upon future profitable operations from the sale of our products. We plan to seek additional funds through private placements of our common stock. Our financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event we cannot continue in existence.

We have no independent operating history upon which to assess our prospects or ability to be successful in the future. We are a development stage company with no operating history, and our prospects and ability to compete in the industry must be considered in light of the risks, expenses and difficulties frequently encountered with any new business. Though we were incorporated in 2002, there has been no business conducted in the Company until only recently. Our lack of operating history will make it difficult for investors to assess the quality of our management and our ability to operate profitably. We cannot assure you that we will be able to implement our business strategies, that any of our strategies will be achieved or that we will be able to operate profitably.

We will need additional capital to finance our growth, and we may not be able to obtain it on acceptable terms, or at all, which may limit our ability to grow and compete in the leasing market. We will require additional financing to expand our business through the acquisition of additional equipment. Financing may not be available to us or may be available to us only on terms that are not favorable. The terms of most credit facilities offered to competitors in the equipment leasing industry generally restrict a company's ability to incur additional debt. We can expect that the terms of any indebtedness we may incur may restrict our ability to incur additional debt. If we are unable to raise additional funds or obtain capital on acceptable terms, we may have to delay, modify or abandon some or all of our growth strategies and we will fail.

Because management does not have any technical experience in the leasing sector, our business has a high risk of failure. While management has training and experience in project estimating, cost accounting, retail store openings, personnel management and the compliance issues surrounding public entities, management does not have technical training in leasing. As a result, we may not be able to recognize and take advantage of opportunities in the leasing sector without the aid of consultants. Also, with no direct training or experience, our management may not be fully aware of the specific requirements related to working in the leasing industry. Management's decisions and choices may not be well thought out and our operations, earnings and ultimate financial success may suffer irreparable harm as a result.

We will need to re-lease or sell equipment as leases expire to continue to generate sufficient funds to meet our obligations, finance our growth and operations and pay dividends. We may not be able to re-lease or sell equipment on favorable terms, or at all. Our business strategy entails the need to re-lease equipment as current leases expire to generate sufficient revenues to meet obligations and finance growth and operations. The ability to re-lease equipment will depend on general market and competitive conditions. Some of our competitors may have greater access to financial resources and may have greater operational flexibility. If we are not able to re-lease equipment or to do so on favorable terms, we may be required to attempt to sell the equipment to provide funds for debt service or operating expenses. Our ability to re-lease or sell equipment on favorable terms or without significant off-lease time could be adversely affected by depressed conditions in the hospitality and resort industry and equipment industries, bankruptcies, the effects of terrorism and war, the sale of other equipment by financial institutions or other factors.

Lease defaults could result in significant expenses and loss of revenues. If we are unable to agree upon acceptable terms for a lease restructuring, then we have the right to repossess equipment and to exercise other remedies upon a lessee default.

However, repossession after a lessee default, typically result in greater costs than those incurred when equipment is returned at the end of a lease. These costs include legal expenses that could be significant, particularly if the lessee is contesting the proceedings or is in bankruptcy. Delays resulting from repossession proceedings also would increase the period of time during which, the equipment does not generate rental revenue. In addition, we may incur substantial maintenance, refurbishment or repair costs that a defaulting lessee has failed to pay and that are necessary to put the equipment in a condition suitable for re-lease or sale, and we may need to pay off liens on the equipment to obtain clear possession and to remarket the asset effectively.

Our lessees' inability to fund their maintenance requirements on our equipment could significantly harm our revenues, cash flows and ability to pay dividends. The standards of maintenance observed by our lessees and the condition of equipment at the time of sale or lease may affect the values and rental rates of our equipment. Under each of our leases, the lessee is primarily responsible for maintaining the equipment. A lessee’s failure to perform required maintenance during the term of a lease could result in a diminution in the value of an equipment, an inability to lease the equipment at favorable rates or at all and would likely require us to incur maintenance costs upon the expiration or earlier termination of the lease to restore the equipment to an acceptable condition prior to sale or re-leasing.

Our lessees may have inadequate insurance coverage or fail to fulfill their respective indemnity obligations, which could result in us not being covered for claims asserted against us and may negatively affect our business, financial condition and results of operations. Although we do not expect to control the operation of our leased equipment, our ownership of the equipment could give rise, in some jurisdictions, to strict liability for losses resulting from their operation. Our lessees will be required to indemnify
us for, and insure against, liabilities arising out of the use and operation of the equipment, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Lessees are also required to maintain public liability, property damage risks insurance on the equipment at agreed upon levels.

We cannot assure you that the insurance maintained by our lessees will be sufficient to cover all types of claims that may be asserted against us. Any inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations, as well as the lack of available insurance, could reduce the proceeds upon an event of loss and could subject us to uninsured liabilities, either of which could adversely affect our business, financial condition and results of operations.

Competitors with more resources may force us out of business. The leasing industry is highly competitive. Many Company competitors are significantly larger and have substantially greater financial, marketing and other resources and have achieved public recognition for their services. Competition by existing and future competitors could result in an inability to secure adequate consumer relationships sufficient enough to support Company endeavors. BlueStar cannot be assured that it will be able to compete successfully against present or future competitors or that the competitive pressure it may face will not force it to cease operations.

The company has not identified any equipment or lessees thus an investor cannot assess all the risks of investment. The Company has not identified any equipment or lessees. An investor cannot assess all of the otential risks of an investment in the Company because all of the equipment to be purchased and the lessees to whom the equipment will be leased have not been identified. A prospective investor will not have complete information as to the manufacturers of the company’s equipment, the number of leases to be entered into, the specific types and models of equipment to be acquired, or the identity, financial condition and creditworthiness of the companies who will lease our equipment. Investors must rely upon the judgment and ability of our officer and director in his selection of equipment to purchase, the evaluation of equipment manufacturers, the selection of lessees and the negotiation of leases.

The market price and trading volume of our shares may be volatile and may be affected by market conditions beyond our control. The market price of our shares may be highly volatile and could be subject to wide fluctuations. If the market price of the shares declines significantly, investors may be unable to resell shares at or above the purchase price, if at all. The Company cannot assure that the market price of the shares will not fluctuate or decline significantly in the future.

In the past, the stock market has experienced extreme price and volume fluctuations. These market fluctuations could result in extreme volatility in the trading price of the shares, which could cause a decline in the value of BlueStar shares. Price volatility may be greater when the public float and trading volume of the shares is low.

If the Company completes a financing through the sale of additional shares of its common stock in the future, then shareholders will experience dilution. The most likely source of future financing presently available to the Company is through the sale of shares of its common stock. Any sale of common stock will result in dilution of equity ownership to existing shareholders. This means that, if the Company sells shares of our common stock, more shares will be outstanding and each existing shareholder will own a smaller percentage of the shares then outstanding. To raise additional capital the Company may have to issue additional shares, which may substantially dilute the interests of existing shareholders. Alternatively, the Company may have to borrow large sums, and assume debt obligations that require it to make substantial interest and capital payments.

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

There has been no change in our securities since the fiscal year ended June 30, 2009.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

There have been no matters brought forth to the securities holders to vote upon during this quarter.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) (3) **Exhibits**
The following exhibits are included as part of this report by reference:

3.1 Articles of Incorporation (incorporated by reference from BSFG’s Registration Statement on Form S-1 filed on August 12, 2008, Registration No. 333-152959)

3.2 By-laws (incorporated by reference from BSFG’s Registration Statement on Form S-1 filed on August 21, 2008 Registration No. 333-152959)

31.1 8650 SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

32.1 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

SIGNATURES

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

BLUESTAR FINANCIAL GROUP, INC.

Date: November 16, 2009

By: /s/ Richard A. Papworth
Richard A. Papworth
Chief Executive Officer
(Principal Executive Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Richard A. Papworth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ending September 30, 2009 of BlueStar Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2009

/s/ Richard A. Papworth
Richard A. Papworth
Chief Executive Officer
(Principal Executive Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of BlueStar Financial Group, Inc. (the Company") for the quarter ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard A. Papworth, Chief Executive Officer, of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002,18 U.S.C. § 1350, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. § 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 16, 2009

/s/ Richard A. Papworth
Richard A. Papworth
Chief Executive Officer
(Principal Executive Officer and Principal Accounting Officer)