

What is an EMD ? What are “Exempt Securities” ?

In Canada securities commissions regulate the flow of investments. Each province has a security commission, although various national instruments (NIs) exist to create some overall harmony between the provinces and territories in Canada. Specifically, NI 45-106 regulates what securities can be sold with an exemption. (see link:

<http://www.albertasecurities.com/securitieslaw/regulatory%20instruments/4/11832/1661974%20v10%20-%2045-106%20instrument%20-%20%20published.pdf>)

The exemption NI 45-106 is referring to is the exemption from issuing a prospectus.

A prospectus is a longer version of the Offering Memorandum (OM) we use to issue securities. It also has to be approved by the security commission, whereas an OM has to just be filed with the security commission; although both state the nature of the business, the fees, the risks and both have audited statements.

Securities that are allowed under this exemption are also referred to as “Exempt Securities” or “Private Equity” as they are not publicly traded like stocks. The benefit is that they are not as volatile as publicly traded stocks.

NI 45-106 allows a number of exemptions, such as

- a) Friends or family
- b) Close business associates
- c) Accredited Investors (those with financial assets over \$1,000,000 or an annual income over \$200,000 per year or over \$300,000 as a couple)
- d) Investment over \$150,000
- e) Offering Memorandum

Prestigious Properties relies primarily on the fifth exemption, and to this effect has issued OMs since 2005.

Another National Instrument, namely NI 31-103 (for example here:

http://www.albertasecurities.com/news/Documents/100630_NI%2031-103-powerpoint_FINAL.pdf) stipulates that firms that are in the business of issuing securities must be registered.

Prestigious Properties is NOT in the business of issuing securities. Prestigious Properties in the real estate business, i.e. finding buildings or land parcels, buying them, upgrading them, managing them, improving them and eventually disposing of them. Firms that are in the business of issuing securities must be registered. These firms are referred to as Exempt Market Dealers (EMDs), and financial advisors that sell securities are referred to as Exempt Market representatives (EMRs). Scotty Grubb and Denise Odam, for example, are both EMRs with the EMD Sloane Capital.