



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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20 Queen Street West
Toronto ON M5H 3S8

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20, rue queen ouest
Toronto ON M5H3S8

**IN THE MATTER OF
NEXTBLOCK GLOBAL LIMITED and ALEX TAPSCOTT**

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. To make informed investment decisions, investors rely on disclosure from an issuer and its directors and officers. All issuers, including those in the exempt market, must ensure that materials provided to investors contain fair and accurate information. Misleading statements in offering memoranda, such as investor slide decks, deprive investors of the opportunity to make fully informed investment decisions and undermine confidence in Ontario's capital markets.

2. NextBlock Global Limited ("**NextBlock**") and Alex Tapscott ("**Tapscott**"), collectively (the "**Respondents**"), made misleading statements in offering memoranda provided to over 100 prospective investors in a private placement that raised approximately \$20 million from 113 accredited investors. These offering memoranda took the form of investor slide decks and represented certain prominent figures in the blockchain space as NextBlock's advisors when these individuals had not agreed to act as its advisors and had not consented to being included in the investor slide decks. As a result of this conduct, NextBlock and Tapscott breached subsection 122(1)(b) of the *Securities Act*, RSO 1990, c S.5, as amended (the "**Act**").

PART II - JOINT SETTLEMENT RECOMMENDATION

3. Staff of the Commission ("**Staff**") recommend settlement of the proceeding (the "**Proceeding**") against the Respondents commenced by the Notice of Hearing, in accordance with the terms and conditions set out in Part VI of this Settlement Agreement (the "**Settlement Agreement**"). The Respondents consent to the making of an order (the "**Order**") in the form attached as Schedule "A" to this Settlement Agreement based on the facts set out herein.

4. For the purposes of the Proceeding, the Respondents agree with the facts set out in Part III of this Settlement Agreement and the conclusion in Part IV of this Settlement Agreement.

PART III - AGREED FACTS

A. THE RESPONDENTS

5. NextBlock is an Ontario corporation based in Toronto. NextBlock was formed in June of 2017 to invest in blockchain companies and digital assets.

6. Tapscott is a co-founder of NextBlock and has been a director and its Chief Executive Officer since its inception. Tapscott, from December 2008 to June 2015, was registered with the Commission as a Dealing Representative (formerly Salesperson).

B. CONDUCT CONTRARY TO THE PUBLIC INTEREST AND ONTARIO SECURITIES LAW

7. In June and July 2017, Tapscott and other NextBlock principals solicited investment in NextBlock through a private placement of convertible debentures to accredited investors (the “**First Private Placement**”).

8. In connection with promoting the First Private Placement, Tapscott and others at NextBlock provided over 100 prospective investors with slide deck presentations that described the business and affairs of NextBlock (the “**Investor Decks**”). The Investor Decks constituted offering memoranda under Ontario securities law.

9. The Investor Decks were the only materials describing NextBlock’s business provided to prospective investors in the First Private Placement.

10. As CEO, Tapscott was ultimately responsible for the Investor Decks, and took the lead in corresponding with prospective investors.

11. Investor Decks provided to prospective investors included a slide that listed prominent figures in the blockchain space and represented these individuals as NextBlock’s advisors (the “**Advisor Slide**”). At all times, the Advisor Slide listed at least one and as many as four individuals that had not agreed to act as advisors to NextBlock and had not consented to being named in the

Investor Decks. One of these individuals had never been approached to act for NextBlock in any capacity.

12. The representation by Tapscott and NextBlock in the Investor Decks that these four prominent figures in the blockchain community were advisors to NextBlock was untrue and misleading (the “**Misleading Statements**”).

13. Investors in the First Private Placement that received the Investor Decks containing these Misleading Statements were deprived of the opportunity to make a fully informed investment decision.

14. The First Private Placement closed on July 26, 2017 with NextBlock raising approximately \$20 million from 113 accredited investors (the “**Debenture Holders**”). The Debenture Holders resided primarily in Ontario. Tapscott and principals of NextBlock personally, or through their corporations, invested approximately \$3 million of the \$20 million of the First Private Placement.

15. Following the First Private Placement, NextBlock had intended to obtain a public listing through a Reverse Take-Over (“**RTO**”) and for the Debenture Holders to convert their interest in NextBlock to publicly tradeable shares. NextBlock had also planned a \$50 million second private placement of subscription receipts concurrent with the RTO (the “**Second Private Placement**”).

16. In the summer and fall of 2017, NextBlock took steps to pursue the RTO and Second Private Placement including by engaging Canaccord Genuity Group Inc. (“**Canaccord**”) and CIBC World Markets Inc. (“**CIBC**”) as lead agents in connection with the Second Private Placement.

17. The Second Private Placement attracted significant interest from accredited investors generating approximately \$200 million in orders by the end of October 2017.

18. However, beginning on November 1, 2017, Forbes.com published a series of articles about the Misleading Statements in the Investor Decks that were provided to prospective investors in the First Private Placement. These articles included denials from the four individuals referred to in paragraph 11 that they were ever advisors to NextBlock.

19. The Forbes articles precipitated a series of events that culminated in NextBlock abandoning the Second Private Placement.

20. Between November 1, 2017 and November 5, 2017, CIBC resigned, Canaccord decided not to move forward as lead agent, and investors representing orders of approximately \$187 million backed out of the Second Private Placement. Following these events, NextBlock announced that it would no longer pursue the RTO and Second Private Placement.

21. On November 5, 2017, NextBlock informed investors that it would return their principal investment and any profits to them. On November 26, 2017, NextBlock initiated wind-up proceedings and later brought a plan of arrangement before the Ontario Superior Court of Justice with a view to winding up NextBlock and making distributions to investors in the First Private Placement.

22. Due to a significant increase in the value of its investments, NextBlock generated significant profits. As a result, in connection with the plan of arrangement, the Debenture Holders received the return of their initial investment of approximately \$20 million, as well as additional distributions of approximately \$28 million, representing approximately a 140% profit on their investment.

23. As part of the wind-up and plan of arrangement, Tapscott has voluntarily declined approximately \$3 million in carried interest that he was entitled to based on NextBlock's profits. This amount was retained by NextBlock and formed part of the distributions to the Debenture Holders.

24. As set out above, NextBlock and Tapscott made statements in offering memoranda required to be filed or furnished under Ontario securities law that, in a material respect and at the time and in light of the circumstances under which the statements were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(b) of the Act.

PART IV - NON-COMPLIANCE WITH ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

25. The Respondents acknowledge and admit that they:
- (a) made statements in offering memoranda required to be filed or furnished under Ontario securities law that, in a material respect and at the time and in light of the circumstances under which the statements were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to subsection 122(1)(b) of the Act; and
 - (b) acted in a manner contrary to the public interest.

PART V – RESPONDENTS’ POSITION

26. The Respondents request that the settlement hearing panel consider the mitigating circumstances set out in paragraphs 27 to 35. Staff do not object to the mitigating circumstances set out by the Respondents below.

27. NextBlock and Tapscott acknowledge that the four individuals referred to at paragraph 11 were not advisors to NextBlock and should not have been held out as such in the Investor Decks. However, NextBlock and Tapscott request that the Panel consider that the Advisors Slide listed individuals that Tapscott and others at NextBlock knew personally.

28. As set out above, following the decision not to proceed with the Second Private Placement, NextBlock and Tapscott immediately took steps to wind-up NextBlock and make distributions to investors in the First Private Placement.

29. As part of this process, Tapscott has voluntarily declined approximately \$3 million in carried interest that he was entitled to based on NextBlock’s profits. This amount was retained by NextBlock and formed part of the distributions to the Debenture Holders. Tapscott also elected not to receive a salary during this period.

30. In the end, the Debenture Holders received a return of their initial investment in the amount of approximately \$20 million, and so far have also received additional distributions of

approximately \$28 million, representing a 140% profit on their investment. NextBlock may distribute additional available funds to the Debenture Holders in accordance with the order of Justice Hailey dated June 19, 2018 authorizing the plan of arrangement.

31. NextBlock and Tapscott cooperated with Staff throughout its investigation including by voluntarily producing documents relevant to Staff's investigation.

32. Tapscott has no prior disciplinary record with any securities regulatory authority, including the Commission.

33. NextBlock and Tapscott have sought to reach an early resolution of this matter, prior to the commencement of proceedings in this matter.

34. Tapscott, on his own initiative, offered to prepare and did prepare an open letter about the impact and consequences of his misconduct (the "**Open Letter**"). Tapscott has undertaken to publish the Open Letter in a national publication within one week of the approval of the Settlement Agreement, unless an alternative timeline is agreed to by Staff.

35. Tapscott has also volunteered to deliver presentations on the impact and consequences of his misconduct, consistent with the Open Letter, to students at three Canadian business schools in the context of an ethics course, or other substantially similar alternative as agreed to by Staff (the "**Ethics Presentations**"). Tapscott has undertaken to deliver the Ethics Presentations within 18 months of the approval of the Settlement Agreement, unless a substantially similar alternative is agreed to by Staff.

PART VI - TERMS OF SETTLEMENT

36. The Respondents agree to the terms of settlement set forth below.

37. The Respondents consent to the Order, pursuant to which it is ordered that:

- (a) this Settlement Agreement be approved;

(b) NextBlock shall:

- (i) pay an administrative penalty in the amount of \$700,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is to be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act; and
- (ii) pay costs in the amount of \$100,000 for the investigation, pursuant to section 127.1 of the Act.

(c) Tapscott shall:

- (i) pay an administrative penalty in the amount of \$300,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is to be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;

38. The Respondents agree to pay the administrative penalties and costs referred to above by separate wire transfers to the Commission before the commencement of the Settlement Hearing.

39. The Respondents acknowledge that this Settlement Agreement and the Order may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondents. The Respondents should contact the securities regulator of any other jurisdiction in which the Respondents intends to engage in any securities- or derivatives-related activities, prior to undertaking such activities.

40. Tapscott has given an undertaking (the “**Undertaking**”) to the Commission in the form attached as Schedule “B” to this Settlement Agreement, under which Tapscott undertakes to (i) publish the Open Letter within one week of the approval of the Settlement Agreement, unless an alternative timeline is agreed to by Staff; and (ii) deliver the Ethics Presentations within eighteen months of the approval of the Settlement Agreement, unless a substantially similar alternative is agreed to by Staff.

PART VII - FURTHER PROCEEDINGS

41. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against the Respondents under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondents fail to comply with any term in this Settlement Agreement, or the Undertaking, in which case Staff may bring proceedings under Ontario securities law against the Respondents that may be based on, among other things, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement or the Undertaking.

42. The Respondents acknowledge that, if the Commission approves this Settlement Agreement and the Respondents fail to comply with any term in it, Staff or the Commission, as the case may be, is entitled to bring any proceedings necessary to, among other things, recover the amounts set out in sub-paragraphs 37(b)(i) and (ii), and (c)(i) above.

43. The Respondents waive any defences to a proceeding referenced in paragraphs 41 or 42 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement or the Undertaking.

PART VIII - PROCEDURE FOR APPROVAL OF SETTLEMENT

44. The parties will seek approval of this Settlement Agreement at a public hearing (the “**Settlement Hearing**”) before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with this Settlement Agreement and the Commission’s *Rules of Procedure* (2014), 37 O.S.C.B. 4168.

45. The Respondents will attend the Settlement Hearing in person.

46. The parties confirm that this Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

47. If the Commission approves this Settlement Agreement:

- (a) the Respondents irrevocably waive all rights to a full hearing, judicial review or appeal of this matter under the Act; and
- (b) the parties will not make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

48. Whether or not the Commission approves this Settlement Agreement, the Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART IX - DISCLOSURE OF SETTLEMENT AGREEMENT

49. If the Commission does not make the Order:

- (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the Settlement Hearing will be without prejudice to Staff and the Respondents; and
- (b) Staff and the Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

50. The parties will keep the terms of this Settlement Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law.

PART X - EXECUTION OF SETTLEMENT AGREEMENT

51. This Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

52. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

DATED at Toronto, Ontario this 1st day of April, 2019.

“Usman Sheikh”

Witness: Usman Sheikh

“Alex Tapscott”

ALEX TAPSCOTT

NEXTBLOCK GLOBAL LIMITED

By: “Dennis Bennie”

Name: Dennis Bennie

Title: Director

DATED at Toronto, Ontario, this 2nd day of April, 2019.

ONTARIO SECURITIES COMMISSION

By: “Jeff Kehoe” April 9, 2019

Name: Jeff Kehoe

Title: Director, Enforcement Branch

SCHEDULE "A"

FORM OF ORDER



Ontario
Securities
Commission
3S8

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H

FILE NO.: 2019-9

IN THE MATTER OF NEXTBLOCK GLOBAL LIMITED and ALEX TAPSCOTT

Timothy Moseley, Vice-Chair and Chair of the Panel

[Day and date Order made]

ORDER

(Sections 127 and 127.1 of the
Securities Act, RSO 1990, c S.5)

WHEREAS on *[date]*, the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider the Joint Request for a Settlement Hearing filed by Alex Tapscott (**Tapscott**), NextBlock Global Limited (**NextBlock**) and Staff of the Commission (**Staff**) for approval of a settlement agreement dated *[date]* (the **Settlement Agreement**);

ON READING the Statement of Allegations dated *[date]* and the Settlement Agreement, and on hearing the submissions of the representatives for NextBlock, Tapscott, and Staff, and on considering the undertaking of Tapscott dated *[date]* attached as Annex I to this Order;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;

2. pursuant to clause 9(1)(b) of the Statutory Powers Procedure Act, RSO 1990, c S.22 (SPPA) and Rules 22(2)(b) and (3)(b) of the Ontario Securities Commission Rules of Procedure and Forms (2017), 40 OSCB 8988 (the Rules of Procedure), the Open Letter (as defined in the Settlement Agreement) filed in connection with the confidential settlement conference will not form part of the public record of this proceeding until the earlier of (i) counsel for Staff and for Tapscott jointly advising the Registrar that the Open Letter has been published in a national publication as set out in the undertaking of Tapscott dated [date] attached as Annex I to this Order or (ii) 10 days from the date of this order;
3. NextBlock shall:
 - a. pay an administrative penalty in the amount of \$700,000, pursuant to paragraph 9 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**), which amount is to be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b)(i) or (ii) of the Act; and
 - b. pay costs in the amount of \$100,000 for the investigation, pursuant to s.127.1 of the Act;
4. Tapscott shall:
 - a. pay an administrative penalty in the amount of \$300,000, pursuant to paragraph 9 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**), which amount is to be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b)(i) or (ii) of the Act.

Timothy Moseley

ANNEX I

UNDERTAKING OF ALEX TAPSCOTT

**IN THE MATTER OF
NEXTBLOCK GLOBAL LIMITED and ALEX TAPSCOTT**

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated April 1, 2019 (the “Settlement Agreement”) between Alex Tapscott (“**Tapscott**”) and Staff (“**Staff**”) of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.

2. Tapscott undertakes to the Commission to:
 - (a) publish the Open Letter (as defined in the Settlement Agreement) about the impact and consequences of his misconduct in a national publication within one week of the approval of the Settlement Agreement, unless an alternative timeline is agreed to by Staff; and

 - (b) deliver an Ethics Presentations (as defined in the Settlement Agreement) on the impact and consequences of his misconduct to students at three Canadian business schools in the context of an ethics course within 18 months of the approval of the Settlement Agreement, unless a substantially similar alternative is agreed to by Staff.

DATED at _____, this _____ day of _____, 2019.

Witness:

ALEX TAPSCOTT

SCHEDULE “B”

FORM OF UNDERTAKING

**IN THE MATTER OF
NEXTBLOCK GLOBAL LIMITED and ALEX TAPSCOTT**

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated April 1, 2019 (the “Settlement Agreement”) between Alex Tapscott (“**Tapscott**”) and Staff (“**Staff**”) of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.

2. Tapscott undertakes to the Commission to:
 - (a) publish the Open Letter (as defined in the Settlement Agreement) about the impact and consequences of his misconduct in a national publication within one week of the approval of the Settlement Agreement, unless an alternative timeline is agreed to by Staff; and

 - (b) deliver an Ethics Presentations (as defined in the Settlement Agreement) on the impact and consequences of his misconduct to students at three Canadian business schools in the context of an ethics course within 18 months of the approval of the Settlement Agreement, unless a substantially similar alternative is agreed to by Staff.

DATED at _____, this _____ day of _____, 2019.

Witness:

ALEX TAPSCOTT