

IN THE MATTER OF
THE *SECURITIES ACT*, RSNS 1989, CHAPTER 418, AS AMENDED (*Act*)

-and-

IN THE MATTER OF FRACTIONAL FINANCE, INC. (the Respondent)

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The parties to this Settlement Agreement are the Respondent, Fractional Finance, Inc. (FFI), and the Director of the Enforcement Branch of the Nova Scotia Securities Commission (the Director and Commission, respectively).
2. The parties agree the Commission has jurisdiction over this matter.
3. The parties agree to recommend to the Commission approval of this Agreement in accordance with the terms and process set out herein.

PART II – PROCEDURE FOR APPROVAL OF THE AGREEMENT

4. The Director agrees to request a Notice of Hearing be issued setting down a hearing (Settlement Hearing) wherein the Commission will consider whether it is in the public interest to approve this Agreement and issue an order in the form attached as **Schedule “A”**.
5. The parties agree this Agreement constitutes the entirety of evidence to be submitted to the Commission at the Settlement Hearing.
6. The Director agrees to recommend the allegations acknowledged and admitted by FFI be resolved and disposed of in accordance with this Agreement.
7. The parties acknowledge this Agreement will become a public document upon its approval by the Commission at the Settlement Hearing.

PART III – STATEMENT OF AGREED FACTS

Acknowledgement

8. The parties agree with the facts and conclusions set out in this Agreement.

The Respondent

9. FFI is a federal corporation governed by the *Canada Business Corporations Act* with registered office in Calgary, Alberta.

10. FFI's sole director is James Sutton, an individual resident in Halifax, Nova Scotia, at all times material hereto.
11. FFI is in the business of developing open-source software.
12. FFI is not a reporting issuer in Nova Scotia or elsewhere in Canada.
13. FFI has never been registered with the Commission or any other securities regulatory authority in Canada.
14. FFI has never filed with nor received a receipt for a prospectus or preliminary prospectus from the Commission or other securities regulatory authority in Canada nor has FFI filed or received a receipt for any report of exempt distribution.

Illegal Distributions

15. Between or about September 2021 to August 2022, FFI distributed securities in the form of Simple Agreements for Future Equity ("SAFE" agreements) and other equity in FFI to 18 investors resident in Nova Scotia and elsewhere (the Distributions).
16. At all material times, FFI solicited and facilitated the Distributions from Halifax, Nova Scotia.
17. Through the Distributions, FFI raised approximately CAD 315,000 and USD 160,000.
18. Of the Distributions, 3 did not qualify for an exemption to the prospectus requirements in Nova Scotia securities laws.
19. With respect to 9 of the Distributions, FFI relied on the accredited investor and family, friends and business associates exemptions to the prospectus requirements pursuant to ss 2.3 and 2.5 of National Instrument 45-106 *Prospectus Exemptions* (NI 45-106), respectively. However, FFI did not file any reports of exempt distribution as required by s 6.1 of NI 45-106.

Violations of Nova Scotia Securities Law

20. By distributing securities to investors without an applicable exemption to the prospectus requirements in Nova Scotia securities laws, FFI violated s 58(1) of the *Act*.
21. By failing to file reports of exempt distribution with respect to the Distributions to investors in reliance on ss 2.3 and 2.5 of NI 45-106, FFI violated s 6.1(2) of NI 45-106.

PART IV – STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENT

22. FFI admits the facts and acknowledges that it violated Nova Scotia securities laws as set forth in Part III herein.
23. FFI acknowledges its actions undermined investor confidence in the fairness and efficiency of Nova Scotia's capital markets and were contrary to the public interest.

PART V – MITIGATING FACTORS

24. FFI acknowledges and accepts responsibility for the conduct that is the subject of this Agreement.
25. FFI has no history of past securities law violations in Nova Scotia.
26. FFI cooperated with Commission Enforcement Staff during the investigation of this matter.

PART VI – TERMS OF SETTLEMENT

27. The terms of settlement are set forth in this Agreement and in the order contained in **Schedule "A"** to this Agreement, which is expressly incorporated herein.
28. FFI consents to the order contained in **Schedule "A"**.
29. The terms of settlement as set out in the order contained in **Schedule "A"** are as follows:
 - (a) Pursuant to section 135 of the *Act*, FFI shall pay an administrative penalty in the amount of fifteen thousand dollars (\$15,000);
 - (b) Pursuant to section 134(1)(c) of the *Act*, all of the exemptions contained in Nova Scotia securities laws do not apply to FFI for a period of 2 years;
 - (c) Pursuant to section 135A of the *Act*, FFI shall pay costs in the amount of one thousand dollars (\$1,000) in connection with the investigation and conduct of this proceeding.

PART VII – COMMITMENTS

30. If this Agreement is approved and the order as set out in **Schedule "A"** is granted, the parties agree to waive any right to a full hearing and judicial review and appeal of this matter.

31. If this Agreement is approved by the Commission, the parties will not in any way make any statement, public or otherwise, that is inconsistent with the terms of this Agreement.
32. If this Agreement is approved by the Commission, FFI agrees to abide by all terms of this Agreement.
33. If for any reason whatsoever this Agreement is not approved, or the order set forth in **Schedule "A"** is not granted by the Commission:
 - (a) The parties will be entitled to proceed to a hearing of the allegations that are the subject matter of this Agreement unaffected by the Agreement or the settlement negotiations;
 - (b) The negotiations that led to this Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of both parties or as may otherwise be required by law; and
 - (c) FFI agrees it will not raise in any proceeding the Agreement or the negotiations as a basis of any attack or challenge of the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness, or any other challenge that may otherwise be available.
34. FFI acknowledges the Director has the discretion to withdraw from this Agreement if additional facts or issues are discovered that cause her to conclude it would not be in the public interest to request approval of this Agreement. In the event of such withdrawal, notice will be provided to FFI in writing and the provisions of paragraph 33 of this Agreement will apply.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

35. The parties may refer to any or all parts of this Agreement as required by the General Rules of Practice and Procedure and in the course of the Settlement Hearing. Otherwise, this Agreement and its terms will be treated as confidential by all parties to it until approved by the Commission, and forever if, for any reason whatsoever, this Agreement is not approved by the Commission.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

36. FFI acknowledges that orders made by the Commission may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically without notice to FFI.
37. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile or electronic copy of any signature shall be as effective as an original signature.

DATED at Toronto , Ontario , this 26th day of April , 2023.

SIGNED, SEALED AND DELIVERED

In the presence of: Maria Fernanda Gonzalez
Alba

Witness:

Fractional Finance, Inc.

Director: James Sutton

DATED at Halifax, Nova Scotia, this 27 day of APRIL , 2023.

SIGNED, SEALED AND DELIVERED

In the presence of:

Witness:

Stephanie Atkinson
Director of Enforcement
NS Securities Commission

VANESSA F. ALLEN
A Commissioner of the Supreme
Court of Nova Scotia

SCHEDULE "A"

IN THE MATTER OF
THE SECURITIES ACT, RSNS 1989, CHAPTER 418, AS AMENDED (*Act*)

-and-

IN THE MATTER OF FRACTIONAL FINANCE, INC. (the Respondent)

ORDER

(Sections 134, 135, and 135A)

WHEREAS on _____, 2023, the Nova Scotia Securities Commission (Commission) issued a Notice of Hearing to the Respondent, Fractional Finance, Inc. (FFI), pursuant to sections 134, 135, and 135A of the *Act*;

AND WHEREAS FFI entered into a Settlement Agreement with the Director of Enforcement for the Commission (Director) whereby it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND WHEREAS the Director and FFI recommend approval of the Settlement Agreement;

AND WHEREAS the Commission determined that FFI has contravened Nova Scotia securities laws and it is in the public interest to make this order;

AND UPON reviewing the Settlement Agreement and hearing the parties' submissions;

IT IS HEREBY ORDERED that:

1. Pursuant to section 135 of the *Act*, FFI shall pay an administrative penalty in the amount of fifteen thousand dollars (\$15,000);
2. Pursuant to section 134(1)(c) of the *Act*, all of the exemptions contained in Nova Scotia securities laws do not apply to FFI for a period of 2 years;
3. Pursuant to section 135A of the *Act*, FFI shall pay costs in the amount of one thousand dollars (\$1,000) in connection with the investigation and conduct of this proceeding.

DATED at Halifax, Nova Scotia, this _____ day of _____, 2023.

NOVA SCOTIA SECURITIES COMMISSION
