

PACIFIC ALLIANCE CORP  
Form 10-K  
April 15, 2010

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

Form 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 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 000-51777**

**PACIFIC ALLIANCE CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

**87-0445849**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**986 West 2<sup>nd</sup> Street**

**Building 12-A, Bay 6**

**Ogden, UT 84404**

801-621-5200

(Address of principal executive office and telephone number)

**Securities registered pursuant to Section 12(b) of the Exchange Act:**

**Title of each class**

none

**Name of each exchange on which registered**

n/a

**Securities registered pursuant to Section 12(g) of the Exchange Act:**

**Title of class**

Common Stock

Indicate by check mark if the Registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES  NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.



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.

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

On April 9, 2010, 3,882,267 shares of common stock of the Registrant were outstanding, with an additional 1,000,000 shares of Preferred A stock outstanding, convertible into 30,330,000 shares of common stock, and 2,952,548 shares of Preferred B stock outstanding, convertible into 2,952,548 shares of common stock. The market value of the fully diluted common stock held by non-affiliates was \$30,569,775 (based upon the closing price of \$5.00 per share of common stock as quoted on the NASDAQ Over-The-Counter Bulletin Board at January 5, 2010, the last trade date).

***Documents Incorporated by Reference: None***

---

**PACIFIC ALLIANCE CORPORATION**

**2008 ANNUAL REPORT ON FORM 10-K**

**TABLE OF CONTENTS**

|          | <u>Page</u>   |
|----------|---|
| PART I   |   |
| ITEM 1.  | BUSINESS 1  |
| ITEM 1A. | RISK FACTORS 7  |
| ITEM 1B. | UNRESOLVED STAFF COMMENTS 13  |
| ITEM 2.  | PROPERTIES 14   |
| ITEM 3.  | LEGAL PROCEEDINGS 14  |
| ITEM 4.  | RESERVED 14   |
| PART II  |   |
| ITEM 5.  | MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES 15 |
| ITEM 6.  | SELECTED FINANCIAL DATA 17  |
| ITEM 7.  | MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 18                        |
| ITEM 7A. | QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  |
| ITEM 8.  | FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA   |
| ITEM 9.  | CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE                            |
| ITEM 9A. | CONTROLS AND PROCEDURES   |
| ITEM 9B. | OTHER INFORMATION   |
| PART III |   |
| ITEM 10. | DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT  |
| ITEM 11. | EXECUTIVE COMPENSATION  |
| ITEM 12. | SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS                  |
| ITEM 13. | CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE                                       |
| ITEM 14. | PRINCIPAL ACCOUNTING FEES AND SERVICES  |
| PART IV  |   |
| ITEM 15. | EXHIBITS AND FINANCIAL STATEMENT SCHEDULES  |



**PACIFIC ALLIANCE CORPORATION**

**2009 ANNUAL REPORT ON FORM 10-K**

This report contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as "believes," "expects," "may," "will," "should," "anticipates," or "intends" or the negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward-looking statements, including without limitation, management's examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but, there can be no assurance that management's expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks set forth in "Part I. Item 1A. Risk Factors" and elsewhere in this report.

This report may include information with respect to market share, industry conditions and forecasts that we obtained from internal industry research, publicly available information (including industry publications and surveys), and surveys and market research provided by consultants. The publicly available information and the reports, forecasts and other research provided by consultants generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, our internal research and forecasts are based upon our management's understanding of industry conditions, and such information has not been verified by any independent sources.

For convenience in this report, the terms Pacific, Company, our, us or we may be used to refer to Pacific Alliance Corporation.

## PART I

### ITEM 1. BUSINESS

#### General

On June 26, 2009, Pacific Alliance Corporation, a Delaware corporation (Pacific or the Company), 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). The Exchange Agreement and the acquisition agreed to therein, was closed (the Closing) on October 30, 2009 (the Closing Date). At the Closing, Pacific 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), convertible into 606,600,000 shares of the Company's common stock. Upon conversion, a change of control was effected with the Superior Members owning approximately 88.04% of the total shares of Pacific common stock then issued and outstanding immediately following the Closing.

In connection with the acquisition of Superior, the three existing directors of Pacific remained as directors and two designees of Superior were appointed as additional directors. The pre-closing president, vice president and

---



treasurer of Pacific resigned as officers of Pacific and a new CEO/President/Treasurer, Steven Clark, was appointed. The pre-closing secretary of Pacific, David Knudson, remained as secretary of Pacific. Effective on the Closing Date, pursuant to the Exchange Agreement, Superior became a wholly-owned subsidiary of Pacific. The acquisition ( Acquisition ) of Superior is treated as a reverse acquisition for accounting purposes, and the business of Superior became the business of Pacific as a result of the Exchange.

Pacific Alliance is a Delaware corporation which, prior to the Acquisition of Superior was an inactive shell corporation. We were previously engaged in the business of distributing television programming. On June 23, 1995, we filed for protection under Chapter 11 of the United States Bankruptcy Code. We emerged from bankruptcy June 8, 1997. At the time of the Closing, we were a shell corporation and our business plan was to acquire through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination, one or more businesses or assets, which we refer to as a Business Combination. On June 26, 2009, we entered into an Exchange Agreement with the Superior Members and on October 30, 2009 we closed the Acquisition contemplated by such Exchange Agreement. Additional details about Pacific Alliance's pre-Closing business plan is included in Pacific's Form 10-K for the year ended December 31, 2008 which is available at <http://www.sec.gov>. The description of business that follows in this Report is a description of the business of Superior.

## Overview

Superior was formed in October 2007 and occupied its lease space in Ogden, Utah on December 6, 2007. From January to September 2008, the plant and equipment were placed in service but Superior did not commence operations until October of 2008. Superior designs, manufactures and markets a broad range of air filtration products, air filters holding frames and air filter housings including (i) high-end High Efficiency Particulate Air (HEPA) filters, with at least 99.97% efficiency, and Absolute Isolation Barriers for the creation of synthesized atmospheres to control manufacturing environments and for the absolute control and containment of contaminants and toxic gases in certain manufacturing processes; (ii) mid-range filters for individual and commercial use, which fall under specifications which are categorized by Minimum Efficiency Reporting Value (MERV) ratings established by the American Society of Heating Refrigeration and Air Conditioning Engineers ("ASHRAE"); and (iii) standard-grade, low cost filters with efficiency ratings at 35% for standard residential and commercial furnace and air conditioning applications.

As a manufacturer of commercial, industrial, and residential air filters, housing and frames, we make a wide variety of products for removing and controlling airborne particulates and gaseous contaminants. We also design and manufacture some of our own production equipment to automate our processes in order to decrease labor costs associated with our standard products.

Because the need for clean air is universal, we design air filter products for use in all types of air filtration systems, regardless of the original manufacturer. The scope of the application is unlimited and ranges from ultra-clean air for

semiconductor facilities and pharmaceutical manufacturing, preventing the spread of infection in hospitals, to removing odors and harmful gases in occupied spaces.

Our air filtration products are utilized by many industries, including those associated with commercial and residential heating and ventilation and air conditioning systems ("HVAC" systems), semiconductor manufacturing, ultra-pure materials, food processing, biotechnology, pharmaceuticals, oil and gas, synthetics, nuclear power and nuclear materials processing.

Currently, our revenues primarily are derived from the sale of after-market replacement filters, since air filters are typically placed in equipment designed to last much longer than the filters. Our primary focus has been on high-technology companies in the semiconductor, hospitality, food processing, pharmaceutical and nuclear industries. The filtration systems are the key element in a semiconductor fabrication facility, and most of the advances in air filtration technology in recent years have been driven by the demand from semiconductor manufacturers to have increasingly efficient and dependable filters for their manufacturing facilities.

We have also concentrated on general commercial-grade products, including pre-filters, housings, and replacement filters for standard commercial and industrial HVAC systems. Since we commenced operations, we

---

have experienced positive acceptance from the commercial and industrial air filter markets. We believe our design and packaging advantages create significant savings to the distributors. We anticipate that demand for our products will increase as we pursue new markets.

## **Industry**

We are in the business of retail residential and commercial/industrial air filter frame and housing manufacturing for the clean air industry. Our principal business is the manufacture of custom made high efficiency air filters, filtration systems, and housings which are used primarily in ultra clean manufacturing environments (clean rooms) in systems designed for the containment of airborne hazards. We sell our products both domestically and internationally and we are a vertically integrated company with a filter assembly plant, metal working facility and die cutting equipment. Air filtration products are critical to many high technology industries, including semi conductors, ultra pure material handling, bio-technology, pharmaceutical production, synthetics manufacturing, and the containment of airborne radioactive particles in nuclear facilities.

The air filtration market is mature, with market growth driven by a gradual trend toward higher efficiency filters for residential, commercial and industrial applications. Our management believes that health concerns will accelerate this trend over the next five years as commercial buildings in large U.S. cities upgrade their ventilation systems to install more efficient filters trying to achieve LEED certification. Other growth drivers include an increasing propensity towards using higher-performance filters in commercial and residential spaces instead of current low-efficiency models, and the use of HEPA filters in new applications.

We believe the forces driving the air filtration market are evolving, beginning in the past decade and continuing for the next several years, from preserving machinery and equipment to maintaining and or facilitating indoor air quality. In addition, we expect many technology industries to increase their reliance on air filters to remove microscopic and gaseous contaminants from sensitive manufacturing processes associated with semiconductor manufacturing, pharmaceutical production, ultra-pure materials manufacturing, nuclear power and materials processing, and biotechnology. Companies are devoting resources to air filtration products to enhance process efficiency and employee productivity.

Air filters are used in many different applications, including the following:

*Commercial and Residential HVAC Systems.* Replacement filters are an essential requirement for the efficient operation of commercial and residential HVAC systems.

*Residential air cleaners.* Stand-alone air cleaners which produce ultra-clean air in a defined area are also gaining in popularity among allergy sufferers and asthmatics, although follow-up sales of replacement filtration cartridges have been limited.

*General Industrial.* Air filters are used in standard industrial settings to provide cleaner work environments; for example, auto makers use air filtration systems to remove oil mist contaminants from the air in their plants and industrial paint booth users utilize air filtration to remove paint particles from the air.

*Semiconductors.* HEPA and carbon filters are necessary to meet the increasingly stringent manufacturing environment requirements of semiconductor manufacturers, where microscopic airborne contaminants can ruin microchips during production, having a large impact on manufacturing yield and profitability. Carbon filters are also being increasingly used to filter gaseous contaminants from semiconductor manufacturing areas.

*Pharmaceuticals.* Pharmaceutical companies are increasingly using cleanrooms to prevent cross-contamination between different products and different lots of the same product being manufactured at the same facility. The increasing use of cultured microbes for drug production is also expected to increase demand for high-end containment environments.

*Biotechnology.* Containment systems for the manipulation of viruses and bacteria using genetic engineering techniques are critical to the biotechnology industry.

*Nuclear Power and Materials Processing.* Filtration systems are necessary to radioactive containment procedures for all nuclear facilities, containment systems are necessary to provide shielding.

*Chemical, Biological and Radiological Safe Environments.* Filtration systems are necessary to provide a safe environment for those working in sensitive areas that may be subject to exposure to such substances.

## **Products**

We offer a broad line of air filtration products and related equipment and hardware. These products are marketed through both retail and independent distributor networks to the end users. We maintain separate product literature and product lines for each major market segment, however the basic underlying technology for the individual segment's products remain consistent throughout all product lines. Information about our products is set forth below.

**HEPA Filters** *ULPA Ultra Low.* A HEPA (High Efficiency Particle Arresting) filter can remove the majority of harmful particles, including mold spores, dust, dust mites, pet dander and other irritating allergens from the air. Along with other methods to reduce allergens, such as frequent dusting, the use of a HEPA filtration system can be a helpful aid in controlling the amount of allergens circulating in the air. HEPA filters can be found in most air purifiers, which are usually small and portable. HEPA filters and products containing them, such as home air purifiers and upright vacuum cleaners, have only been available to the public for the last decade or so. HEPA or "High Efficiency Particle Arrestor", as the letters stand for, is known for its outstanding performance in removing harmful micro-organisms from the air that we breathe. When this type of filter is used on an air purifying system, it can successfully trap up to 99.99% of every ten thousand particles that are floating around in the air. These particles can be about anything from bacteria, germs, viruses, dust, pet dander, pollen, mold, smoke, dust mites, et cetera.

The difference between a HEPA filter and any other filter is that it is made of thin fibers of glass. The fibers are formed into a thick paper - like material that is pleated. This means that a HEPA filter has a great amount of glass -

paper in it. As the particles in the untreated air try to pass through the thick surface, they cannot, and they instead tend to adhere to it. Thus, the air that leaves this type of air purifying system is cleansed and almost totally free from contaminants.

A HEPA filter must have a minimum efficiency of 99.97% in capturing particles as small as 0.1 microns (a micron is one-millionth of a meter).

***HEPA Filters and Equipment for Clean Room Applications.*** Superior sells laminar flow grade filters and equipment to clean room contractors, as well as directly to end users, through its network of distributors. Air Filtration is a significant component of clean room technology. Clean Room cleanliness is measured by determining the number of particles of a given size per cubic foot of air, called the "Class" of the room; e.g. a typical office environment might be rated Class 500,000, if the air contains 500,000 or fewer microscopic particulates per cubic foot; a modern semiconductor manufacturing facility will be rated Class 1, having at most one particle in any cubic foot of air. Clean room performance is, in part, determined by the number of filters in the room, and the grade of filter.

We manufacture laminar flow grade filters using state-of-the-art technological designs, with highest quality media available. These filters are used in clean rooms for semiconductor manufacturing, biotechnology facilities, pharmaceutical manufacturing, research and development facilities, and other specialty areas where an ultra-clean environment is necessary to maintain profitable yields.

***Industrial Grade Products.*** Our industrial grade products are used in various applications, including hospital and bio-medical ventilation systems, photoproduct processes, food handling or processing operations, toxic or carcinogenic containment, and as high-efficiency pre-filters for the terminal filter units in clean rooms using localized laminar flow hoods above workstations.

---

***Nuclear Bio Chemical Grade - HEPA Filters and Equipment for Containment HVAC Systems.*** We provide air cleaning systems that handle toxic, hazardous, and radioactive gas streams. We provide HEPA filtration systems that remove contaminants so that discharge can be safely used or blended into the atmosphere. Bag In/Bag Out systems are also available. Our products meet all of the required US government and industry codes, specifications, and qualifications.

***Carbon Filters.*** We use carbon impinged media which captures and adsorbs both odors and chemicals.

***Pleated air filters are among the top performers in the heating, ventilation and air conditioning industry.*** Pleated air filters are one of the most popular types of filter available in the heating, ventilation and air conditioning industry. These filters offer a very wide variety of characteristics and are available over a wide range of efficiencies, media types and frame types. Some have electrostatic characteristics and others have tribo electrostatic that help with odor control. They are the industry standard for contractors because of their durability, availability, cost and effectiveness. The pleated design:

·  
Reduces Face Loading (dust is trapped on the surface of the filter material instead of throughout the depth of the material as in media type air filters).

·  
Increases efficiency and therefore allows for better air flow and less restriction.

·  
Folding the filter material into pleats increases the surface area of the filter and extends its useful life.

·  
***Pleated air filter efficiencies vary greatly.*** Some have electrostatic characteristics. Ours have a tribo electrostatic charge which is inherent in the media, and therefore do not fade over time.

Some pleated filters are made with carbon or charcoal fiber impingement - These carbon impinged materials have the ability to absorb odor causing contaminants. Our carbon filter uses MERV 12 filtration media.

***Residential and Commercial HVAC Filters.*** We offer a broad line of residential and commercial HVAC filters including: The ULTIMATE Carbon filter, the ULTIMATE in Odor Control filter, the ULTIMATE in Allergen Protection, the ULTIMATE in Household Filtration, and the ULTIMATE in Flat Panel Air Filter.

***Green Products.*** We also offer a green product, which serves as a Go Green Initiative, and demonstrates our commitment to environmental responsibility. Our high-efficiency pleated materials rated MERV 4 thru MERV 13 and above are products that contribute to the achievement of green initiative. The MERV 4 product is a durable, long-life air filter is made with 100% recycled plastic bottles, cleanable media that does not support microbial growth. Designed to be cleaned with a vacuum and soft brush attachment it has a very low pressure-drop (resistance to airflow), providing optimum air flow as well as maximizing energy efficiency and savings.

***ASHRAE Grade-Commercial Grade and ASHRAE-Rated Filters.*** We manufacture ASHRAE-Rated filters for commercial HVAC systems. These filters are primarily sold as replacement and commodity filters. Our ASHRAE products include: Supercell, Supercell2, Rigid, Dynaflo V8, Super-G, Super-G Extreme, Super-G Ultimate.

***Chemical Grade Products.*** We offer a broad line of products and services to control odors, corrosive gases and airborne hazardous chemicals. A wide variety of industrial and commercial applications use this technology, ranging from the semiconductor industry to removing industry volatile organic compounds.

***Barrier Isolators Controlled Environments for Critical Processes.*** We manufacturer Barrier Isolators stand alone workstations designed for material requiring ultra-clean processing in an enclosure designed for bio-contamination.

## **Manufacturing**





We manufacture air filters, housings, Absolute Isolation Barriers and related equipment at our Utah facilities. In addition, we design and manufacture most of our production equipment.

### **Source and Availability of Raw Materials**

Our principal raw materials are cardboard, micro glass fibers and synthetic fibers, sheet metal, extruded aluminum, stainless steel, various grades of mild rolled steel, adhesives, resins and wood. All of these raw materials are readily available in sufficient quantities from many suppliers.

### **Customers**

We did not commence active operations until the last quarter of calendar year 2008. We are not dependent upon any single customer. Our largest customers for the fiscal years ended December 31, 2009 are as follows:

| <b>Customer</b>                  | <b>Percent</b> |
|----------------------------------|----------------|
| Air Filter Sales and Service     | 40%            |
| Roto Aire Filter Sales & Service | 17%            |

We sell air filtration systems to some of the world's major semiconductor manufacturers, both directly and through HVAC and clean room specialty contractors. We sell filtration systems for production and research facilities in the pharmaceutical industry. The requirements for pharmaceutical clean rooms differ from those of semiconductor manufacturers, with increased emphasis on the control and removal of volatile organic compounds with a decreased emphasis on particle concentrations.

### **Competition**

The air filtration market is fragmented and highly competitive. There are many companies which compete in our market areas. We believe that the principal competitive factors in the air filtration business include product performance, name recognition, price, product knowledge, reputation, customized design, timely delivery and product maintenance. Quality and product availability are key to success in this industry. We believe that we compete favorably in all of these categories and that, despite our relative recent formation, we are already beginning to be recognized for quality products, expertise in the filtration industry, and innovative products for the air filtration

industry. However, competitors include companies with resources, assets, financial strength and market share which may be greater than ours. Major competitors include American Air Filter International, Camfil Farr Company, Donaldson Company, Inc., 3M, Flanders and Clarcor Inc. and regional firms like Filtration Group, and small local shops.

## **Research and Development**

We develop products on our own and in consultation or partnership with our customers. Our technical lines test product components and completed products to insure high quality manufacturing results, evaluate competitive products, aid suppliers in the development of product components, and conduct controlled tests of newly designed filters, filtration systems and packaging products for particular uses. Product development engineers are concerned with the improvement and creation of new filters and filtration media, filtration and containment systems, containers and packaging products in order to increase their performance characteristics, broaden their respective uses, counteract obsolescence and evaluate other products available in the marketplace.

Our research and development is currently focused in the following areas:

*Automated equipment design*, to increase the efficiency and profitability of production lines used for mass production of off-the-shelf filters.

*Alternative filtration media types*, including evaluation of new synthetic and glass media products, which might either increase efficiency, reduce energy consumption and/or decrease media costs;

*Application development*, where new methods and products are developed from existing technologies,

---

Superior's new low profile format (radial pleats) facilitating a nested or stackable format is an example of this.

In fiscal 2009, we employed approximately 4 employees on either a full-time or part-time basis working directly or indirectly on research activities relating to the development of new products or the improvement or redesign of its existing products. During this period we spent approximately \$277,000 on research and development.

### **Intellectual Property**

We are currently developing new filtration technology and fabrication methods. We have developed new pleating technology and increases filter efficiency with a lower profile pleat. We also intend, subject to available funds among other factors, to pursue not only the development of additional Intellectual Properties but also its proactive acquisition when we identify opportunities to strengthen our proprietary position.

### **Employees**

We employed 57 full-time employees on December 31, 2009; 52 in manufacturing, two in development and technical staff, one in sales and marketing, and the remaining two in support staff and administration. We consider our employee relations to be good.

### **Government Regulation**

Our operations are in material compliance with applicable environmental laws and regulations. Risks of significant costs and liabilities are inherent in manufacturing operations, and we cannot assure that significant costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental laws and regulations and enforcement policies, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us. We currently believe that changes in environmental laws and regulations will not have a material adverse effect on our financial position, results of operations or cash flows in the near term.

We are also subject to the requirements of OSHA and comparable state statutes. We believe we are in material compliance with OSHA and state requirements, including general industry standards, record keeping requirements and

monitoring of occupational exposures. In general, we expect to increase our expenditures to comply with stricter industry and regulatory safety standards such as those described above. Although such expenditures cannot be accurately estimated at this time, we do not believe that they will have future material adverse effect on our financial position, results of operations or cash flows.

### **Seasonality**

Although we have less than two years of operating history, we do not anticipate that our business will be seasonal. Demand for our general commercial and industrial products can be highly influenced by the weather, with higher sales generally associated with extremes of either hot or cold weather. Lower sales are generally associated with temperate weather. Because of weather-related demand fluctuations in quarter-to-quarter performance may not be a good predictor of future results.

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

*We are a development stage company with no operating history during the last 10 years and no revenues, and you have no basis on which to evaluate our ability to achieve our business objective.*

We have been an inactive shell corporation for more than ten years. During that period we have generated no revenues, completed no business combinations and have had no active trading in our securities. We have commenced business operations as a result of the Acquisition of Superior. Superior has been operating for less than 2 years. Therefore, because we cannot demonstrate a long history of meeting operational challenges, any investment in our company may be deemed to be especially risky

---

***Our internal control over financial reporting may have weaknesses or inadequacies that may be material.***

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to perform an evaluation of our internal control over financial reporting and our auditor to attest to such evaluation on an annual basis. As a result of our acquisition of Superior, ongoing compliance with these requirements is expected to be expensive and time-consuming and may negatively impact our results of operations. While our management did not identify any material weaknesses in our internal control over financial reporting at December 31, 2009 and concluded that our internal control over financial reporting was effective, we cannot make any assurances that material weaknesses in our internal control over financial reporting will not be identified in the future. If any material weaknesses are identified in the future, we may be required to make material changes in our internal control over financial reporting, which could negatively impact our results of operations. In addition, upon such occurrence, our management may not be able to conclude that our internal control over financial reporting is effective or our independent registered public accounting firm may not be able to attest that our internal control over financial reporting was effective. If we cannot conclude that our internal control over financial reporting is effective or if our independent registered public accounting firm is not able to attest that our internal control over financial reporting is effective, we may be subject to regulatory scrutiny, and a loss of public confidence in our internal control over financial reporting, which may cause the value of our common stock to decrease.

***The assets and current operations of Superior do not support the agreed-upon valuation of Superior and there can be no assurance that Superior's operations will ever have a value equal to the agreed upon valuation.***

We did not retain an appraiser, valuation expert or an investment banker in connection with our agreement to issue shares of our Series A Preferred Stock to the Superior Members. We arbitrarily agreed with Superior as to the number of Series A Shares, and the number of shares of common stock into which such Series A Shares may be converted, which would be issued to the Superior Members. Based upon the Offering price of the Series B Shares and the percentage of ownership of the Company by the Series B shareholders, Superior has an arbitrarily established valuation of more than \$30,000,000. There can be no assurance that this valuation is accurate or even close to an actual valuation. There is no assurance that the Superior business is worth this amount. If the Superior valuation is excessive, it would adversely affect market prices, institutional investors' interest in the Company, the interest of the brokerage community and the value of your investment in the Company.

***Superior is not currently profitable and may never become profitable.***

Sales for the year ended December 31, 2009 were \$2,951,319 compared to sales of \$ \$667,581 for the year end December 31, 2008. Net loss from operations for the year ended December 32, 2009 was \$109,356 compared to a net

loss from operations for the year ended December 31, 2008 of \$373,477. As Superior increases its marketing efforts and production capability it may incur additional operating losses for the foreseeable future and may never achieve or maintain profitability. Superior may experience negative cash flow for the foreseeable future as it funds its operating losses and capital expenditures. As a result, Superior will need to generate significant revenues in order to achieve and maintain profitability. Superior may not be able to generate significant increased revenues or achieve profitability in the future. The failure to achieve or maintain profitability could negatively impact the value of Pacific common stock and investors would in all likelihood lose all or a portion of their investment. If Superior is not able to generate revenues sufficient to fund its operations through product sales or if it is not able to raise sufficient funds through investments by third parties, it could result in its inability to continue as a going concern and, as a result, our investors would lose their entire investment.

---

*Failure to manage future growth could adversely impact our business due to the strain on our management, financial and other resources.*

In order for us to operate profitably, we need to significantly expand our operations. If our business does expand in the future, the additional growth will place burdens on management to manage such growth while maintaining profitability. Our ability to compete effectively and manage future growth depends on our ability to:

- .  
recruit, train and manage our work force, particularly in the areas of corporate management, accounting, research and development and operations,
- .  
manage production and inventory levels to meet product demand,
- .  
manage and improve production quality,
- .  
expand both the range of customers and the geographic scope of our customer base, and
- .  
improve financial and management controls, reporting systems and procedures.



Any failure to manage growth effectively could have a material adverse effect on our business, financial condition and results of operations.

*Failure to adequately ramp-up production capacity to meet demand could adversely impact our business due to strain on financial resources.*

If our operations expand and if the demand for our products substantially increases, any delays in the receipt of raw materials from our suppliers or delays in the increase of our production of products could also adversely impact our ability to expand our operations, as well as impair relationships with our current customers. Such delays could harm our revenue prospects.

*Our business may suffer if our competitive strategy is not successful.*

Our success depends on our ability to compete in an industry that is highly competitive. This competition may increase as new competitors enter the market. Many of our competitors have longer operating histories and greater financial, marketing and other resources than we do. Competitors may introduce new products or enhancements to products that could cause a decline in sales or loss of market acceptance of our existing products. Under our current competitive strategy, we will endeavor to remain competitive by:

.

increasing our market share,

---

.  
expanding our market through the introduction of new products which require periodic replacement, and

.  
improving our operating efficiencies.

Although our executive management team continues to review and monitor our strategic plans, we do not know if we will be able to follow our current strategy or that this strategy will be successful.

***Our business may suffer if our strategy to increase the size and customer base of the air filtration market is unsuccessful.***

We are developing new products as part of our strategy to increase the size and customer base of the air filtration market. We must be able to recoup the expenditures associated with the development of these products. To succeed in this area we must:

.  
increase public awareness of the issues surrounding indoor air quality,

.  
adequately address the unknown requirements of the potential customer base,

.  
develop new products that are competitive in terms of price, performance and quality, and

.

avoid significant increases in current expenditure levels in development, marketing and consumer education.

We do not know if any new products we develop will gain acceptance in the marketplace, or that these products will be successful.

***We may experience critical equipment failure which could have a material adverse effect on our business.***

If we experience extended periods of downtime due to the malfunction or failure of our automated production equipment, our business, financial condition and operations may suffer. We design and manufacture much of the automated production equipment used in our facilities. We also use other technologically advanced equipment for which manufacturers may have limited production capability or service experience. If we are unable to quickly repair our equipment or quickly obtain new equipment or parts from outside manufacturers, we could experience extended periods of downtime in the event of malfunction or equipment failure.

***Our ability to compete and grow is dependent on access to adequate supplies of labor, equipment, parts and components.***

Our ability to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. Failure of suppliers to deliver such skilled labor, equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to our ability to compete and grow. We do not know if we will be successful in maintaining the required supply of skilled labor, equipment and components. It is possible that the final costs of the major equipment contemplated by our capital expenditure program may be greater than the funds available to us, in which case we may curtail, or extend the timeframes for completing, our capital expenditure plans. This could have a material adverse effect on our financial results.

Our success also depends on our ability to attract highly qualified engineering, manufacturing, and technical sales and support personnel for its operations. Competition for such personnel, particularly qualified engineers, is intense, and we may not be successful in attracting or retaining such personnel. Our failure to attract or retain such persons could have a material adverse effect on our business, financial condition and results of operations.

***Our current distribution channels may be unavailable if our manufacturers' representatives decide to work primarily with one of its competitors.***



We provide our manufacturers' representatives with the ability to offer a full product line of air filtration products to existing and new customers. Some of our competitors offer similar arrangements. We do not have exclusive relationships with all of our representatives. Consequently, if representatives decide to work primarily with one of our competitors, current distribution channels and hence, our sales, could be significantly reduced.

***Management controls a significant percentage of our stock.***

Our officers and directors, and their affiliates, own, as a group own more than 85% of our total outstanding voting rights. As a result, such stockholders effectively control or significantly influence all matters requiring stockholder approval. These matters include the election of directors and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control that may otherwise be advantageous to the non-affiliated stockholders.

***Our business can be significantly affected by environmental laws.***

The constantly changing body of environmental laws and regulations may significantly influence our business and products. These laws and regulations require that various environmental standards be met and impose liability for the failure to comply with such standards. While we endeavor at each of our facilities to assure compliance with environmental laws and regulations, and are currently not aware of any ongoing issues of this nature, we cannot be certain that our operations or activities, or historical operations by others at our locations, will not result in civil or criminal enforcement actions or private actions that could have a materially adverse effect on our business. We may, in the future, purchase or lease properties with unresolved potential violations of federal or state environmental regulations. We will not proceed with leasing and/or purchase of a building without obtaining sufficient indemnification to mitigate the impact of the issues without recognizing significant expenses associated with litigation and cleanup. However, purchasing or leasing these properties requires us to weigh the cost of resolving these issues and the likelihood of litigation against the potential economic and business benefits of the transaction. If Superior fails to correctly identify, resolve and obtain indemnification against these risks, they could have a material adverse impact on our financial position.

***We rely on key personnel and, if we are unable to retain or motivate key personnel or hire qualified personnel, we may not be able to grow effectively.***

Our success depends in large part upon the abilities and continued service of our executive officers and other key employees, particularly Mr. Steven Clark, our Chief Executive Officer, President and Treasurer. We do not know if we will be able to retain the services of such officers and employees. Our failure to retain the services of our key personnel could have a material adverse effect on our operations. In order to support our projected growth, it will be required to effectively recruit, hire, train and retain additional qualified management personnel. We have no key man insurance on any of our key employees. Our inability to attract and retain the necessary personnel could have a material adverse effect on our future prospects.

***There is not now, and there may not ever be an active market for shares of our common stock.***

Trading of our common stock is conducted on the OTCBB. In general, there has been very little trading activity in shares of our common stock. The small trading volume will likely make it difficult for our stockholders to sell their shares as and when they choose. Furthermore, small trading volumes are generally understood to depress market prices. As a result, you may not always be able to resell shares of our common stock publicly at the time and prices that you feel are fair or appropriate.

***Our common stock is subject to the penny stock rules of the SEC, which may make it more difficult for stockholders to sell the common stock.***

The SEC has adopted Rule 15c-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

---

.

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

.

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

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

.

obtain financial information and investment experience objectives of the person; and

.

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

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

.

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

.

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

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

The regulations applicable to penny stocks may severely affect the market liquidity for the common stock and could limit an investor's ability to sell the common stock in the secondary market.

***As an issuer of penny stock, the protection provided by the federal securities laws relating to forward looking statements does not apply to us.***

Although federal securities laws provide a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to issuers of penny stocks. As a result, we do not have the benefit of this safe harbor protection in the event of any legal action based upon a claim that the material provided by us contained a material misstatement of fact or was misleading in any material respect because of our failure to include any statements necessary to make the statements not misleading. Such an action could hurt our financial condition.

***We have not paid dividends in the past and do not expect to pay dividends for the foreseeable future. Any return on investment may be limited to the value of the Common Stock.***

No cash dividends have been paid on our common stock. We expect that any income received from operations will be devoted to our future operations and growth. We do not expect to pay cash dividends in the near future. Payment of dividends would depend upon our profitability at the time, cash available for those dividends, and other factors as our board of directors may consider relevant. If we do not pay dividends, the common stock may be less valuable because a return on an investor's investment will only occur if our stock price appreciates.

***Stockholders may have difficulty trading and obtaining quotations for our common stock.***

Our common stock trades on a limited basis, and the bid and asked prices for our common stock on the Over-the-Counter Bulletin Board may fluctuate widely in the future. As a result, investors may find it difficult to dispose of, or to obtain accurate quotations of the price of, our securities. This severely limits the liquidity of our common stock, and would likely reduce the market price of our common stock and hamper our ability to raise additional capital.



*The market price of our common stock is likely to be highly volatile and subject to wide fluctuations.*

---

Dramatic fluctuations in the price of our common stock may make it difficult to sell our common stock. The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors, some of which are beyond our control. Such factors include:

.  
dilution caused by our issuance of additional shares of common stock and other forms of equity securities, in connection with future capital financings to fund our operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships with other companies;

.  
variations in our quarterly operating results;

.  
announcements that our revenue or income are below or that costs or losses are greater than analysts' expectations;

.  
the general economic slowdown;

.  
sales of large blocks of our common stock by stockholders;

.  
announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments; and

.  
fluctuations in stock market prices and volumes;

These and other factors, and the impact of these risks, singly or in the aggregate, may result in material adverse changes to the market price of our common stock and/or our results of operations and financial condition.

***Our amended and restated certificate of incorporation grants our board of directors the power to designate and issue additional shares of common and/or preferred stock.***

Our authorized capital consists of 100,000,000 shares of common stock and 5,000,000 shares of preferred stock. Our preferred stock may be designated into series pursuant to authority granted by our certificate of incorporation, and on approval from our board of directors. The board of directors, without any action by our stockholders, may designate and issue shares in such classes or series as the board of directors deems appropriate and establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights. The rights of holders of other classes or series of stock that may be issued could be superior to the rights of holders of our Series B Shares. The designation and issuance of shares of capital stock having preferential rights could adversely affect other rights appurtenant to our Series B Shares. Furthermore, any issuances of additional stock (common or preferred) will dilute the percentage of ownership interest of then-current holders of our capital stock and may dilute the Pacific Alliance's book value per share.

*We are subject to Sarbanes-Oxley and the reporting requirements of federal securities laws, which can be expensive.*

As a public reporting company, we are subject to Sarbanes-Oxley and, accordingly, are subject to the information and reporting requirements of the Securities Exchange Act of 1934 and other federal securities laws. The costs of compliance with Sarbanes-Oxley, of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC, furnishing audited reports to our stockholders, and other legal, audit and internal resource costs attendant with being a public reporting company will cause our expenses to be higher than if we were privately held.

*Compliance with corporate governance laws may negatively impact our operations.*

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new SEC regulations, are creating uncertainty for public companies. We are required to invest significant management time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities. If we are unable to successfully manage compliance activities, our operating results may suffer.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.



**ITEM 2. PROPERTIES**

Pacific's offices are located at 986 West 2nd Street, Building 12-A, Bay 6, Ogden, UT 84404, and its telephone number at such address is 801-621-5200, the office, address and telephone number of our subsidiary, Superior.

As a result of our acquisition of Superior, our facilities will consist of the facilities of Superior, our operating subsidiary. The following table lists our principal facilities all of which are leased from non-affiliated lessors. Management believes that these properties are adequate for our current operational needs. We may, at some point, relocate, reorganize or consolidate various facilities for reasons of operating efficiencies or may open new plants to take advantage of perceived new economic opportunities. We are of the opinion that all properties are well maintained and appropriately insured.

| <b>Location</b> | <b>Approximate Space</b> | <b>Monthly Payment</b> |
|-----------------|--------------------------|------------------------|
| Ogden Utah      | 35,000 sq. ft.           | \$7,125                |
| Albuquerque, NM | 4,000 sq. ft.            | \$2,083                |
| Denver, CO      | 9,500 sq. ft.            | \$2,168                |

Superior's executive offices are located at 986 West 2nd Street, Building 12-A, Bay 6, Ogden, UT 84404, and its telephone number at such address is 801-621-5200. The lease expires April 30, 2011 and the monthly rate remains the same for the balance of the term.

The New Mexico facility lease expires March 31, 2012, and the monthly the rate increases to \$2,125 April 1, 2010 and to \$2,168 on April 1, 2011.

The Colorado facility lease expires on June 30, 2012, and the monthly rated increases to \$2,389 on July 1, 2010 and to \$2,468 on July 1, 2011.

**ITEM 3. LEGAL PROCEEDINGS**

As of December 31, 2009, we were not involved in any legal proceedings.

**ITEM 4. RESERVED**

---

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's common stock is quoted on the OTC Bulletin Board under the trading symbol PALC. There currently is no active market for the Company's common stock. Trading in the Company's common stock is sporadically and trades are made on a workout basis with the market maker.

| <b>Fiscal year ended December 31,</b> | <b>High</b> | <b>Low</b> |
|---------------------------------------|-------------|------------|
| <b><u>2009</u></b>                    |             |            |
| Fourth Quarter                        | \$0.30      | \$0.18     |
| Third Quarter                         | \$0.30      | \$0.06     |
| Second Quarter                        | \$0.13      | \$0.05     |
| First Quarter                         | \$0.15      | \$0.05     |
| <b><u>2008</u></b>                    |             |            |
| Fourth Quarter                        | \$0.20      | \$0.07     |
| Third Quarter                         | \$0.10      | \$0.10     |
| Second Quarter                        | \$0.10      | \$0.06     |
| First Quarter                         | \$0.06      | \$0.03     |
| <b><u>2007</u></b>                    |             |            |
| Fourth Quarter                        | \$0.07      | \$0.03     |
| Third Quarter                         | \$0.09      | \$0.09     |
| Second Quarter                        | \$na*       | \$na*      |
| First Quarter                         | \$0.09      | \$0.07     |

\*No trading activity during period.

Effective December 23, 2009, our outstanding shares were subject to a 20 for 1 reverse split. There has been virtually no activity in our common stock since that date. The prices in the above table reflect pre-split prices.

The closing price of our common stock on the OTCBB on April 9, 2010 was \$5.00 per share. As of April 9, 2010, there were approximately 199 holders of record of our common stock and 3,882,267 shares of common stock outstanding based on information provided by our transfer agent, Fidelity Transfer Company, 8915 S. 700 E. Suite 102, Sandy UT 84070.

**Dividends**

We have not paid any dividends on our common stock since our inception and do not anticipate paying any dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our Board of Directors deems relevant.

**Issuer Purchases of Equity Securities**

During the year ended December 31, 2009, we did not purchase any of our own equity securities.

---



**Shares Issued to Officers and Directors in Unregistered Transactions in 2009, 2008 and 2007**

We issued shares of our common stock periodically to our officers and directors in unregistered transactions during 2009, 2008 and 2007. All of the following shares of common stock issued were issued in non registered transactions in reliance on Section 4(2) of the Securities Act of 1933, as amended (the Securities Act ). The shares of common stock issued were as follows:

| <b>Issued To</b>  | <b>Number of<br/>Shares</b> | <b>Date</b> | <b>Consideration</b>   |
|-------------------|-----------------------------|-------------|--|
| Mark A. Scharmann | 447,350                     | 11/9/2009   | Compensation valued at \$44,735                                  |
| Mark A. Scharmann | 1,000,000                   | 11/9/2009   | Conversion of debt totaling \$50,000                             |
| Mark A. Scharmann | 3,000,000                   | 11/9/2009   | Issued per Bankruptcy Plan on completion of Business Combination |
| Dan Price         | 55,500                      | 11/9/2009   | Compensation valued at \$5,550                                   |
| Dan Price         | 66,000                      | 11/9/2009   | Issued per Bankruptcy Plan on completion of Business Combination |
| David Knudson     | 596,550                     | 11/9/2009   | Compensation valued at \$59,655                                  |
| David Knudson     | 3,000,000                   | 11/9/2009   | Issued per Bankruptcy Plan on completion of Business Combination |
| Mark A. Scharmann | 97,500                      | 3/31/08     | Compensation valued at \$9,750                                   |
| Dan Price         | 7,500                       | 3/31/08     | Compensation valued at \$750                                     |
| David Knudson     | 61,500                      | 3/31/08     | Compensation valued at \$6,150                                   |
| Mark A. Scharmann | 82,500                      | 6/30/08     | Compensation valued at \$8,250                                   |
| Dan Price         | 4,500                       | 6/30/08     | Compensation valued at \$450                                     |
| David Knudson     | 67,500                      | 6/30/08     | Compensation valued at \$6,750                                   |
| Mark A. Scharmann | 54,000                      | 9/30/08     | Compensation valued at \$5,400                                   |
| David Knudson     | 57,750                      | 9/30/08     | Compensation valued at \$5,775                                   |
| Mark A. Scharmann | 87,750                      | 12/31/08    | Compensation valued at \$8,775                                   |
| Dan Price         | 5,250                       | 12/31/08    | Compensation valued at \$525                                     |
| David Knudson     | 62,700                      | 12/31/08    | Compensation valued at \$6,270                                   |
| Mark A. Scharmann | 22,500                      | 3/31/07     | Compensation valued at \$2,250                                   |
| David Knudson     | 41,100                      | 3/31/07     | Compensation valued at \$4,110                                   |
| Mark A. Scharmann | 25,500                      | 6/30/07     | Compensation valued at \$2,550                                   |
| Dan Price         | 95,250                      | 6/30/07     | Compensation valued at \$9,525                                   |
| David Knudson     | 6,000                       | 6/30/07     | Compensation valued at \$600                                     |
| Mark A. Scharm    |                             |             |  |