

BRITISH COLUMBIA SECURITIES COMMISSION
Section 171 of the *Securities Act*, RSBC 1996, c. 418

Citation: Re Flexfi Inc., 2019 BCSECCOM 398

Date: 20191104

Variation Order

**Flexfi Inc. (formerly known as CC Cornerstone Credit Ltd.)
and Afshin Ardalan**

Background

- [1] On May 24, 2018, the panel issued sanctions against Afshin Ardalan and Flexfi Inc. under sections 161 and 162 of the *Securities Act*, RSBC 1996, c. 418 (2018 BCSECCOM 166).
- [2] On September 13, 2018, Ardalan and Flexfi applied, under section 171 of the Act, for a variation of the Orders so that Ardalan could pursue a transaction that would involve incorporating a new entity, to be called Finjoy Inc., to issue securities for the purpose of raising funds to purchase Flexfi's assets.
- [3] On November 9, 2018, considering that to do so would not be prejudicial to the public interest, the panel granted the application and varied the Orders.
- [4] Affidavit evidence from Ardalan filed with the Commission on October 3, 2019 indicated that:
 - a. By August 2019, it was no longer financially sustainable for Ardalan and Flexfi to continue pursuing the proposed transaction outlined in the September 2018 application. Flexfi had the option of either assigning itself into bankruptcy, resulting in liquidation of its assets, or restructuring and addressing its obligations to creditors through a proposal under the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3.
 - b. On September 25, 2019, Flexfi filed a proposal under Part III, Division 1 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the Proposal). In addition to compromising the claims for subscriptions paid and loans made by initial investors in Flexfi (Unsecured Creditors), the Proposal will facilitate the sale of substantially all of Flexfi's assets to Finjoy. The Unsecured Creditors with proven claims voted unanimously to approve the Proposal.
 - c. The Proposal's implementation is contingent on, among other things, a variation of the Orders.
- [5] As a result, on October 3, 2019, Ardalan applied, pursuant to section 171 of the Act, for a further variation of the Orders, to permit Ardalan, through Finjoy, to:
 - a. participate in the distribution of shares of Finjoy to Unsecured Creditors pursuant to the Proposal and to facilitate a sale of Flexfi's assets to Finjoy;

- b. pursue a proposed offering of securities through Finjoy, including trading in or purchasing securities of Finjoy (the Finjoy Financing);
- c. rely on the offering memorandum prospectus exemption and exemptions from the registration requirement in connection with the Finjoy Financing; and
- d. engage in investor relations activities in connection with the distribution of shares in Finjoy to Unsecured Creditors and the Finjoy Financing.

[6] Ardalan filed a further affidavit dated October 23, 2019 which set out that Flexfi's creditors had unanimously approved the Proposal. Based on this and provided that Finjoy raises money as contemplated in the Proposal with a compliant offering memorandum, the executive director took no position on the application. The executive director and counsel for the applicant agreed on a form of variation order, which they provided to the panel. This order reflects that agreement.

Order

[7] Considering that to do so would not be prejudicial to the public interest, the Commission, under section 171 of Act, varies the Orders as follows:

- a. Ardalan is permitted, through Finjoy, to
 - i. pursue a proposed offering of securities through Finjoy to raise up to \$5,000,000, including trading in or purchasing securities of Finjoy, which offering may take place in tranches (Financing), which will include the distribution of Series 1 Class A preferred shares to the unsecured creditors of Flexfi Inc. (Flexfi) equal to approximately 20% of Finjoy's equity, on a fully diluted basis as of immediately following the completion of the Financing;
 - ii. rely on the offering memorandum prospectus exemption in connection with the Financing; and
 - iii. engage in investor relations activities in connection with the Financing, including distributing securities of Finjoy.
- b. The form of offering memorandum to be used by Finjoy in connection with the Financing must be in the required form and shall include at least the following:
 - i. any audited and interim unaudited financial statements required by the applicable offering memorandum form and requirements;
 - ii. disclose the agreement between Finjoy and Flexfi to pay a portion of the funds raised through the Financing to the proposal trustee of Flexfi for *pro rata* distribution to the unsecured creditors based on the amount of their proven claims; and

- iii. disclose Flexfi's and Ardalan's regulatory history with the British Columbia Securities Commission.
- c. No material information about the business of Flexfi or Finjoy may be used in marketing materials relating to the Financing if that disclosure is not part of the offering memorandum to be used in connection with the Financing.
- d. Ardalan will cause Flexfi and Finjoy to take all necessary steps to comply with the terms of this Order.

November 4, 2019

For the Commission

Nigel P. Cave
Vice Chair

Audrey T. Ho
Commissioner