

**ALBERTA SECURITIES COMMISSION**

**ORDER**

**Citation: Re Paragon Capital Corp. Inc., 2024 ABASC 154**

**Date: 20240927**

**Paragon Capital Corp. Inc.**

**Background**

1. Paragon Capital Corp. Inc. (the **Filer**) has applied to the Alberta Securities Commission (the **Commission**) for an exemptive relief order under sections 144(1) and 213 of the *Securities Act* (Alberta) (the **Act**). The Filer is seeking exemptive relief for itself and any individuals engaging in registrable activity on the Filer's behalf from the dealer, adviser and investment fund manager (**IFM**) registration requirements in sections 75(1) and 75(2) of the Act insofar as the services relate to Office Clients (defined below) in the context of a Family Office (defined below) (the **Exemption Sought**).

**Interpretation**

2. Terms defined in National Instrument 14-101 *Definitions* or in the Act have the same meaning if used in this order unless otherwise defined herein.
3. The following definitions are also applicable in this order:

(a) **Family Client:**

- (i) any Family Member;
- (ii) any Former Family Member;
- (iii) any Key Employee and the Key Employee's spouse or adult interdependent partner;
- (iv) any former Key Employee or Key Employee's spouse or adult interdependent partner, provided that upon the end of the Key Employee's employment by the Family Office, such individual:
  - A. shall not receive investment advice from the Family Office other than with respect to assets for which advice was given (directly or indirectly) by the Family Office immediately prior to the end of the Key Employee's employment;
  - B. despite subparagraph A, shall be permitted to receive investment advice from the Family Office with respect to additional investments that:
    - a. such individual was contractually obligated to make, and

- b. relate to a Family Office-advised investment existing, in each case, prior to the end of the Key Employee's employment by the Family Office; and
  - C. shall not invest additional assets with a Family Office-advised trust, foundation or entity;
    - (v) any non-profit organization, charitable foundation, charitable trust (including charitable lead trusts and charitable remainder trusts whose only current beneficiaries are other Family Clients and charitable or non-profit organizations) or other charitable organization, in each case for which all the funding of such foundation, trust or organization came exclusively from one or more other Family Clients;
    - (vi) the estate of any Family Client, subject to any service and ownership constraints placed by this order on the relevant individual;
    - (vii) any irrevocable trust in which one or more other Family Clients are the only current beneficiaries;
    - (viii) any irrevocable trust funded exclusively by one or more other Family Clients in which other Family Clients and non-profit organizations, charitable foundations, charitable trusts or other charitable organizations are the only current beneficiaries;
    - (ix) any revocable trust of which one or more other Family Clients are the sole settlors; or
    - (x) any company wholly owned (directly or indirectly) exclusively by, and operated for the sole benefit of, one or more other Family Clients;
- (b) **Family Member:** all lineal descendants (including by adoption, stepchildren and foster children) of a common ancestor (who may be living or deceased), and such lineal descendants' spouses or adult interdependent partners, provided that the common ancestor is no more than 10 generations removed from the youngest generation of Family Members;
- (c) **Family Office:** a business that
  - (i) has no clients other than Office Clients, provided that if a person that is not an Office Client becomes a client of the Family Office as a result of the death of an Office Client or involuntary transfer from an Office Client, that person shall be deemed to be an Office Client for one year following the completion of the transfer of legal title to the assets resulting from that event;
  - (ii) is wholly owned by Family Clients and is exclusively controlled (directly or indirectly) by one or more Family Members; and

- (iii) does not hold itself out to the public as an entity registered under the Act or able to perform registrable activities;
- (d) **Former Family Member:** a spouse, adult interdependent partner, stepchild or foster child that was a Family Member but is no longer a Family Member due to a divorce or other similar event;
- (e) **Key Employee:** any individual who is:
  - (i) an executive officer, director, trustee or general partner, or a person serving in a similar capacity, of the Family Office; or
  - (ii) an employee of the Family Office who, in connection with such employee's regular functions or duties, participates in the investment activities of the Family Office,

provided that

  - (iii) such employee has been performing such functions and duties for or on behalf of the Family Office, or substantially similar functions or duties for or on behalf of another company, for at least 12 months; and
  - (iv) such employee's job-related tasks are not solely clerical, secretarial, or administrative in nature;
- (f) **Legacy Clients:** up to five individuals who:
  - (i) have been continuously served by one or both of the Filer and its affiliate, ROQ Capital Partners Ltd. (**ROQ**), for at least 15 years; and
  - (ii) either:
    - A. are accredited investors (as defined in National Instrument 45-106 *Prospectus Exemptions*); or
    - B. submit to the Filer a signed statement similar to Form 45-106F4 *Risk Acknowledgement* acknowledging that the investment is risky and there is a possibility that they may lose their entire investment; and
- (g) **Office Clients:** Family Clients and Legacy Clients.

#### **Representations and Covenants**

4. This order is based on the following representations and covenants made by the Filer to the Commission:
- (a) the Filer is:
    - (i) a privately held company incorporated under the laws of the Province of Alberta, with its head office located in Calgary, Alberta;

- (ii) a Mortgage Broker licensed and registered with the Real Estate Council of Alberta (the **RECA**); and
- (iii) not registered under the securities legislation in any jurisdiction of Canada;
- (b) the Filer's affiliate, ROQ, is:
  - (i) a privately held company; and
  - (ii) registered as an Exempt Market Dealer (**EMD**), IFM and Restricted Portfolio Manager (**RPM**) in the Province of Alberta;
- (c) after the advent of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, the Filer reorganized its business, and carved out and transferred its registrable line of business to ROQ. Shortly thereafter, ROQ became registered under the Act;
- (d) ROQ and the Filer share the same mind and management and have since ROQ's incorporation;
- (e) as a result of the Filer and ROQ's close business relationship, clients of ROQ simultaneously have an indirect relationship with the Filer;
- (f) as a result of the Filer and ROQ's close business relationship, the Filer is aware of ROQ's service and length of service with each of ROQ's clients;
- (g) the Filer and ROQ are not in default of the securities legislation in any jurisdiction of Canada;
- (h) ROQ intends to seek dissolution as soon as possible, such that it will not be an existing corporation under the *Business Corporations Act* (Alberta) or in any jurisdiction of Canada;
- (i) after ROQ's dissolution, the Filer will continue ROQ's operations; and
- (j) the Filer will not advertise its services by television, radio, newspaper, internet or other media of general circulation originating in Canada, other than mortgage brokerage activity as required by the RECA.

### **Order**

5. The Commission, considering that it would not be prejudicial to the public interest to do so, orders under sections 144(1) and 213 of the Act that the Exemption Sought is granted, provided that, and for so long as:
  - (a) the representations above remain true;
  - (b) the Filer continues to satisfy the covenants herein;
  - (c) the Filer engages in registrable activity only for or on behalf of Office Clients;

- (d) the Filer does not hold itself out to the public as an investment adviser, EMD, IFM or RPM;
  - (e) the Filer:
    - (i) provides a statement (the **Statement**) to each Office Client stating that the Filer is not a registered dealer and, accordingly, the protection available to a client of a dealer registered under the Act will not be available to an Office Client;
    - (ii) obtains a record of a signed acknowledgement of the Statement from each Office Client; and
    - (iii) keeps the record obtained pursuant to paragraph 5(e)(ii) for seven years after Office Client is no longer an Office Client; and
  - (f) the Filer reports to the Commission the names of all Legacy Clients as soon as the Filer begins engaging in registrable activity and updates that information within 30 days of any change.
6. This order by the Commission will expire 180 days after the coming into force of any change to Alberta securities laws regarding the applicability of the registration requirement to family offices.

**For the Commission:**

*“original signed by”*

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Stan Magidson  
Chair

*“original signed by”*

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Tom Cotter  
Vice-Chair