



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

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20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF
COINLAUNCH CORP.**

SETTLEMENT AGREEMENT

PART I - INTRODUCTION

1. Persons and companies that facilitate offerings of crypto-assets must turn their mind to whether requirements under Ontario securities law, including registration, apply to their activities. Registration is a cornerstone of Ontario securities law. The registration regime protects investors and promotes confidence in Ontario's capital markets by seeking to ensure that anyone who is in the business of trading securities meets the necessary standards of proficiency, solvency and integrity, among others.
2. This Settlement Agreement (the "**Settlement Agreement**") serves to emphasize the obligation to comply with the registration requirements of Ontario securities law for those operating in the emerging crypto-asset sector. Firms and individuals that are found to have ignored these obligations in the future should be considered to be on notice and can reasonably expect to face more stringent consequences.
3. CoinLaunch Corp. ("**CoinLaunch**" or the "**Respondent**") is a service provider that operated in the emerging crypto-asset sector. During the period between March 1, 2018 and September 30, 2018 (the "**Material Time**"), CoinLaunch held itself out as engaging in the business of trading securities by advertising a package of "crypto consulting" marketing and promotional services that included: (a) helping companies administer security token offerings; (b) helping companies solicit investors to register and complete the investment process; (c) taking offerings on roadshows; (d) planning and consulting on all key aspects of a crowdsale campaign; and (e) marketing token offerings through marketing campaigns, "landing pages," advertising, etc.

4. Furthermore, CoinLaunch facilitated offerings of the Buggyra Coin Zero token (“**BCZERO**”) and the EcoRealEstate token (“**ECOREAL**”) to the public during the Material Time. The BCZERO and ECoreal tokens each constituted securities.

5. In furtherance of the sale of BCZERO and ECoreal, CoinLaunch provided services to the issuers of the tokens in exchange for compensation. Services provided include: (a) creating and deploying the tokens on the Ethereum blockchain; (b) marketing and promoting the token offerings through “white papers” and “landing page” websites; (c) introducing the issuers to crypto-asset trading platforms to explore potential listing of the tokens; and (d) providing advice to the token issuers with respect to the structure of the token offerings. The services provided by CoinLaunch, taken together, constituted acts in furtherance of trades.

6. As a result, CoinLaunch engaged in and held itself out as engaging in the business of trading in securities, without registration under Ontario securities law and where no exemption from the registration requirement was available.

7. As a result of an investigation by Staff (“**Staff**”) of the Ontario Securities Commission (the “**Commission**”), CoinLaunch became aware of the registration requirements of Ontario securities law. At this juncture, CoinLaunch decided not to make use of the supports the Commission has in place to foster Ontario’s emerging crypto-asset sector. CoinLaunch did not, for example, engage with OSC to obtain relief from registration requirements or to seek registration. During the course of Staff’s investigation, however, CoinLaunch, did voluntarily take the following remedial actions:

- a. removed its websites that promoted the BCZERO and ECoreal token offerings from the internet;
- b. implemented an internet protocol-based solution to prevent the Canadian public from accessing its website, followed by a complete removal of its website from the internet;
- c. ceased its business relationship with the issuers of BCZERO and ECoreal tokens; and

- d. decided to cease its crypto consulting business rather than initiate any registration process.

8. Since October 2018, the issuers of BCZERO and ECOREAL tokens have listed the tokens on certain foreign crypto-asset trading platforms, although trading volumes appear to have been minimal.¹ CoinLaunch was not involved in the listing of the tokens on those trading platforms and had ceased its business relationship with the issuers before the tokens were sold to the public.²

9. The parties shall jointly file a request that the Commission issue a Notice of Hearing (the “**Notice of Hearing**”) to announce that it will hold a hearing (“**Settlement Hearing**”) to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, RSO 1990, c S.5, as amended (the “**Act**”), it is in the public interest for the Commission to make certain orders against the Respondent in respect of the conduct described herein.

PART II - JOINT SETTLEMENT RECOMMENDATION

10. Staff recommend settlement of the proceeding (the “**Proceeding**”) against CoinLaunch commenced by the Notice of Hearing, in accordance with the terms and conditions set out in Part V of this Settlement Agreement. The Respondent consents to the making of an order (the “**Order**”) substantially in the form attached as Schedule “A” to this Settlement Agreement based on the facts set out herein.

11. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondent agrees 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 RESPONDENT

12. CoinLaunch is a privately-owned company which was incorporated under the *Canada Business Corporations Act* on October 16, 2017. The registered address of CoinLaunch is in

¹ No prospectus or preliminary prospectus for the distribution of BCZERO or ECOREAL has been filed with the Commission.

² The issuers of BCZERO and ECOREAL are located and operate outside of Canada.

Oakville, Ontario. CoinLaunch is in the process of winding down its operations and has filed its intent to dissolve with the Government of Canada.

13. During the Material Time, all of the directors and officers of CoinLaunch were residents of Ontario.

14. CoinLaunch is not, and has never been, registered with the Commission in any capacity.

B. THE BUSINESS MODEL OF COINLAUNCH

15. Since its inception, CoinLaunch's business model has evolved over time.

16. Prior to and during the Material Time, CoinLaunch operated and maintained a platform on its website. The CoinLaunch platform enabled members of the public to create and deploy tokens on the Ethereum blockchain³ (“**ERC20 tokens**”)⁴ and create “smart contracts” on the Ethereum blockchain to distribute these ERC20 tokens.

17. This platform was the business focus of CoinLaunch during the first few months after its inception but did not result in any actual deployment of ERC20 tokens on the Ethereum blockchain. However, by March 1, 2018, CoinLaunch began to hold itself out as engaging in the business of trading securities. In particular, CoinLaunch advertised a package of “crypto consulting” services on its website during the Material Time aimed at marketing and promoting token offerings. These services included:

- a. Security token offering – helping companies administer their token offerings;
- b. Security token management – helping companies solicit investors to register and go through the investment process, including “KYC/AML”, accreditation, and other legal requirements;
- c. Pre-funding – helping companies create a plan to get “seed funding” for token offerings;

³ Ethereum is an open-source public blockchain-based distributed computing platform which offers a smart contract functionality.

⁴ ERC20 tokens are standardized tokens designed and used solely on the Ethereum blockchain.

- d. Roadshow – taking fully vetted, high-quality offerings on roadshows;
 - e. Workshops – providing full day workshops to help companies develop the optimal approach, tactics and strategy for their offerings;
 - f. ICO⁵ campaign consulting – planning and consulting on all key aspects of crowdsale campaigns; and
 - g. ICO marketing – marketing token offerings through marketing campaigns, “landing pages”, advertising, etc.
18. Providing crypto consulting services became the focus of CoinLaunch’s business by March 1, 2018.
19. By advertising the above collection of crypto consulting services, CoinLaunch held itself out as engaging in the business of trading in securities.
20. CoinLaunch advises that, prior to Staff’s investigation, the directors and officers of CoinLaunch did not understand that CoinLaunch needed to be registered under Ontario securities law.

C. COINLAUNCH FACILITATED THE BCZERO AND ECOREAL TOKEN OFFERINGS

21. In practice, CoinLaunch did not provide the full array of crypto consulting services that was advertised on its website.
22. During the Material Time, CoinLaunch provided the following crypto consulting services to the issuers of BCZERO and ECOREAL tokens in furtherance of the sale of those tokens to the public, including:
- a. creating and deploying BCZERO and ECOREAL tokens to Ethereum addresses associated with the token issuers;

⁵ ICO stands for initial coin offering, which is a common capital-raising process in the crypto-asset space involving the sale of new crypto-assets to investors in exchange for fiat currency or other pre-existing crypto-assets.

- b. creating and preparing promotional materials termed “white papers” for the token offerings;
 - c. creating and managing live websites to promote the token offerings (the “**Landing Pages**”), including by hosting websites, updating content, and/or by making white papers available for download on the Landing Pages. CoinLaunch’s contemplated business model called for it to ultimately hand over the Landing Pages to the token issuers;
 - d. providing advice to the token issuers with respect to the structure of the token offerings;
 - e. booking a booth for an agent of the BCZERO token issuer to market the BCZERO offering at the 2018 Blockchain Expo in London, UK;
 - f. introducing the token issuers to crypto-asset trading platforms to “list” the tokens for public trading, although no listing was ultimately achieved on those particular platforms; and
 - g. introducing the token issuers to a moderator on bitcointalk.org – an online forum dedicated to bitcoin and other crypto-assets⁶ which subsequently announced the launch of BCZERO and ECOREAL along with marketing and promotional materials that resembled those on the Landing Pages.
23. The services that CoinLaunch provided with respect to BCZERO and ECOREAL were consistent with the focus of its business during the Material Time and, taken together, constituted acts in furtherance of trading.
24. As compensation for its services regarding the BCZERO offering, CoinLaunch received \$12,233.06 and 500,000,000 BCZERO tokens (5% of all BCZERO tokens issued).⁷ CoinLaunch also received approximately 46,140,000 ECOREAL tokens (over 4.6% of all ECOREAL tokens)⁸

⁶ Many ICOs are announced on this forum.

⁷ 500,000,000 BCZERO tokens were sent from the Ethereum address associated with the issuer to CoinLaunch’s Ethereum address.

⁸ These tokens were sent from the Ethereum address associated with the issuer to CoinLaunch’s Ethereum address.

as compensation for the services it provided with respect to the ECOREAL offering. CoinLaunch was supposed to be compensated with additional fiat currency, which it did not receive.

25. In or about October 2018, after CoinLaunch ceased its business relationship with these token issuers, the token issuers listed BCZERO and ECOREAL for public trading on several foreign crypto-asset trading platforms, including DDEX.io, instantbitex.com, livecoin.net and bitker.com.⁹ To date, the trading volumes of BCZERO and ECOREAL on these crypto-asset trading platforms have been minimal.

26. CoinLaunch was not involved in the listing of the tokens on the above trading platforms and had ceased its business relationship with the issuers of BCZERO and ECOREAL before the tokens were sold to the public.

D. DESCRIPTION OF THE BCZERO AND ECOREAL TOKENS

27. BCZERO and ECOREAL tokens each constituted securities under the Act. In particular, they each constituted “investment contracts”.

1. BCZERO

28. According to its white paper, BCZERO is a token related to Buggyra, an off-road truck racing team based in the Czech Republic. The white paper characterized BCZERO as an “investment” and a means for Buggyra to “raise equity”. It stated that BCZERO was intended to: (a) provide Buggyra fans with a “single payment source within the Buggyra Coin Zero marketplace” to buy goods and services from racing teams, receive discounts on fees charged within the system, and access exclusive events and experiences; (b) create an “ecosystem” for other racing teams to “host details about their equity/financing offerings” and offer merchandise and fan experiences; (c) provide “sponsors” of racing teams “with the ability to have a direct equity ownership in a team”; and (d) “enable racing teams to raise capital using non-traditional means – namely, cryptocurrency.”

⁹ A significant portion of the deployed BCZERO tokens remain at the Ethereum address associated with the issuers.

29. Purchase of BCZERO tokens would require an investment of money. Through foreign crypto-asset trading platforms, investors could purchase BCZERO tokens in exchange for bitcoin or ether, both of which are crypto-assets of value and exchangeable with fiat currencies.

30. BCZERO token purchasers would have a reasonable expectation of profit from their investment in BCZERO. The whitepaper referred to prospective BCZERO purchasers as “investors” and claimed that “Buggyra is the perfect partner and brand for any investor to receive substantial profit and growth in their investment in Buggyra Coin Zero”. The “Risk Factors” section of the whitepaper outlined “risks associated with an investment in the Buggyra Racing Coin”. While the whitepaper described a planned BCZERO marketplace for purchasing goods and services and accessing events, there is no marketplace or platform that enables this use of BCZERO. The proceeds of the BCZERO offering are intended to be used to build a marketplace that would create demand for BCZERO tokens. Investors would reasonably expect to profit from the success of the issuer’s efforts to build and grow the marketplace and the concomitant rise in the value of BCZERO tokens.

31. In addition, BCZERO tokens have been available for secondary trading on crypto-asset trading platforms prior to the creation of the marketplace. This indicates that purchases of BCZERO tokens would have been speculative in nature.

32. The profits for investors would be derived from the significant managerial efforts of Buggyra. In fact, the white paper listed dependence on key personnel of “[t]he issuer” as one of the risks in an “investment” in BCZERO.

2. ECOREAL

33. ECOREAL was characterized in its white paper as a “securities token” and a new way for people to access “ecotourism investment opportunities in Portugal.”

34. According to the white paper, funds raised from the sale of ECOREAL would be used to acquire and develop a village resort located at Aldeia da Pedralva, Algarve, Portugal (“**Pedralva**”). The white paper provided high level statistics relating to the operation of the Pedralva resort in prior years and further stated that: (1) ECOREAL would represent a fractional ownership in the

resort; and (2) all net revenue of the resort would be distributed to the ECOREAL holders every year.

35. Purchase of ECOREAL tokens required an investment of money. Through foreign crypto-asset trading platforms, investors could purchase ECOREAL tokens in exchange for bitcoin or ether.

36. ECOREAL token purchasers would have a reasonable expectation of profit from their investment in ECOREAL through the *pro rata* distribution of the Pedralva resort's net revenue each year.

37. The profits for investors would be derived from the significant managerial efforts of the issuer to operate and manage the Pedralva resort. In fact, the white paper listed dependence on key personnel of the issuer as one of the risks in an "investment" in ECOREAL.

E. MITIGATING FACTORS

38. CoinLaunch's business model was novel and evolving. The application and scope of Ontario securities law with respect to new or novel financial technologies and methods of capital formation, such as crypto-assets, require careful analysis by businesses and their advisers.

39. During the course of Staff's investigation, CoinLaunch voluntarily undertook the following remedial actions which were led by its senior management:

- a. removed the Landing Pages from the internet;
- b. implemented an internet protocol-based solution to prevent the Canadian public from accessing its website, followed by a complete removal of its website from the internet;
- c. ceased its business relationship with the issuers of BCZERO and ECOREAL tokens; and
- d. decided to cease its crypto consulting business rather than initiate any registration process.

40. CoinLaunch cooperated with Staff throughout the course of the investigation.

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

41. CoinLaunch acknowledges and admits that it engaged in and held itself out as engaging in the business of trading in securities, without being registered to do so and where no exemption to the registration requirement of Ontario securities law was available, contrary to subsection 25(1) of the Act.

PART V - TERMS OF SETTLEMENT

42. The Respondent agrees to the terms of settlement set forth below.

43. But for the remedial actions taken by CoinLaunch, the mitigating factors in Part IV above and the undertaking described below, Staff would have requested significantly greater sanctions.

44. The Respondent consents to the Order, pursuant to which it is ordered that:

- (a) this Settlement Agreement be approved;
- (b) the Respondent is prohibited from trading in any securities or derivatives for 5 years, pursuant to paragraph 2 of subsection 127(1) of the Act;
- (c) the Respondent is prohibited from acquiring any securities for 5 years, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
- (d) the Respondent pay an administrative penalty in the amount of \$30,000 before the commencement of the Settlement Hearing, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;
- (e) the Respondent disgorge to the Commission the amount of \$12,223.06 before the commencement of the Settlement Hearing, pursuant to paragraph 10 of subsection 127(1) of the Act, which amount be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act; and

- (f) the Respondent pay costs in the amount of \$10,000 before the commencement of the Settlement Hearing, pursuant to section 127.1 of the Act.

45. Reuven Cohen, who, during the Material Time, was the Chief Executive Officer and a director of CoinLaunch, has given an undertaking to the Commission in the form attached as Schedule “B” to this Settlement Agreement to:

- (a) not become or act as a director or officer of any company which engages in or holds itself out as engaging in the business of trading in securities without applicable registration under Ontario securities law or an exemption from such registration requirement; and
- (b) ensure that all references to the private keys in respect of all BCZERO and ECOREAL tokens received by CoinLaunch as compensation are deleted and thereby rendered inaccessible such that those tokens may not be accessed or transferred in the future.

PART VI - FURTHER PROCEEDINGS

46. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement, in which case Staff may bring proceedings under Ontario securities law against the Respondent 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.

47. The Respondent acknowledges that, if the Commission approves this Settlement Agreement and the Respondent fails to comply with any term in it, Staff or the Commission, as the case may be, is entitled to bring any proceedings necessary to enforce compliance with the terms of the Settlement Agreement.

48. The Respondent waives any defences to a proceeding referenced in paragraph 46 or 47 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.

PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT

49. The parties will seek approval of this Settlement Agreement at 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* (2017), 40 OSCB 8988.

50. An officer or director of the Respondent will attend the Settlement Hearing on its behalf.

51. 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.

52. If the Commission approves this Settlement Agreement:

- (a) the Respondent irrevocably waives 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.

53. Whether or not the Commission approves this Settlement Agreement, the Respondent 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 VIII - DISCLOSURE OF SETTLEMENT AGREEMENT

54. If the Commission does not make the Order:

- (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the Settlement Hearing will be without prejudice to Staff and the Respondent; and
- (b) Staff and the Respondent 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.

55. 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 IX - EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED at Toronto, Ontario, this 12th day of July, 2019.

COINLAUNCH CORP.

By: "Randy Clemens"
Name: Randy Clemens
Title: Director

DATED at Toronto, Ontario, this 19th day of July, 2019.

ONTARIO SECURITIES COMMISSION

By: "Jeff Kehoe"
Name: Jeff Kehoe
Title: Director, Enforcement Branch

SCHEDULE “A”



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**IN THE MATTER OF
COINLAUNCH CORP.**

(Names of panelists comprising the panel)

(Date of Order)

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

WHEREAS on [date], the Ontario Securities Commission (the “**Commission**”) held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario to consider the Request made jointly by CoinLaunch Corp. (“**CoinLaunch**”) and Staff of the Commission (“**Staff**”) for approval of a settlement agreement dated [date] (the “**Settlement Agreement**”).

AND WHEREAS Reuven Cohen, the Chief Executive Officer and a director of CoinLaunch at the Material Time, has given an undertaking to the Commission, in the form attached as Schedule “A” to this Order to:

- (a) not become or act as a director or officer of any company which engages in or holds itself out as engaging in the business of trading in securities without applicable registration under Ontario securities law or an exemption from such registration requirement; and
- (b) ensure that all references to the private keys in respect of all BCZERO and ECOREAL tokens received by CoinLaunch as compensation are deleted and thereby rendered inaccessible such that those tokens may not be accessed or transferred in the future.

ON READING the Statement of Allegations dated [DATE] and the Settlement Agreement and on hearing the submissions of representatives of each of the parties, and on considering the undertaking,

IT IS ORDERED THAT:

- (a) the Settlement Agreement is approved;
- (b) CoinLaunch is prohibited from trading in any securities or derivatives for 5 years, pursuant to paragraph 2 of subsection 127(1) of the Act;
- (c) CoinLaunch is prohibited from acquiring any securities for 5 years, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
- (d) CoinLaunch pay an administrative penalty in the amount of \$30,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act;
- (e) CoinLaunch disgorge to the Commission the amount of \$12,233.06, pursuant to paragraph 10 of subsection 127(1) of the Act, which amount be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act; and
- (f) CoinLaunch pay costs in the amount of \$10,000, pursuant to section 127.1 of the Act.

[Chair]

[Commissioner]

[Commissioner]

SCHEDULE "A" TO THE ORDER



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**IN THE MATTER OF
COINLAUNCH CORP.**

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This undertaking is given in connection with the settlement agreement dated [**date**] (the "**Settlement Agreement**") between CoinLaunch Corp. ("**CoinLaunch**") and Staff ("**Staff**") of the Ontario Securities Commission ("the **Commission**"). All terms shall have the same meanings in this undertaking as in the Settlement Agreement.

2. Reuven Cohen undertakes to the Commission to:
 - (a) not become or act as a director or officer of any company which engages in or holds itself out as engaging in the business of trading in securities without applicable registration under Ontario securities law or an exemption from such registration requirement; and

 - (b) ensure that all references to the private keys in respect of all BCZERO and ECOREAL tokens received by CoinLaunch as compensation are deleted and thereby rendered inaccessible such that those tokens may not be accessed or transferred in the future.

DATED at Las Vegas this 18th day of July, 2019.

"Brenda Cohen"

Witness: Brenda Cohen

"Reuven Cohen"

REUVEN COHEN

SCHEDULE “B”



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**IN THE MATTER OF
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UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This undertaking is given in connection with the settlement agreement dated [date] (the “Settlement Agreement”) between CoinLaunch Corp. (“CoinLaunch”) and Staff (“Staff”) of the Ontario Securities Commission (“the Commission”). All terms shall have the same meanings in this undertaking as in the Settlement Agreement.

2. Reuven Cohen undertakes to the Commission to:
 - (a) not become or act as a director or officer of any company which engages in or holds itself out as engaging in the business of trading in securities without applicable registration under Ontario securities law or an exemption from such registration requirement; and

 - (b) ensure that all references to the private keys in respect of all BCZERO and ECOREAL tokens received by CoinLaunch as compensation are deleted and thereby rendered inaccessible such that those tokens may not be accessed or transferred in the future.

DATED at Las Vegas this 18th day of July, 2019.

“Brenda Cohen”

Witness: Brenda Cohen

“Reuven Cohen”

REUVEN COHEN