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Headnote

Relief from adviser registration requirement to permit U.S. investment adviser to advise one sophisticated client

Exemption Order

Pacific Financial Research, Inc.

Section 48 of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

- ¶ 1 Pacific Financial applied for an exemption from the adviser registration requirement in section 34(1)(c) of the Act (the Adviser Registration Requirement) in order to advise a client resident in British Columbia on the investment in or sale and purchase of securities (Securities Advice);

Representations

- ¶ 2 Pacific Financial represents that:
1. it is incorporated under the laws of the Commonwealth of Massachusetts and its principal place of business is Beverly Hills, California;
 2. it is currently registered in good standing as an investment advisor with the United States Securities and Exchange Administrator under the *Investment Advisors Act of 1940*;
 3. it is registered with the Ontario Securities Commission as an international adviser in the categories of investment counsel and portfolio manager;
 4. it and its predecessor entities have carried on business as investment advisors in the United States since 1981, and currently has assets under management in excess of US\$12 billion for over 146 clients;
 5. it specializes in account management for investors in equity and fixed income securities and its client base is comprised of institutional accounts including

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major corporate pension funds, academic institutions, government agencies, mutual funds, endowment funds and foundations and high net worth individuals throughout the United States;

6. it intends to provide Securities Advice to a client, Weldwood of Canada Limited (“Weldwood”), resident in British Columbia;
7. Weldwood is a wholly-owned Canadian subsidiary of a large United States company, International Paper Company (IP);
8. Weldwood and IP are sophisticated investors and each has professional advisers including legal counsel and chartered accountants;
9. IP has retained money managers to manage portions of Weldwood’s financial assets;
10. IP has had a long term relationship with Pacific Financial;
11. IP has requested that Pacific Financial provide Weldwood with financial advice concerning Weldwood’s financial assets;
12. Pacific Financial has advised Weldwood that:
 - (a) it is not registered as an adviser under the Act,
 - (b) it may not have the same proficiency requirements as other persons registered under the Act, and
 - (c) Weldwood may not have the same protection that it otherwise might have if Pacific Financial were registered as an adviser under the Act;
13. Pacific Financial does not:
 - (a) maintain an office or sales force in British Columbia,
 - (b) have any client other than Weldwood resident in British Columbia, and
 - (c) intend to actively solicit other clients in British Columbia;
14. in providing Securities Advice to Weldwood, Pacific Financial would be considered to be acting as an adviser under the Act and without this order, would be required to be registered, or otherwise exempt from registration, as an adviser under the Act; and

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15. there are no exemptions from the Adviser Registration Requirement that Pacific Financial can rely on to provide Securities Advice to Weldwood.

Order

- ¶ 3 Because it is not prejudicial to the public interest, the Executive Director orders under section 48 of the Act that Pacific Financial be exempt from the Adviser Registration Requirement for Securities Advice provided to Weldwood, provided that Pacific Financial maintains its registration as an investment adviser with the United States Securities and Exchange Commission in good standing.
- ¶ 4 November 18, 2002.

Noreen Bent
Manager