

PACIFIC ALLIANCE CORP  
Form 10-Q  
November 20, 2009

**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 EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009.

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission file number: 000-51777

**PACIFIC ALLIANCE CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware

87-044584-9

Edgar Filing: PACIFIC ALLIANCE CORP - Form 10-Q

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. employer  
identification No.)

1661 Lakeview Circle, Ogden, UT 84403

(Address of principal executive offices)

Registrant's telephone no., including area code: (801) 399-3632

N/A

Former name, former address, and former fiscal year, if changed since last report.

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Edgar Filing: PACIFIC ALLIANCE CORP - Form 10-Q

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

At November 12, 2009, the Company had 68,603,698 outstanding shares of common stock, \$.001 par value.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

-

**TABLE OF CONTENTS**

**PART I - FINANCIAL INFORMATION**

Item 1.	Financial Statements	<u>Page</u>
	Balance Sheets	4
	Statements of Operations	5
	Statements of Cash Flows	6
	Notes to Interim Unaudited Financial Statements	7- 11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	19
Item 4T.	Controls and Procedures	19

**PART II - OTHER INFORMATION**

Item 1.	Legal Proceedings	20
Item 1A.	Risk Factors	20
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	20
Item 3.	Defaults Upon Senior Securities	20
Item 4.	Submission of Matters to a Vote of Security Holders	20
Item 5.	Other Information	20
Item 6.	Exhibits	20

## **PART I - FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of our financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Our unaudited balance sheet at September 30, 2009 and our audited balance sheet at December 31, 2008; the related unaudited statements of operations for the three and nine month periods ended September 30, 2009 and 2008 and from inception of the development stage (December 21, 1995 through September 30, 2009); and the related unaudited statement of cash flows for the nine month periods ended September 30, 2009 and 2008 and from inception of the development stage (December 21, 1995 through September 30, 2009), are attached hereto.

**PACIFIC ALLIANCE CORPORATION****(A DEVELOPMENT STAGE COMPANY)****BALANCE SHEETS**

	<b>September 30, 2009 (Unaudited)</b>	As of December 31, 2008 (Audited)
<b>ASSETS</b>		
Current Assets		
Cash	<b>\$138,757</b>	\$143
Other Receivable	<b>31,600</b>	-
<b>TOTAL ASSETS</b>	<b>\$170,357</b>	\$143
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accrued Interest	<b>\$19,376</b>	\$77,921
Other Accrued Expenses	<b>298,797</b>	80,028
Notes Payable	-	137,100
Convertible Notes Payable	<b>118,000</b>	-
Advances from Officer	<b>86,105</b>	315,752
Tax Liabilities	<b>362,639</b>	351,707
Notes Payable to Related Parties	<b>25,000</b>	153,293
Derivative Liability	<b>619,838</b>	-
Total current liabilities	<b>1,529,755</b>	1,115,801
Stockholders' Deficit		
Common Stock, par value \$0.001, authorized 100,000,000 shares; and 53,904,606 and 37,250,450 shares issued and outstanding	<b>53,905</b>	37,250
Preferred shares, par value \$0.001, authorized 5,000,000 shares; none issued	-	-
Paid-in Capital	<b>5,855,089</b>	3,448,486
	<b>(2,632,447)</b>	(2,632,447)

Edgar Filing: PACIFIC ALLIANCE CORP - Form 10-Q

Accumulated deficit prior to the developmental stage		
Accumulated deficit during the developmental stage	<b>(4,635,945)</b>	(1,968,947)
Total Stockholders Deficit	<b>(1,359,398)</b>	(1,115,658)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$170,357</b>	\$143

See Notes to Interim Unaudited Financial Statements

**PACIFIC ALLIANCE CORPORATION****(A DEVELOPMENT STAGE COMPANY)****STATEMENTS OF OPERATIONS (Unaudited)**

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>		<b>From Inception of the Developmental Stage, December 21, 1995 Through September 30, 2009</b>
	<b>2009</b>	2008	<b>2009</b>	2008	
Operating Expenses:					
Selling, General and Administrative Expenses	<b>\$54,217</b>	\$39,414	<b>\$448,426</b>	\$110,191	\$1,903,588
Tax Penalty and Interest Expense	<b>3,644</b>	3,644	<b>10,932</b>	10,932	174,165
Loss on Investment	-	-	-	-	6,844
Total Operating Expenses	<b>57,861</b>	43,058	<b>459,358</b>	121,123	2,084,597
Other Income (Expenses):					
Interest Expense	<b>(101,253)</b>	(14,596)	<b>(1,291,957)</b>	(41,294)	(1,704,741)
Change in Derivative Liability	<b>(465,782)</b>	-	<b>(915,682)</b>	-	(915,682)
Total Other Income (Expenses)	<b>(567,035)</b>	(14,596)	<b>(2,207,639)</b>	(41,294)	(2,620,423)
Net Loss before Extraordinary Item	<b>(624,896)</b>	(57,654)	<b>(2,666,997)</b>	(162,417)	(4,705,020)
Extraordinary Item, Gain on Forgiveness of Tax debt	-	-	-	-	69,075



Edgar Filing: PACIFIC ALLIANCE CORP - Form 10-Q

Net Loss	<b>\$(624,896)</b>	\$(57,654)	<b>\$(2,666,997)</b>	\$(162,417)	\$(4,635,945)
Net Loss per share, Basic and Diluted	<b>\$(0.01)</b>	NIL	<b>\$(0.07)</b>	NIL	
Weighted Average Number of Shares	<b>43,354,667</b>	37,020,250	<b>39,404,322</b>	36,872,583	

See Notes to Interim Unaudited Financial Statements

## PACIFIC ALLIANCE CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## STATEMENTS OF CASH FLOWS (Unaudited)

	For the nine months ended September 30,		From Inception of the Developmental Stage, December 21, 1995 Through September 30, 2009
	2009	2008	
<b>Cash Flow from Operating Activities:</b>			
Net Loss	<b>\$(2,666,997)</b>	\$(162,417)	\$(4,635,944)
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	<b>98,240</b>	43,275	749,045
Non-cash interest expense	<b>1,265,173</b>	-	1,265,173
Change in derivative liability	<b>915,682</b>	-	915,682
(Increase) Decrease in:			
Accounts receivable	-	-	95,841
Increase (Decrease) in:			
Accrued expenses	<b>160,224</b>	31,406	475,234
Tax liabilities	<b>10,932</b>	10,932	(13,198)
<b>Net Cash Used in Operating Activities</b>	<b>(216,746)</b>	(76,804)	(1,210,398)
<b>Cash Flow from Investing Activities</b>			
Other receivables	<b>(31,600)</b>	-	(31,600)
Purchase of investments	-	-	(30,180)
Proceeds from sale of investments	-	-	23,336
<b>Net Cash Used In Investing Activities</b>	<b>(31,600)</b>	-	(38,444)
<b>Cash Flow from Financing Activities:</b>			
Bank overdraft	-	-	(2,587)
Proceeds from notes payable	-	10,000	223,586
Payments to note payable	<b>(137,100)</b>	-	(188,377)

Edgar Filing: PACIFIC ALLIANCE CORP - Form 10-Q

Proceeds from convertible notes	<b>882,000</b>	-	882,000
Proceeds from notes payable to related parties	-	1,000	128,084
Payments to notes payable to related parties	<b>(128,293)</b>	-	(128,293)
Advances from officer	<b>119,100</b>	88,700	1,163,256
Repayment of advance from officer	<b>(348,747)</b>	(25,880)	(974,919)
Proceeds from issuance of common stock	-	-	25,000
Proceeds from common stock subscription	-	-	259,849
<b>Net Cash Flow Provided by Financing Activities</b>	<b>386,960</b>	73,820	1,387,599
<b>Net Increase in Cash</b>	<b>138,614</b>	(2,984)	138,757
Cash Balance at Beginning of Period	<b>143</b>	29	-
<b>Cash Balance at End of Period</b>	<b>\$138,757</b>	\$(2,955)	\$138,757
Supplemental Disclosures of Cash Flow Information			
Interest paid	<b>\$63,861</b>	\$17,955	
Non-cash Activities:			
Conversion of convertible notes to common stock	<b>\$770,000</b>		
Conversion of derivative liability into additional paid in capital	<b>\$1,541,430</b>		

See Notes to Interim Unaudited Financial Statements

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Going Concern Pacific Alliance Corporation (the Company) is a development stage Company and attempts 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.

Pacific Alliance Corporation, 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. The IRS portion of tax liabilities was payable in cash by quarterly installments (see note 2). Repayment of other taxes is still being negotiated.

The accompanying financial statements have been prepared on a going concern basis, which contemplated the June 30, 2009 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 nine months ended September 30, 2009, the Company funded its disbursements using loans from an officer and other notes.

Presentation of Interim Information The financial information at September 30, 2009 and for the three and nine months ended September 30, 2009 and 2008 are unaudited, but includes all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair presentation of the financial information set forth herein, in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim financial information, and with the instructions to Form 10-Q. Accordingly, such information does not include all of the information and footnotes required by U.S. GAAP for annual financial statements. For further information refer to the Financial Statements and footnotes thereto included in the Company's Annual Report on Form

10-KSB for the year ended December 31, 2008.

The balance sheet as of December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The results for the three and nine months ended September 30, 2009 may not be indicative of results for the year ending December 31, 2009 or any future periods.

Use of estimates The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income (Loss) Per Common Share The Company accounts for income (loss) per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share. SFAS No. 128 requires that presentation of basic and diluted earnings per share for entities with complex capital structures. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity. Diluted net loss per common share does not differ from basic net loss per common share as the Company lacks of dilutive items.

Convertible Notes Payable and Derivative Liabilities The Company accounts for convertible notes payable in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, *"Accounting for Derivative Instruments and Hedging Activities."* This standard requires the conversion feature of convertible debt be separated from the host contract and presented as a derivative instrument if certain conditions are met. Emerging Issue Task Force (EITF) 00-19, *"Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in a Company's Own Stock"* and EITF 05-2, *"The Meaning of "Conventional Convertible Debt Instrument" in Issue No. 00-19"* were also analyzed to determine whether the debt instrument is to be considered a conventional convertible debt instrument and classified in stockholders' equity. The convertible notes payable were evaluated and determined not conventional convertible and, therefore, because of certain terms and provisions including liquidating damages under the associated registration rights agreement the embedded conversion option was bifurcated and has been accounted for as a derivative liability instrument. The accounting guidance also requires that the conversion feature be recorded at fair value for each reporting period with changes in fair value recorded in the statements of operations.

A Black-Scholes valuation calculation was applied to the conversion features at issuance dates and report dates. The issuance date valuations were recorded as a interest expense reflected on the statements of operations. The reporting date valuations were used to record the fair value of these instruments at the end of the reporting period with any difference from prior period calculations reflected in the statement of operations.

New Accounting Pronouncements: Pacific Alliance Corporation does not believe newly issued accounting pronouncements will have any material impact on its financial statements.

**NOTE 2 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 September 30, 2009, and December 31, 2008 the Company owes \$302,655 and \$293,448 to the IRS, respectively. The taxes owed to the IRS are delinquent and accruing interest at 9% per annum.

As of September 30, 2009 and December 31, 2008, the Company owes \$5,455 and \$5,455 to California Franchise Tax Board, respectively. 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 September 30, 2009 and December 31, 2008, the Company owes \$46,489 and \$45,019 to California State Board of Equalization, respectively. 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.

**NOTE 2 TAX LIABILITIES (continued)**

As of September 30, 2009 and December 31, 2008, the Company owes \$8,040 and \$7,785 to the County of Los Angeles, respectively. 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 3 SHORT TERM NOTE PAYABLE**

The notes payable bear interest at 10% per annum and are due on demand. As of September 30, 2009 and December 31, 2008, the balance was none and \$137,100, respectively.

**NOTE 4 NOTES PAYABLE TO RELATED PARTIES**

During the nine months ended September 30, 2009, the Company paid \$128,293 to minority shareholders. The balance for the notes payable to related parties was \$25,000 and \$153,293 as of September 30, 2009 and December 31, 2008, respectively. These notes bear interest at 10% to 12%, and are due on demand.

**NOTE 5 CONVERTIBLE NOTES PAYABLE**

During the nine months ended September 30, 2009, the Company issued outstanding convertible notes bearing an annual interest rate of 8% and are convertible within six months from the date of each note. The notes contain a convertible feature allowing the holder to convert all or a portion of the outstanding balance into the Company's common stock. Due to the moving conversion price of the Company's convertible debt, it has bifurcated the conversion feature from the host debt instrument in accordance with EITF 00-19 Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, accounted for these conversion features as derivative instruments, and valued these conversion features using the Black-Scholes valuation model. Based on the calculations per the valuation model the Company incurred a charge to interest expenses of \$1,259,173 at the time of issuance, in the nine months ended September 30, 2009. The Company also recorded an expense of \$915,682 as change in derivative liability for the nine months ended September 30, 2009 due to an increase in the Company's stock



price at the end of the quarter ended September 30, 2009.

During the quarter ended September 30, 2009, the Company converted \$764,000 convertible notes payable into 15,671,756 shares of common stock.

As of September 30, 2009 the amount of the convertible notes outstanding totaled \$118,000, all of which is short-term convertible debt.

#### **NOTE 6 STOCKHOLDERS EQUITY**

During the nine months ended September 30, 2009, the Company issued 982,400 shares of common stock for management services, pursuant to the provisions of the Modified Plan of Reorganization approved by the U.S. Bankruptcy Court in 1997. The stocks were valued \$0.10 per share, or \$98,240 of total.

During the quarter ended September 30, 2009, the Company filed, with the State of Delaware, Certificate of Designation of Preferences, Rights and Limitations for its Series A and B convertible preferred stock. The Company has designated 1,000,000 and 3,300,000 of its authorized preferred stock shares into series A and B Convertible Preferred Stock, respectively.

**NOTE 7 NET LOSS PER SHARE**

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Numerator:				
Net Loss	\$(624,896)	\$(57,654)	\$(2,666,997)	\$(162,417)
Denominator:				
Weighted Average Number of Shares	43,354,667	37,020,250	39,404,322	36,872,583
Net loss per share-Basic and Diluted	\$(0.01)	NIL	\$(0.07)	NIL

**NOTE 8 RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2009, a related party purchased \$10,000 of the Company's convertible notes, which subsequently was converted into common stock in the third quarter ended September 30, 2009.

An officer of the Company advanced \$119,100 to the Company during the nine months ended September 30, 2009. The Company repaid the officer \$348,747 during the nine months ended September 30, 2009. These advances bear interest at 10% and have no maturity date. The balance of advances was \$86,105 and \$315,752 at September 30, 2009 and December 31, 2008, respectively.

During the quarter ended June 30, 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, \$4,500 was recorded as expense during the nine months period ended September 30, 2009 and 2008.

In accordance with the modified joint plan or reorganization, management is compensated on an hourly basis at a rate of \$75 per hour. Such compensation is made through issuance of common stock. Management compensation amounted to \$98,240 and \$43,275 for the nine months ended September 30, 2009 and 2008, respectively (see note 6).

**NOTE 9 OTHER ACCRUED EXPENSES**

Accrued expenses consist of:

	September 30, 2009	December 31, 2008
Accrued Professional Fees	\$75,585	\$60,455
Accrued Expenses	23,212	19,573
Payables to Consultant	200,000	-
Total	\$298,797	\$80,028

On June 26, 2009, the Board of Directors approved to issue 2,000,000 shares of common stock, valued at \$0.10 per share or \$200,000, to an outside consultant in consideration of services rendered to the Company. As of September 30, 2009, the transaction was recorded as a liability since none of the shares were issued.

**NOTE 10 PENDING MERGER**

On June 26, 2009, the Company entered into a share exchange agreement with Superior Filtration Products, LLC, a Florida company ( Superior ). The share exchange agreement was completed on October 30, 2009.

As of September 30, 2009, the Company paid certain expenses on behalf of Superior. The total expenses of \$31,600 were included in other receivables.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### ***Forward Outlook and Risks***

This periodic report contains and incorporates by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act with respect to results of our operations and businesses. All statements, other than statements of historical facts, included in this periodic report, including those regarding market trends, our financial position, business strategy, projected costs, and plans and objectives of management for future operations, are forward-looking statements. In general, such statements are identified by the use of forward-looking words or phrases including, but not limited to, intended, will, should, may, expects, anticipates, and anticipated or the negative thereof or variations thereon or similar terminology. These forward-looking statements are based on our current expectations. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties, our actual results could differ materially. Important factors that could cause actual results to differ materially from our expectations are disclosed hereunder and elsewhere in this Form 10-Q. These forward-looking statements represent our judgment as of the date of this Form 10-Q. All subsequent written and oral forward-looking statements attributable to Pacific Alliance are expressly qualified in their entirety by the Cautionary Statements. we disclaim, however, any intent or obligation to update our forward-looking statements.

### **Recent Developments**

On June 26, 2009, we entered into an Exchange Agreement (the Exchange Agreement ) with Superior Filtration Products, LC, a Florida limited liability Company ( Superior ), and the members of Superior ( Superior Members ). A copy of the Exchange Agreement was filed as an exhibit to a Form 8-K that was filed with the Securities and Exchange Commission ( SEC ) on June 30, 2009. An amendment to the Exchange Agreement was effective on July 31, 2009, and a copy of such amendment was filed with the SEC under cover of a Form 8-K filed on August 5, 2009.

The Exchange Agreement and the acquisition agreed to therein, was closed (the Closing ) on October 30, 2009 (the Closing Date ). A Form 8-K was filed on November 5, 2009 reporting the Closing and including business and financial information about Superior as well as pro forma information about the combined company.

At the Closing, we acquired all of the outstanding membership interests of Superior ( Superior Member Interests ) from the Superior Members in exchange for 1,000,000 shares of Pacific Series A Convertible Preferred Stock ( Series A

Preferred Stock ). Not earlier than December 1, 2009, the 1,000,000 shares of Series A Preferred Stock are convertible into 606,600,000 shares of our common stock. Assuming that the shares of Series A Preferred Stock had been converted into our common stock on the Closing Date, the Superior Members would own approximately 88.04% of the total shares of Pacific common stock then issued and outstanding immediately following the Closing.

Simultaneously to the Closing, we completed the initial closing of a private cash offering ( Private Placement ) of shares of its Series B Preferred Stock in which a total of 665,000 Series B Preferred Shares have been sold to date raising gross proceeds of \$665,000. The Series B Shares are convertible into 13,300,000 shares of the Company s common stock. A registered broker-dealer and a member of the Financial Industry Regulatory Authority ( FINRA ) was retained as the exclusive placement agent for the Private Placement and received a commission of \$66,500 (ten (10%) percent of the gross proceeds) and an expense allowance of \$5,000. The placement agent was also issued two shares of our common stock for each one Series B Share sold in the Offering for a total of 1,330,000 shares of common stock issued to the placement agent as additional compensation. Offering proceeds will be used for, among other things, professional fees, payment of our outstanding liabilities including \$25,000 to Hyacinth Resources, LLC. (Such \$25,000 payment was a compromise of a \$120,000 obligation by us to Hyacinth Resources, LLC.)

In connection with the acquisition of Superior, our three existing directors have remained as directors and two designees of Superior were appointed as additional directors. Our pre-closing president, vice president and treasurer resigned as officers and a new CEO/President/Treasurer was appointed. The pre-closing secretary remained as secretary of Pacific.

We intend to seek stockholder approval of a 1-for-20 reverse stock split and a proposal to increase the number of shares of capital authorized as soon as practical. When that occurs, we anticipate that all of the shares of Series A Preferred Stock and Series B Preferred Stock will be converted into shares of common stock. We anticipate that if the 1-for-20 reverse split is completed and all shares of preferred stock are converted into common stock, there will be a total of 34,450,185 shares of common stock issued and outstanding.

Mark A. Scharmann and David Knudson, officers and directors of Pacific, are members and affiliates of Sycamore Ventures, LLC, Series 1, a Utah limited liability company ( Sycamore ). Mr. Scharmann is the managing member of Sycamore. Sycamore has, and will, enter into various agreements with Superior which provide that Sycamore will attempt to assist Superior in the marketing of its filter and other products by referring potential customers to Superior. Such agreements have, and will, provide that Sycamore will be compensated by Superior with commissions for products actually purchased by customers who were referred to Superior by Sycamore and its members. The commissions that may be payable by Superior to Sycamore will range from 5% to 10% of the net income from products sold by Superior to the customers referred by Sycamore and its members. The payment of such commissions will be solely for actual product sales and not attributed to the sale of any securities. As members of Sycamore, Mr. Scharmann and Mr. Knudson will share in commissions actually paid to Sycamore by Superior.

Sycamore intends to assist Superior in its marketing efforts going forward. The relationship between Sycamore and Superior relating to commissions for product sales, may result in a conflict of interest for Mr. Scharmann and Mr. Knudson.

Other than as disclosed above, there were and are no material relationships between us, or our affiliates and Superior, other than as contemplated by the Exchange Agreement.

## General

**Due to the Exchange Agreement and Closing described above, the following information, describing the financial condition and business plan of Pacific at September 30, 2009, prior to the completion of the acquisition of Superior, is historical in nature and may have little or no bearing on the operations of the company going forward. Reference is made to the Current Report on Form 8-K filed with the Commission on**

**November 5, 2009, which includes business and financial information about Superior, and pro forma financial information about the post-Closing company and its future business plans.**

Pacific Alliance Corporation (the Company) is a Delaware corporation which was inactive at September 30, 2009 and through the completion of the acquisition described above. The Company was previously engaged in the business of distributing television programming. On June 23, 1995, the Company filed for protection under Chapter 11 of the United States Bankruptcy Code (Case No. BK. No. SV 95-14737 KL). On May 28, 1997 (the Confirmation Date), the United States Bankruptcy Court for the Central District of California Confirmed the Company's Modified Plan of Reorganization (the Plan) and First Amended Disclosure Statement (the Disclosure Statement). The Effective Date of the Plan was June 8, 1997. On February 23, 2000, United States Bankruptcy Judge entered a Final Decree Order Pursuant to Bankruptcy Code Section 350, and thereby issued a final decree closing the bankruptcy case. The claim by the Internal Revenue Service was not discharged by the Final Decree Order.

## **History**

The Company was organized on April 22, 1986 under the laws of the State of Utah under the name of Kaiser Research, Inc. On December 2, 1994, the Company changed its domicile from the State of Utah to the State of Delaware through a reincorporation merger. In order to effect the reincorporation merger, the Company formed a wholly-owned subsidiary under Delaware law under the name of PACSYND, Inc. After the change of the Company's domicile, it



acquired a privately held corporation ( Private PSI ) in a merger transaction, and in connection therewith, the Company s name was changed to Pacific Syndication, Inc.

After the acquisition of Private PSI in December 1994, and prior to its filing of a Petition under Chapter 11, the Company was engaged in the business of transmitting television programming to television stations and others via satellite or land deliveries on behalf of production companies, syndicators and other distributors of television programming. Although the Private PSI was not the survivor of the Merger, and did not exist after the Merger, pursuant to the accounting requirements of the Securities and Exchange Commission the Merger was treated as a reverse merger and, solely for accounting purposes, Private PSI was deemed to be the survivor.

Private PSI was formed under the laws of the State of Delaware in November 1991. Private PSI was formed to engage in the business of providing a variety of television industry related services to its clients. Such services included, but were not limited to, video tape duplication, standards conversion and delivery of television programming by way of conventional carriers (such as UPS, Airborne and Federal Express) and by satellite or fiber optic transmission.

Private PSI provided its clients (primarily television producers, programmers and syndicators) with several related but different services, including distribution of syndicated programming to television stations, program mastering and standards conversion, infomercial customization and delivery, master tape and film storage, library distribution services and video integration and delivery services. Private PSI developed its own tape tracking and vault library management system and a system for infomercial customization and voice-over integration.

From its inception, Private PSI was undercapitalized. It funded its initial operations through the factoring of its accounts receivable. The Company was unable to commence operations in the television programming services business and ultimately, substantially all of its assets were sold and it discontinued its operations.

## **Chapter 11 Plan of Reorganization**

On June 23, 1995, the Company filed a Petition under Chapter 11 of the U.S. Bankruptcy Code. As of December 1995, the Company had sold most of its assets, reduced its debt and terminated its operations. By that date, there was no trading market in the Company s securities. In 1996, Troika Capital, Inc. ( Troika ), a Utah corporation, agreed to assist the Company in developing a Plan of Reorganization which would provide the Company, its shareholders and creditors with at least a possibility of recouping all or some of their investment in the Company or the debts owed to them by the Company. Troika is a privately-owned Utah corporation which has been involved in various company formations, mergers and financings.

Mark A. Scharmann, the President of Troika, and now the President of the Company, and his affiliates, were shareholders of the Company and creditors of the Company at the time the Company commenced its bankruptcy proceeding. Mr. Scharmann was a founder of the Company in 1986 and was an original shareholder of the Company. At the time the Company acquired Private PSI, he resigned as an officer and director of the Company but remained a shareholder and later became a creditor of the Company. Many of the investors in the Company are friends and acquaintances of Mr. Scharmann. The Company believed that if it were to liquidate, there would be a total loss to creditors and shareholders. Because of his own equity and debt investment in the Company, and his relationship with other shareholders and creditors of the Company, Mr. Scharmann agreed, through Troika, to develop a business plan for the Company and to attempt to assist the Company in carrying out such plan.

The Plan of Reorganization developed for the Company by Troika was essentially as follows:

1. Eliminate all non-tax liabilities of the Company through the conversion of debt into equity.
2. Replace the current officers and directors of the Company with new management. The new management includes the following: Mark Scharmann, Dan Price and David Knudson.

3. File all required Securities and Exchange Commission reports which may be necessary to bring the Debtor current in its filing requirements under Section 15(d) of the 1934 Act. File all SEC reports which become due in the future.
4. File any tax returns which are in arrears and file all required tax returns and reports which become due in the future.
5. Use existing cash of the Company to pay quarterly tax payments and for working capital.
6. Prepare and bring current, the financial statements of the Company
7. Attempt to raise additional cash to be used to fund quarterly tax payments and for working capital.
8. Locate a private-company which is seeking to become a public company by merging with the Company.
9. Assist the Company in completing any merger which is located and which the Board of Directors deems appropriate.
10. Assist the post-merged company with shareholder relations, financial public relations and with attempts to interest a broker-dealer in developing a public market for the Company's common stock so that the Company's shareholders (including creditors whose debt was converted into shares of the Company's common stock) may ultimately have a opportunity to liquidate their shares for value in market or in privately negotiated transactions.

The Plan and Disclosure Statement was confirmed by the Bankruptcy Court on May 28, 1997. The Effective Date of the Plan was June 8, 1997.

#### **Post Confirmation Date Activities**

Since the Confirmation of the Plan of Reorganization the following have occurred:

Edgar Filing: PACIFIC ALLIANCE CORP - Form 10-Q

1. Pre-Confirmation Date non-tax debt in the amount of approximately \$1,458,000 was converted into 1,458,005 shares of the Company common stock.
2. The Company has audited financial statements for the years ended December 31, 1995 through 2008.
3. Tax liabilities to the Internal Revenue Service are approximately \$293,448 as of December 31, 2008.
4. The Company effected a 1-for-6 reverse split of its issued an outstanding common stock in order to establish a more desirable capital structure for potential merger partners.
5. The Company changed its name to Pacific Alliance Corporation.
6. The Company's common stock is now quoted on the OTC Bulletin Board under the trading symbol PALC.
7. The Company filed an application for approval of secondary trading in its common stock with the Division of Securities of the State of Utah. An Order Granting such application was issued by the Utah Division of Securities which was effective through March 31, 1999.

8. The Company has prepared and filed periodic reports through the period ending September 30, 2009.
9. Effective February 22, 2000 - the Bankruptcy Court entered an Order of Final Decree closing the Bankruptcy Case.

### ***Forward Outlook and Risks***

This periodic report contains and incorporates by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act with respect to results of our operations and businesses. All statements, other than statements of historical facts, included in this periodic report, including those regarding market trends, our financial position, business strategy, projected costs, and plans and objectives of management for future operations, are forward-looking statements. In general, such statements are identified by the use of forward-looking words or phrases including, but not limited to, intended, will, should, may, expects, anticipates, and anticipated or the negative thereof or variations thereon or similar terminology. These forward-looking statements are based on our current expectations. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties, our actual results could differ materially. Important factors that could cause actual results to differ materially from our expectations are disclosed hereunder and elsewhere in this Form 10-Q. These forward-looking statements represent our judgment as of the date of this Form 10-Q. All subsequent written and oral forward-looking statements attributable to Pacific Alliance are expressly qualified in their entirety by the Cautionary Statements. we disclaim, however, any intent or obligation to update our forward-looking statements.

### ***Plan of Operation***

Our current plan of operation is to acquire another operating company. It is likely that any acquisition will be a reverse merger acquisition whereby we acquire a larger company by issuing shares of our common stock to the shareholders of the larger company. Although we would be the surviving or parent company from a corporate law standpoint, the shareholders of the larger company would be our controlling shareholders and the larger company would be treated as the survivor or parent company from an accounting point of view. It can be expected that any company which may desire to be acquired by us will do so as method of potentially becoming a public company more quickly and less expensively than if such company undertook its own public offering. Even if we are able to acquire another company, there can be no assurance that we will ever operate at a profit.

***Results of Operations***

We have not conducted any active operations since our Confirmation Date and generated no revenue during the reporting period ended September 30, 2009. We anticipate that we will not generate any revenues until we complete the transaction contemplated by the Exchange Agreement described above or acquire or merge with another company.

We had total expenses of \$2,666,997 for the nine month period ended September 30, 2009 compared to \$162,417 for the nine month period ended September 30, 2008, an increase of \$2,504,580, a substantial increase due primarily to the recording of a large increase in interest expense related to the valuation of the conversion features of the convertible notes payable as a derivative instrument, the recording of changes in the valuation of the derivative liability, plus increases in compensation expense and professional fees. In accordance with the modified joint plan or reorganization, management is compensated on an hourly basis at a rate of \$75 per hour. Accordingly, our total compensation expense (stock issued for services) for the nine month period ended September 30, 2009 was \$98,240 compared to \$43,275 for the nine month period ended September 30, 2008, an increase of \$54,965. Such compensation is paid through the issuance of common stock valued at \$.10 per share based on the reorganization plan approved by the Bankruptcy court.

Our total interest expense was \$1,291,957 for the nine month period ended September 30, 2009 compared to

\$41,294 for the nine month period ended September 30, 2008. During the nine months ended September 30, 2009, we issued convertible notes bearing an annual interest rate of 8% and which are convertible within six months from the date of each note. The notes contain a convertible feature allowing the holder to convert all or a portion of the outstanding balance into our common stock. The accounting treatment is explained in Note 5 to the attached financial statements. Based on the restated calculations, we have recorded charges to interest expenses of \$1,259,173 at the time of issuance, in the nine months ended September 30, 2009. We also recorded other expenses of \$915,682 as change in derivative liability for the nine months ended September 30, 2009 due to an increase in the Company's stock price at the end of the quarter ended September 30, 2009. As of September 30, 2009 the amount of the convertible notes outstanding totaled \$118,000, all of which is short-term convertible debt.

Relating to total expenses, during the quarter ended June 30, 2002, we passed a resolution to pay rent, office and secretarial services to one of our stockholders at a rate of \$500 per month.

### ***Liquidity and Capital Resources***

As of September 30, 2009, our total assets consisted of \$170,357 in cash and receivables. We have limited cash and we are dependent upon loans and advances from our management and others to fund our operating expenses pending the completion of a merger or acquisition. As of September 30, 2009, we had total liabilities of \$1,529,755 of which \$362,639 related to tax liabilities incurred prior to the Chapter 11 Plan of Reorganization. At September 30, 2009, a total of \$229,105 of our liabilities related to funds borrowed by us from our management and others (not taking into account the derivative liability related to the convertible notes payable). This number represents a decrease of \$377,040 since December 31, 2008. One of our officers advanced \$119,100 to us during the nine months ended September 30, 2009. We repaid the officer \$348,747 during the nine months ended September 30, 2009. These advances bear interest at 10% and have no maturity date. The balance of advances was \$86,105 and \$315,752 at September 30, 2009 and December 31, 2008, respectively.

We have located an acquisition candidate and we anticipate that some or all our debt to management and others will be converted into additional shares of common stock. Until the acquisition is completed, we intend to continue paying for various filing fees and professional fees relating to our reporting obligations and to fund the costs which may arise from seeking new business opportunities by borrowing funds from our management and others.

We have taken steps to minimize our operational expenses. We have no source of revenue and it is likely that we will be required to raise additional capital in order to attract a potential acquisition partner. We do not know how much additional capital will be required and if our capital requirements will exceed the financial resources of our management or others that have advanced funds for our operations. We may seek alternative sources for financing.

In either case, we can give no assurance that we will be able to raise sufficient additional capital to continue as a shell company. It is also likely that any future acquisition will be made through the issuance of shares of our common stock

which will result in the dilution of the percentage ownership of the current shareholders.

The auditors' report included with our Annual Report on Form 10-K for the year ended December 31, 2008 contains a going concern qualification, which provides that our ability to continue as a going concern is dependent upon it raising additional capital. We will continue to be an inactive company unless and until we complete the Exchange Agreement with Superior as described above

*Critical Accounting Policies*

This Management's Discussion and Analysis of Financial Condition and Results of Operations discuss the Company's financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. We have terminated our previous operations and such operations are treated as discontinued operations for financial statement purposes.

We anticipate that in the future, the preparation of our financial statements will require management to make estimates and assumptions that will affect reported amounts of assets and liabilities and the disclosure of



contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management will evaluate its estimates and assumptions, including those related to inventory, income taxes, revenue recognition and restructuring initiatives. We anticipate that management will base its estimates and judgments on historical experience of the operations we may acquire and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, will affect its more significant judgments and estimates used in the preparation of our Consolidated Financial Statements following the completion of an acquisition:

Inventory. The Company will be required to reduce the stated value of its inventory for obsolescence or impairment in an amount equal to the difference between the cost of the inventory and the estimated market value, based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional reductions in stated value may be required.

Income Taxes. In determining the carrying value of the Company's net deferred tax assets, the Company will be required to assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions, to realize the benefit of these assets. If these estimates and assumptions change in the future, the Company may record a reduction in the valuation allowance, resulting in an income tax benefit in the Company's Statements of Operations. Management will be required to evaluate the realizability of the deferred tax assets and assesses the valuation allowance quarterly.

Goodwill and Other Long-Lived Asset Valuations. In June 2001, the FASB issued SFAS 141, Business Combinations, and SFAS 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001 with early adoption permitted for companies with fiscal years beginning after March 15, 2001. We currently have no intangible assets. At such time as we have intangible assets, we will adopt the new rules on accounting for goodwill and other intangible assets. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives.

Revenue Recognition. At such time as we have revenues from operations, we will adopt revenue recognitions policies consistent with generally acceptable accounting standards.

Stock-Based Compensation. Equity securities issued for services rendered have been accounted for at the fair market value of the securities on the date of authorization. On January 1, 2006, we adopted SFAS No. 123 (revised 2004), Share-Based Payment, ( SFAS 123(R) ) which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payments to employees and Directors, including employee stock options and stock purchases related to our employee stock option and award plans. SFAS 123(R) supersedes our previous accounting under Accounting Principles Board ( APB ) Opinion No. 25, Accounting for Stock Issued to Employees ( APB 25 ) for periods beginning in the fiscal year ended December 31, 2006. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ( SAB 107 ) relating to SFAS 123(R). We have applied the provisions of SAB 107 in our adoption of SFAS 123(R). We adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of our fiscal year ended December 31, 2006. SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Statement of Operations. Under SFAS 123(R), stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. At September 30, 2009, we have no such outstanding options or warrants, nor were there any such options or warrants granted during the nine month period then ended. Therefore we did not recognize any stock-based compensation expense under SFAS 123(R) for the reporting period.

***Interest Rate Risk***

We currently have debt and will undoubtedly incur debt to finance our operations. We anticipate that a substantial amount of our future debt and the associated interest expense will be subject to changes in the level of interest rates. Increases in interest rates would result in incremental interest expense.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

***Contractual Obligations and Commitments***

Except for the payment of accrued management compensation, accrued taxes, rent and other payables, all of which are described in the financial statements attached hereto, we have no contractual commitments or obligations.

***Inflation***

The Company does not believe that inflation will negatively impact its business plans.

**Other Matters**

The Company will not effect any merger unless it first obtains approval from its shareholders. In connection with obtaining shareholder approval of a proposed merger, the Company will distribute an Information Statement which contains information about the proposed acquisition transaction.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is a Smaller Reporting Company as defined under §229.10(f)(1) of Regulation S-K and is not required to provide the information required by this Item.

### **ITEM 4T. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), an evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive officer and our principal financial officer, concluded that the design and operation of these disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 1A. RISK FACTORS**

We are a smaller reporting company and not required to provide the information required by this item.

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

During the nine month period ended September 30, 2009 we issued 982,400 shares of our restricted common stock to our officers for management services as follows:

Recipient	Number of Shares	Attributed Value <sup>(1)</sup>
Mark A. Scharmann	409,850	\$40,985
Dan Price	48,000	\$4,800
David Knudson	524,550	\$52,455

<sup>(1)</sup>The \$.10 per share price for these services was established in the Bankruptcy Plan of Reorganization referred to in Part I, Item 2 of this report on Form 10-Q.

All of the foregoing shares of common stock issued were issued in reliance on the exemption from registration available under Section 4(2) of the Securities Act.

Subsequent to September 30, 2009, on October 30, 2009, we completed the initial closing of a private cash offering ( Private Placement ) of shares of its Series B Preferred Stock in which a total of 665,000 Series B Preferred Shares have been sold to date raising gross proceeds of \$665,000. The Series B Shares are convertible into 13,300,000 shares of the Company s common stock. A registered broker-dealer and a member of the Financial Industry Regulatory Authority ( FINRA ) was retained as the exclusive placement agent for the Private Placement and received a commission of \$66,500 (ten (10%) percent of the gross proceeds) and an expense allowance of \$5,000. The placement agent was also issued two shares of our common stock for each one Series B Share sold in the Offering for a total of 1,330,000 shares of common stock issued to the placement agent as additional compensation. Offering proceeds will be used for, among other things, professional fees, payment of our outstanding liabilities including \$25,000 to Hyacinth Resources, LLC. (Such \$25,000 payment was a compromise of a \$120,000 obligation by us to Hyacinth Resources, LLC.)

In connection with the Private Placement, we relied upon the exemption from securities registration afforded by Rule 506 of Regulation D as promulgated by the SEC under the Securities Act of 1933, as amended (the Securities Act ) and/or Section 4(2) of the Securities Act. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, or other suitable investors. Transfer was restricted in accordance with the requirements of the Securities Act.

### **ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES**

None

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

None

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

- |            |   |
|------------|---|
| Exhibit 31 | Certification of Chief Executive and Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002. |
| Exhibit 32 | Certification of Chief Executive and Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002. |

SIGNATURE

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

Dated: November 19, 2009

PACIFIC ALLIANCE CORPORATION

By

/s/ Steven Clark

President/Principal Executive and Financial Officer

