



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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

STATEMENT OF ALLEGATIONS
(Subsection 127(1) and Section 127.1
of the *Securities Act*, RSO 1990, c S.5)

A. ORDER SOUGHT

1. Staff of the Enforcement Branch (“**Enforcement Staff**”) of the Ontario Securities Commission (the “**Commission**”) request that the Commission make an order pursuant to subsection 127(1) and (2) and section 127.1 of the *Securities Act*, RSO 1990, c S.5 (the “**Act**”) to approve the settlement agreement dated April 1, 2 and 9, 2019 between NextBlock Global Limited (“**NextBlock**”) and Alex Tapscott (“**Tapscott**”), collectively (the “**Respondents**”) and Enforcement Staff.

B. FACTS

Enforcement Staff make the following allegations of fact:

OVERVIEW

2. 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.

3. 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 Act.

THE RESPONDENTS

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

5. 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).

CONDUCT CONTRARY TO THE PUBLIC INTEREST AND ONTARIO SECURITIES LAW

6. 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**").

7. 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.

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

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

10. The 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.

11. 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**”).

12. 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.

13. 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.

14. 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**”).

15. 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.

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

17. 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 10 that they were ever advisors to NextBlock.

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

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

C. BREACHES AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

24. Enforcement Staff allege the following breaches of Ontario securities law and/or conduct contrary to the public interest:

- a. the Respondents 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. the Respondents acted in a manner contrary to the public interest.

Enforcement Staff reserve the right to make such other allegations as Enforcement Staff may advise and the Commission may permit.

DATED at Toronto, May 8, 2019

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