



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
FIRST CLASS CRYPTO INC., JOHNATHAN
HARRIS, MITCHELL CARNIE AND NEILL KLOSS**

M. Cecilia Williams, Commissioner and Chair of the Panel
Frances Kordyback, Commissioner
Craig Hayman, Commissioner

File No. 2020-9

May 28, 2020

ORDER

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

WHEREAS the Ontario Securities Commission held a hearing in writing to consider the request made jointly by First Class Crypto Inc. (**FCCI**), Johnathan Harris (**Harris**), Mitchell Carnie (**Carnie**) and Neill Kloss (**Kloss**) (collectively, the **Respondents**) for approval of a settlement agreement dated May 26, 2020 (the **Settlement Agreement**);

ON READING the Joint Application for a Settlement Hearing, including the Statement of Allegations dated May 27, 2020, and the Settlement Agreement, and on reading the written submissions of the representative for Staff, and on being advised by Staff that Staff has received payments from Harris, Carnie and Kloss of \$5,000, \$3,000 and \$51,129 (respectively);

IT IS ORDERED THAT:

1. The Settlement Agreement is approved;
2. Pursuant to paragraph 9 of s. 127(1) of the Act:
 - (a) Harris shall pay an administrative penalty of \$41,125;
 - (b) Carnie shall pay an administrative penalty of \$31,125;
 - (c) Kloss shall pay an administrative penalty of \$17,750;
3. Pursuant to paragraph 10 of s. 127(1) of the Act:

- (a) FCCI, Harris and Carnie, jointly and severally, shall disgorge to the Commission \$120,000;
 - (b) Kloss shall disgorge to the Commission \$28,629;
- 4. Pursuant to s. 127.1 of the Act:
 - (a) FCCI, Harris and Carnie, jointly and severally, shall pay costs to the Commission of \$20,250;
 - (b) Kloss shall pay costs to the Commission of \$4,750;
- 5. Pursuant to paragraph 2 of s. 127(1) of the Act:
 - (a) FCCI is permanently prohibited from trading in any securities or derivatives;
 - (b) Harris is prohibited from trading in any securities or derivatives until the later of: (A) a period of 12 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Harris set out in sub-paragraphs 2(a), 3(a) and 4(a) above are paid in full;
 - (c) Carnie is prohibited from trading in any securities or derivatives until the later of: (A) a period of 7 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Carnie set out in sub-paragraphs 2(b), 3(a) and 4(a) above are paid in full;
 - (d) Kloss is prohibited from trading in any securities or derivatives for a period of 5 years;
- 6. Pursuant to paragraph 2.1 of s. 127(1) of the Act:
 - (a) FCCI is permanently prohibited from acquiring any securities;
 - (b) Harris is prohibited from acquiring any securities until the later of: (A) a period of 12 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Harris set out in sub-paragraphs 2(a), 3(a) and 4(a) above are paid in full;
 - (c) Carnie is prohibited from acquiring any securities until the later of: (A) a period of 7 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Carnie set out in sub-paragraphs 2(b), 3(a) and 4(a) above are paid in full;
 - (d) Kloss is prohibited from acquiring any securities for a period of 5 years;
- 7. Pursuant to paragraph 3 of s. 127(1) of the Act:
 - (a) all exemptions contained in Ontario securities law shall not apply to FCCI

permanently;

(b) all exemptions contained in Ontario securities law shall not apply to Harris until the later of: (A) a period of 12 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Harris set out in sub-paragraphs 2(a), 3(a) and 4(a) above are paid in full;

(c) all exemptions contained in Ontario securities law shall not apply to Carnie until the later of: (A) a period of 7 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Carnie set out in sub-paragraphs 2(b), 3(a) and 4(a) above are paid in full;

(d) all exemptions contained in Ontario securities law shall not apply to Kloss for a period of 5 years;

8. Pursuant to paragraphs 7, 8.1 and 8.3 of s. 127(1) of the Act:

(a) Harris, Carnie and Kloss shall resign any positions they may hold as a director or officer of any issuer or registrant;

9. Pursuant to paragraphs 8, 8.2 and 8.4 of s. 127(1) of the Act:

(a) Harris is prohibited from becoming or acting as a director or officer of any issuer or registrant until the later of: (A) a period of 12 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Harris set out in sub-paragraphs 2(a), 3(a) and 4(a) above are paid in full;

(b) Carnie is prohibited from becoming or acting as a director or officer of any issuer or registrant until the later of: (A) a period of 7 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Carnie set out in sub-paragraphs 2(b), 3(a) and 4(a) above are paid in full;

(c) Kloss is prohibited from becoming or acting as a director or officer of any issuer or registrant for a period of 5 years;

10. Pursuant to paragraph 8.5 of s. 127(1) of the Act:

(a) FCCI is prohibited from becoming or acting as a registrant or promoter permanently;

(b) Harris is prohibited from becoming or acting as a registrant or promoter until the later of: (A) a period of 12 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Harris set out in sub-paragraphs 2(a), 3(a) and 4(a) above are paid in full;

(c) Carnie is prohibited from becoming or acting as a registrant or promoter until the later of: (A) a period of 7 years from the date on which the Settlement Agreement is approved; or (B) the date on which the amounts owed by Carnie set out in sub-paragraphs 2(b), 3(a) and 4(a) above are paid in full;

(d) Kloss is prohibited from becoming or acting as a registrant or promoter for a period of 5 years;

11. Pursuant to paragraph 6 of s. 127(1) of the Act, the Respondents shall be reprimanded;
12. The amounts referred to in paragraphs 2 and 3 above shall be designated for allocation or use by the Commission in accordance with ss. 3.4(2)(b)(i) or (ii) of the Act;
13. Harris and Carnie shall each pay installments of \$10,000 to the Commission every six months, starting on the date that is six months from the date on which the Settlement Agreement is approved, until the amounts ordered against them set out in paragraphs 2, 3 and 4 above are paid in full;
14. As an exception to the sanctions in paragraphs 5 and 6 above, Harris, Carnie and Kloss are permitted to trade securities and derivatives and acquire securities on their own behalf in a registered retirement savings plan, registered education saving plan, tax-free savings account or self-directed retirement savings plan, solely through a registered dealer or registered advisor that has first been given a copy of this Order;
15. As an exception to the sanctions in paragraphs 8 and 9 above, Harris is permitted to continue as, or become, a director or officer of a company that meets the following criteria:
 - (a) Harris must be the sole shareholder of the company;
 - (b) the business operated by the company must be strictly limited to providing construction-related services, including the purchase, renovation and resale of residential properties (i.e. house flipping); and
 - (c) the company shall not raise capital through the issuance of securities to the public;
16. As an exception to the sanctions in paragraphs 8 and 9 above, Carnie is permitted to continue as, or become, a director or officer of a company that meets the following criteria:
 - (a) Carnie must be the sole shareholder of the company;
 - (b) the business operated by the company must be strictly limited to providing construction-related services, including landscaping; and

