

# Pacifica Partners Capital Management Inc.

SEC File Number: 801-75541

## Pacifica Partners Inc.

SEC File Number 801-69785

### Firm Brochure

(ADV Part 2)

March 31, 2013

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*This brochure provides information about the qualifications and business practices of Pacifica Partners Capital Management Inc., and the parent company Pacifica Partners Inc. (the "Registrants"). If you have any questions about the content of this brochure, please contact us at (604) 576-8908 or [compliance@pacificapartners.com](mailto:compliance@pacificapartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Pacifica Partners also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)*

## **Item 2            Material Changes**

This Disclosure Brochure is an updated document. It was prepared by the Company in response to a new rule issued on July 28, 2010 by the US Securities and Exchange Commission. The Brochure dated March 31, 2013 is an updated document prepared according to the SEC's new requirements and rules.

There has been a material change to this brochure.

The manner in which we conduct our business operations in both Canada and the USA has been restructured. Pacifica Partners Capital Management Inc. (Pacifica USA) is a new registrant wholly owned by Pacifica Partners Inc. (Pacifica Canada). The domestic US business operations previously maintained by Pacifica Partners Inc. are now maintained by Pacifica Partners Capital Management Inc. effective January 1, 2013. Key personnel including the Chief Compliance Officer and the cross border practice will be shared between both entities. The previous US operations of Pacifica Partners (SEC File Number 801-69785) will be transitioned to the new Pacifica USA entity (SEC File Number 801-75541).

### **Our US registered office is at:**

**Pacifica Partners Capital Management Inc.  
Suite #115  
2200 Rimland Drive  
Bellingham, WA 98226**

### **Our Canadian registered office is at:**

**Pacifica Partners Inc.  
Suite #213  
5455 – 152<sup>nd</sup> Street  
Surrey, BC V3X 3L6**

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## **Item 4            Advisory Business**

Pacifica Partners Inc., with our sole office located in S. Surrey, British Columbia, was incorporated on May 12, 2008. Pacifica Partners Capital Management Inc. with an office located in Bellingham, Washington was incorporated on Feb 10, 2012. We conduct our USA advisory business under the name of Pacifica Partners Capital Management Inc. The firm is owned by Pacifica Partners Inc., which in turn is equally owned by AJ Sull, Paul Bains, Naveen Gopal, and Aman Bhangu. As of March 31, 2013 Pacifica Canada had \$70,000,000 in assets under management.

Pacifica Partners Inc. is registered as a Portfolio Manager with each of the following Canadian Securities Commissions: British Columbia, Alberta, Manitoba, Quebec, New Brunswick, PEI and Ontario.

Pacifica Partners Inc. is also registered as an Investment Fund Manager with the British Columbia Securities Commission.

### **1. Discretionary Investment Management Services.**

Pacifica Partners' discretionary investment management services are defined as giving ongoing and continuous advice to a client or making investments for a client based on the individual needs of that client. Each client will complete and submit to Pacifica Partners a confidential personal profile and an investment management agreement ("IMA") that will provide information about the client's identity, personal and financial situation, investment objectives and risk tolerance. Pacifica Partners will invest the client's assets generally in accordance with the IMA guidelines. The client has the responsibility to update any information contained in the IMA on an ongoing and continuous basis. Pacifica Partners will then allocate the client's investable assets on a discretionary basis (see Item 16 for further discussion concerning the company's discretionary authorization) primarily with respect to various securities and equities listed on major stock exchanges in Canada and the United States, fixed income investments, bonds, no load mutual funds, exchange traded funds, income trusts, Real Estate Investment Trusts, and limited partnerships. Although Pacifica Partners' allocation of client assets is typically limited to those investment categories, Pacifica Partners may allocate client assets among other investment opportunities in response to a client request or where Pacifica Partners determines that it would be in the interests of the client to pursue those other investment opportunities.

### **2. Non-Discretionary Investment Advice.**

(a) Pacifica Partners' non-discretionary investment advice is comprised of recommendations that the client initiates with respect to the allocation of all or a portion of their investable assets among various individual mutual funds, exchange traded funds,

individual equity and/or fixed income securities, in accordance with the client's designated investment objective(s). Under this service model, the firm is only authorized to effect transactions for the client's portfolio with prior authorization from the client and the client is free at all times to accept or reject any recommendation from Pacifica Partners. Pacifica Partner's recommendations are based upon its professional judgment; however, Pacifica Partners cannot guarantee the results of any of its recommendations.

(b) Pacifica Partners is only authorized to effect transactions for the portfolio with prior authorization from the Client and the Client is free at all times to accept or reject any recommendation from Pacifica Partners. The Client acknowledges that he/she/it has the sole authority with regard to the implementation, acceptance or rejection of any recommendation or advice from Pacifica Partners.

### 3. Financial Consulting Services (Canada).

To the extent requested by a client, Pacifica Partners (Canada) *may* determine to provide financial planning and/or consulting services (including investment and noninvestment related matters, including cross border planning, estate planning, succession planning, legacy planning etc.) on a stand-alone separate fee basis. Pacifica Partners' (Canada) planning and consulting fees are negotiable, but generally range from \$1,000 to \$8,000, at an hourly rate basis starting at \$325, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

Prior to engaging Pacifica Partners (Canada) to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Pacifica Partners (Canada) setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Pacifica Partners commencing services. If requested by the client, Pacifica Partners (Canada) may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Please Also Note:** It remains the client's responsibility to promptly notify Pacifica Partners if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

#### 4. Miscellaneous

Clients may add restrictions to their portfolios or security selections as recommended by Pacifica Partners. These restrictions may include but are not limited to, ethical considerations, ecological considerations, governance considerations etc.

#### **Item 5 Fees and Compensation**

The specific manner in which fees are charged by Pacifica Partners is established in a client's written agreement with Pacifica Partners. Fees are disclosed in the Policies, Terms and Agreements and any subsequent changes included in the IMA. Pacifica Partners charges advisory fees on a quarterly basis as a percent of market value. On each quarterly review date, Pacifica Partners will calculate the market value of the account(s), apply the fee schedule below and divide by four to produce the quarterly fee due.

The firm will calculate each client's billing per client account on a monthly basis, and at the end of each quarter the firm will aggregate the client's fee for such account for each month during that quarter, and will send a bill to the client's account custodian for such aggregated amount. The account custodian will debit the applicable client account in the amount of the firm's fee for such account.

| <b>Assets Under Management</b> | <b>Annual Fee (%)</b> |
|--------------------------------|-----------------------|
| \$0-\$2,000,000                | 1.25%                 |
| \$2,000,001 to \$5,000,000     | 1.00%                 |
| \$5,000,001 and up             | Negotiable            |

Pacifica Partners fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Pacifica Partners' fee, and Pacifica Partners shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Pacifica Partners considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **Item 6            Performance-Based Fees and Side-by-Side Management**

For US resident clients, Pacifica Partners does not have any information that is disclosable under Item 6.

## **Item 7            Types of Clients**

Pacifica Partners provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, trust programs. Within this context, Pacifica also has developed a significant knowledge base and practice in the area of expatriate and cross border financial management.

## **Item 8            Methods of Analysis, Investment Strategies and Risk of Loss**

### **A. Methodology**

Pacifica Partners shall utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts). The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:
- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Charting and Technical analysis

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

### **B. Analysis and Strategies**

Pacifica Partners' methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Pacifica Partners must have access to current/new market information. Pacifica Partners has no control over the dissemination rate of market information; therefore, unbeknownst to Pacifica Partners, certain analyses may be compiled with outdated market information, severely limiting the value of Pacifica Partners' analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of

market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Pacifica Partners' primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer-term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter-term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

Our investment strategy is style agnostic with an unquestionable tilt towards a value style of investing. However, any single style of investing can come under duress for prolonged periods of time due to the dynamic nature of markets. As a result, disciplined strategic and tactical shifts are sometimes required. We firmly believe that as investment managers we should be able to adapt to changing market environments.

Therefore, our approach involves blending our value bias with momentum, growth based strategies with the goal of capital protection, and consistency of investment returns throughout volatile markets.

#### C. Types of Securities

Currently, Pacifica Partners primarily allocates client investment assets among various individual equity, debt, and fixed income securities, mutual funds and/or exchange traded funds ("ETFs"), on a discretionary basis in accordance with the client's designated investment objective(s).

#### D. Risk of Loss

Investing in securities involves risk of loss that each client should be prepared to bear. Individual securities are subject to a general risk of market decline, as well as company-specific variables that can affect a security's performance.

#### E. Security related risks

Pacifica Partners does not allocate assets among primarily one type of security.

### **Item 9            Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Pacifica Partners or the integrity of Pacifica Partners' management. Pacifica Partners has not been the subject of any disciplinary actions.



## **Item 10      Other Financial Industry Activities and Affiliations**

The parent firm Pacifica Partners Inc. is also registered as a Portfolio Manager with each of the British Columbia Securities Commission, Alberta Securities Commission, Manitoba Securities Commission, PEI Superintendent of Securities, New Brunswick Securities Commission, Autorite Des Marches Financiers (Quebec) and the Ontario Securities Commission. The “Portfolio Manager” license permits the firm to provide discretionary portfolio management services to residents and citizens of Canada. Furthermore, the firm is also registered as an Investment Fund Manager in British Columbia for which it acts as the manager to the Pacifica Partners Tactical Balanced Fund.

## **Item 11      Code of Ethics**

A. The Firm maintains an investment policy relative to personal securities transactions. This investment policy is part of Pacifica Partners’ overall Code of Ethics, which serves to establish a standard of business conduct for all of the Registrant’s Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Pacifica Partners also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Firm or any person associated with the Firm.

B. Neither Pacifica Partners nor any related person of the Firm recommends, buys, or sells for client accounts, securities in which Pacifica Partners or any related person of the Firm has a material financial interest.

C. Pacifica Partners and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. However, our Policies require pre-clearance of personal transactions, and restrict trading in close proximity to client trading activity by 24 hours or the next trading day.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with monthly statements of transactions.

Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each quarterly period thereafter on a date the Registrant selects.

## **Item 12      Brokerage Transactions**

Pacifica Partners does not currently engage in soft dollar relationships with any brokerage firm.

Pacifica Partners does not have any referral arrangements with any brokerage firms.

Pacifica Partners selects custodial/brokerage relationships from a list of vendors. Pacifica Partners does not derive any benefit, economic or otherwise, from the choice of custodial/brokerage firms. Our recommendation is solely based on operational capabilities, brokerage capabilities and costs, as well as overall execution and cost of custodial and trading services.

### **A. Selection Criteria**

In placing orders for the purchase and sale of securities and selecting brokers to effect these transactions, Pacifica Partners seeks to obtain the best qualitative execution, while receiving prompt execution of orders at the most favorable prices reasonably obtainable under the circumstances. In doing so, Pacifica Partners will consider a number of factors, including, without limitation, the overall direct net economic result to the client (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range), the financial strength and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, and the availability of the broker to stand ready to execute possibly difficult transactions. Pacifica Partners will weigh the amount of the broker's compensation against the other criteria it considers in selecting the broker to execute client securities transactions to determine whether the broker's compensation is reasonable in light of those other factors.

In certain instances, Pacifica Partners may trade accounts held with the client's custodian using other broker-dealers. In this instance, the custodian may charge the client trade-away fees, however, Pacifica Partners believes that such fees are outweighed by the benefits the client receive from trading stocks, mutual funds, or ETFs with other brokers.

### **B. Research and other soft dollar benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Pacifica Partners does NOT take into consideration the investment research services that are available from a broker-dealer when

determining whether to execute through that broker-dealer. Pacifica Partners does receive investment research and support services and/or products from the broker but NOT in connection with client securities transactions.

### C. Aggregation

Where Pacifica Partners is able, the Firm will purchase or sell the same securities for several clients at approximately the same time in its attempt to obtain “best execution”, to negotiate more favorable commission rates, or to allocate equitably among Pacifica Partners’ clients. This batching of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients’ accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows Pacifica Partners to execute equity trades in a more timely, equitable manner and seeks to reduce overall commission charges to clients. As referenced in the section of this Disclosure Brochure that discusses directed brokerage, in the event that a client directs Pacifica Partners to use a particular broker-dealer, Pacifica Partners may not be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Pacifica Partners.

## **Item 13      Review of Accounts**

Each of Pacifica Partners’ client accounts will be reviewed by the firm’s investment management committee on a periodic basis. Portfolio Managers review all accounts frequently. Additional reviews of a client’s account(s) will be triggered if Pacifica Partners learns of a change in the client’s investment objectives or financial situation.

Accounts are supervised continuously and reviewed quarterly, at a minimum, by the Chief Compliance Officer and/or his Alternate. There is no minimum number of accounts assigned for the reviewer. The review process contains each of the following elements:

- a. assess client’s goals and objectives;
- b. evaluate the strategy which has been employed;
- c. monitor the portfolio; and
- d. address the need to rebalance.

Clients will receive written reports and confirmations of all transactions from the custodian of the client’s account on a monthly basis. Each client can choose to have access to their custodial account online. Pacifica Partners will also issue a quarterly report for clients receiving these

services that is issued as an accommodation only and the client should rely upon the reports issued by the broker-dealer/custodian of the assets.

#### **Item 14      Client Referrals and Other Compensation**

Pacifica Partners does not receive any other compensation applicable to this item. If Pacifica Partners enters into an agreement to pay compensation to another party applicable to this item, it does and will disclose those relationships to the client(s) prior to the initiation of engagement for services between the client(s) and Pacifica.

#### **Item 15      Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Pacifica Partners urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

The client's assets are maintained with a qualified custodian that is independent of and separate from Pacifica Partners. The qualified custodian is authorized by the client to deduct and direct payment of Pacifica Partners' advisory fee directly from the client's custodial account. Each client will receive account statements directly from the broker on at least a quarterly basis. Each client should carefully review those statements. In the event that a client also receives an account statement from Pacifica Partners, it will be based on the information provided to Pacifica Partners from the custodian of the client's account. Each client is urged to rely solely on the account statement received from the qualified custodian.

#### **Item 16      Investment Discretion**

Pacifica Partners usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Pacifica Partners' investment management services will be provided on a discretionary basis.

Pacifica Partners may also provide non-discretionary investment advice. Where Pacifica Partners has discretionary management authority, Pacifica Partners will be authorized to determine the securities to be bought or sold for the client's account(s), the amount of

securities to be brought or sold, and the broker or dealer to be used to execute client securities transactions.

The IMA, Pacifica Policies Terms and Agreements, and the agreement between the client and the custodian/broker-dealer for the account, grant discretionary authority to Pacifica Partners. The client's written agreement with the custodian also grants a limited power of attorney to Pacifica Partners to effect transactions in the client's custodial account.

#### **Item 17        Voting Client Securities**

Pacifica Partners shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and for making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's assets. All proxy material and corporate actions shall be sent to Pacifica Partners to decide the appropriate voting strategy based upon specific guidelines. With respect to most issues, and absent mitigating circumstances and/or conflicts of interest, the firm generally votes proxies consistent with the recommendation of the senior management of the issuer.

#### **Item 18        Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Pacifica Partners' financial condition. Pacifica Partners has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.