

STATE OF NEW JERSEY  
BUREAU OF SECURITIES  
P.O. Box 47029  
Newark, New Jersey 07101  
Telephone: (973) 504-3600

IN THE MATTER OF:

POCKETINNS, INC.  
and SARVAJNYA G. MADA,

Respondents.

**CONSENT ORDER**

**WHEREAS**, the New Jersey Bureau of Securities (the "Bureau") is the State agency with the responsibility to administer and enforce the New Jersey Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 (the "Securities Law");

**WHEREAS**, the Bureau conducted an investigation into certain activities of Pocketinns, Inc. ("Pocketinns") and Sarvajnya G. Mada ("Mada") as set forth in this Consent Order;

**WHEREAS**, between January 15 and 31, 2018 ("relevant period") Mada and Pocketinns offered and sold from New Jersey approximately \$410,000 of unregistered securities to 217 investors in violation of the Securities Law;

**WHEREAS**, the Bureau commenced an action in the Superior Court of New Jersey, Essex County, Chancery Division, against Pocketinns

and Mada on July 17, 2019, styled Gurbir S. Grewal, Attorney General of New Jersey, on behalf of Christopher W. Gerold, Chief of the New Jersey Bureau of Securities v. Pocketinns, Inc. and Sarvajnya G. Mada, individually and as Chief Executive Officer of Pocketinns, Inc., Docket Number ESX-C-151-19 (the "Action");

**WHEREAS**, unrepresented Defendant Mada filed an Answer on or about August 19, 2019 in the Action;

**WHEREAS**, Plaintiff obtained entry of default on the docket as to Defendant Pocketinns on September 17, 2019 in the Action;

**WHEREAS**, Plaintiff and Defendants Mada and Pocketinns desire to avoid the expense, delay and uncertainty of further litigation and further desire to conclude the Action on the terms set forth in a Stipulation of Dismissal to be filed in the Action and herein;

**WHEREAS**, Mada and Pocketinns have cooperated with the Bureau's investigation; and

**WHEREAS**, the Bureau Chief has determined that entry of this Consent Order is necessary and appropriate in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provision of the Securities Law;

The Bureau Chief makes the following findings of fact and conclusions of law, which Pocketinns and Mada admit:

#### **FINDINGS OF FACT**

##### **A. Background**

1. Pocketinns, a Delaware corporation headquartered in

Princeton, New Jersey, during the relevant time, purported to be developing an online community-driven marketplace ecosystem built around a decentralized block-chain oriented model. Pocketinns has never been registered with the Bureau in any capacity.

2. Pocketinns maintained a website accessible at [www.pocketinns.io](http://www.pocketinns.io) (the "Pocketinns Website"). The Pocketinns Website was accessible to the general public, including residents of New Jersey. The Pocketinns Website also maintained a link to a "whitepaper" which discussed, among other things, the business of Pocketinns and its intention to raise capital through an initial token offering (the "Pocketinns ITO").

3. Pocketinns operated an online marketplace for travel and hospitality stays through a website accessible at [www.pocketinns.com](http://www.pocketinns.com). The site had a soft launch in September 2017 and went live in October 2017 in Europe.

**B. The Pocketinns ITO**

4. Pocketinns, through the Pocketinns Website and its "whitepaper," announced the Pocketinns ITO would be a "reverse dutch auction" initial token offering to investors. The Pocketinns ITO sought to raise up to \$46 million by offering accredited investors as much as 30 million of the 150 million tokens created by Pocketinns (the "PINNS") in exchange for the cryptocurrency Ethereum ("Ether"). The minimum investment amount required by the Pocketinns ITO was one Ether. The Pocketinns ITO took place from

January 15, 2018 through January 31, 2018.

5. According to the "whitepaper," the PINNS could be used for various transactions through the Pocketinns ecosystem. However, Pocketinns acknowledged in the same "whitepaper" that some PINNS purchasers might seek to speculate on the tokens for investment purposes.

6. The remaining 120 million PINNS were to be retained by the company for specific purposes including, among others, community mining, allocation to the founders, and distribution to employees and consultants.

7. The material and statements set forth in the Pocketinns Website and the Pocketinns "whitepaper" constitute offers to purchase or sell securities.

**C. Pocketinns' Token Sale and Proceeds Remaining**

8. Pocketinns received 563 Ether, the equivalent of \$410,000, from the sale of PINNS to 217 investors. As of the date hereof, Pocketinns retained 131 Ether.

**D. Pocketinns' Purported Reliance upon a Federal Offering Exemption**

9. The Pocketinns "whitepaper" acknowledged that an application of the "Howey test to the PINNS token implies that the token has certain features of a security." Pocketinns further stated "we have decided to treat the PINNS token as a security."

10. In order to comply with applicable securities law,

Pocketinns stated it would "issue the PINNS tokens using the registration exemption found in Rule 506(c) of Regulation D" under the Securities Act of 1933 (the "Securities Act") and limit the purchase of PINNS to "accredited investors."

11. Rule 506(c) permits issuers to make limited offers and sales of securities using general solicitation without regard to the dollar amount offered. However, among other conditions, is the requirement that all purchasers of the security be "accredited investors" as defined in Rule 501 of the Securities Act.

12. To ensure compliance with Rule 506(c), issuers must have a reasonable belief at the time of sale that each purchaser is an accredited investor. Further, issuers must take reasonable steps to verify that purchasers are accredited investors, provided they do not have knowledge that such purchaser is an accredited investor.

13. Pocketinns acknowledged the verification requirement in its "whitepaper" when it stated "[w]e will take reasonable efforts to verify the accredited investor status of participants and follow the other requirements of Rule 506(c)."

**E. Pocketinns Did not Satisfy the Accredited Investor Requirement of Rule 506(c)**

14. During the Pocketinns ITO, Pocketinns did not have a reasonable belief that PINNS investors were accredited and did not take reasonable steps to verify purchasers' accreditation status.

15. Specifically, Pocketinns merely required that PINNS investors confirm their accredited investor status by checking a box during the online investment process. This acknowledgement also stated that investors would "provide evidence of accredited investor status." Pocketinns' online investment process allowed PINNS investors to upload a passport, driver's license, or income proof document.

16. Pocketinns filed a Form D with the U.S. Securities and Exchange Commission dated February 1, 2018. According to the Form D, the Pocketinns ITO commenced on January 15, 2018 and raised 563 Ethers (valued at approximately \$410,000 at the time) from 217 U.S. and foreign investors (the "PINNS Investors").

17. However, only eleven PINNS Investors provided documentation to Pocketinns to substantiate their accredited investor status. The remaining PINNS Investors only provided identification documents (i.e., passport or driver's license) or, in limited instances, financial information that did not support accredited investor status.

18. On February 18, 2018, or eighteen days after the closing of the Pocketinns ITO, Pocketinns emailed the PINNS Investors located in the United States seeking specific income and asset information as proof of the investors' accreditation status. This conduct did not comply with the requirements of Rule 506(c).

**F. Illinois Securities Department Enters into a Consent Order of Prohibition with Pocketinns**

19. On December 5, 2018, the Illinois Securities Department ("Department") entered into a Consent Order of Prohibition ("Illinois Order") with Pocketinns and certain of its principals ("Respondents").

20. Specifically, the Illinois Order stated that the Department found that Respondents failed to file an application for registration of the Pocketinns initial coin offering with the Department, and therefore offered and sold unregistered securities in Illinois. They were not exempt and failed to register as a dealer, salesperson, investment adviser, or investment adviser representative.

21. The Illinois Order required the Respondents to make payments totaling \$8,000 as a fine for their conduct. Further, the Respondents were required to make an offer and repurchase PINNS tokens from all Illinois residents.

22. There were two PINNS Investors who were Illinois residents as of the date of the Illinois Order.

**CONCLUSIONS OF LAW**

23. The PINNS sold through the Pocketinns Website are securities as defined in N.J.S.A. 49:3-49(m) of the Securities Law. The PINNS issued by Pocketinns and sold through the Pocketinns Website were not registered with the Bureau, not exempt

from registration, and not federally covered.

24. Pocketinns and Mada sold unregistered securities in the form of PINNS in violation of N.J.S.A 49:3-60.

25. Mada acted as an unregistered agent of Pocketinns in effecting or attempting to effect offers and sales of securities in or from New Jersey in violation of N.J.S.A. 49:3-56(a).

26. Pocketinns employed Mada as an unregistered agent in effecting or attempting to effect offers and sales of securities in or from New Jersey in violation of N.J.S.A. 49:3-56(h).

27. The violations set forth herein are grounds pursuant to N.J.S.A. 49:3-70.1, for the assessment of civil monetary penalties against Pocketinns and Mada.

**THEREFORE**, it is on this 10 day of June 2020, **ORDERED** and **AGREED** that:

28. Pocketinns and Mada shall cease and desist from violating any provisions of the Securities Law and any rules promulgated thereunder for the sale of any security in New Jersey.

29. Pocketinns and any person, employee, officer, director, shareholder, representative, agent, affiliate, assign, successor in interest, or independent contractor under Pocketinns' direction or control is barred from:

- a. offering for sale any security in New Jersey until the security is registered with the Bureau or is



offered for sale pursuant to an exemption from registration under the Securities Law; and

- b. acting as a broker-dealer or agent in New Jersey until each is registered with the Bureau or are acting pursuant to an exemption from registration under the Securities Law.

30. Mada, and any person, employee, representative, agent, affiliate, assign, successor in interest, or independent contractor under Mada's direction or control is barred from:

- a. offering for sale any security in New Jersey until the security is registered with the Bureau or is offered for sale pursuant to an exemption from registration under the Securities Law;
- b. acting as a broker-dealer or agent in New Jersey until each is registered with the Bureau or are acting pursuant to an exemption from registration under the Securities Law; and
- c. being a partner, officer or director of an issuer, broker-dealer or investment adviser, or from occupying a similar status or performing a similar function or from directly or indirectly controlling or being controlled by an issuer, broker-dealer or investment adviser, or from acting as a broker-dealer, agent or investment adviser in New Jersey.

31. Pocketinns and Mada shall cooperate with the Bureau in effectuating the terms of the settlement of the Action. Their obligation to do so shall survive the entry of this Consent Order and dismissal of the Action.

32. Pocketinns and Mada are **DENIED** all exemptions contained in paragraphs 9, 10, and 11 of N.J.S.A. 49:3-50(a) and all exemptions contained in N.J.S.A. 49:3-50(b);

33. The exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b) N.J.S.A. 49:3-56(c), and N.J.S.A. 49:3-56(g) are **REVOKED** as to Pocketinns and Mada.

34. Pocketinns shall be liable to pay restitution to all investors. The total amount of restitution is \$410,000.

35. Within five (5) business days of the execution of this Consent Order by the Bureau Chief, the Bureau Chief shall provide an instruction letter to Coinbase, Inc. The instruction letter will request that Coinbase, as expeditiously as possible, but not later than five (5) business days of receipt by Coinbase of the instruction letter, convert all digital assets in Mada's Coinbase account registered under the email address: sqmada10@gmail.com, into United States currency, at the then-market value, and remit to the Bureau the United States dollar value of the converted 131.69337954 Ethereum, 0.07176429 BCH (Bitcoin Cash), 0.07176429 BSV (Bitcoin Satoshi Vision) and \$0.15 held in Mada's previously identified Coinbase account.

36. Following receipt by the Bureau of a wire transfer from Coinbase representing the proceeds of Mada's Coinbase account identified in paragraph 35, above, the Bureau will submit the Stipulation of Dismissal in the Action to be "so ordered" by the Court.

37. As soon as is reasonably practicable, the Bureau will notify the Pocketinns investors named in the list furnished to the Bureau by Pocketinns of investors who purchased PINNS that they may be entitled to receive payment of partial restitution of their investment in Pocketinns. The Bureau's notification shall be sent by email and shall include a claim form to be completed and returned to the Bureau within sixty (60) days of the date of the Bureau's notification. Any investor who has not timely responded shall be precluded from receiving a partial restitution payment. The Bureau shall determine the validity of the claims received.

38. The Bureau shall distribute the funds available for partial restitution to investors on a pro rata basis. Partial restitution shall be calculated for each investor with a valid claim according to the following formula:  $R = V/563 \times C$ , where "R" equals the U.S. dollar amount of partial restitution due to each individual investor who submits a valid claim, "V" equals the U.S. dollar value of the converted digital assets and any cash balance of Mada's Coinbase account described in paragraph 35, above, 563 equals the number of Ether Pocketinns received in the

PINNS ITO, and "C" equals the number of Ether the investor used to purchase the PINNS.

39. Pocketinns is hereby assessed a civil monetary penalty in the amount of \$100,000 pursuant to N.J.S.A. 49:3-70.1 for Pocketinns' violations of N.J.S.A. 49:3-56(h) and N.J.S.A. 49:3-60.

40. Mada is hereby assessed a civil monetary penalty in the amount of \$5,000 pursuant to N.J.S.A. 49:3-70.1 for Mada's violations of N.J.S.A. 49:3-56(a) and N.J.S.A. 49:3-60.

41. Civil monetary penalties due under this Consent Order shall be paid by wire transfer, instructions to be provided, upon execution of this Consent Order. The civil monetary penalty payments shall be deposited into the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.

42. Restitution shall be paid to the Bureau by wire transfer, instructions to be provided, according to the timing provision of paragraph 35 of this Consent Order.

43. Mada agrees, solely for the purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, that the allegations in this Consent Order are true, and further, that any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Defendant Mada under this Consent Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this

proceeding, is a debt for the violation by Mada of the Securities Law or any regulations or order issued under such Law, as set forth in Section 523 (a)(19) of the Bankruptcy Code, 11 U.S.C. § 523 (a)(19).

44. Mada and Pocketinns have read this Consent Order, understand it, and agree to be bound by its terms.

45. Mada and Pocketinns consent to the jurisdiction of the Bureau.

46. This Consent Order shall not bind any person not a party hereto, except as provided herein.

47. Pocketinns and Mada have had an opportunity to consult with counsel of their choosing regarding this Consent Order.

48. Pocketinns and Mada waive the following rights to the extent they have such rights:

- a. To be afforded an opportunity for a hearing on the Bureau Chief's findings of fact and conclusions of law in this Consent Order; and
- b. To seek judicial review of, or otherwise challenge or contest, the validity of this Consent Order.

49. Pocketinns and Mada agree that solely for the purposes of settling the Action, or any future proceedings by the Bureau solely related to the specific conduct described above, this Consent Order shall have the same effect as if proven and ordered after a full hearing held pursuant to N.J.S.A. 52:14B-1 to -31.

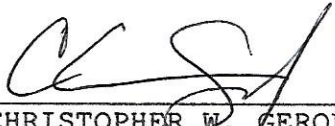
50. This Consent Order and the Stipulation of Dismissal in the Action conclude the Bureau's investigation and the Action and any additional civil or administrative action that could be commenced pursuant to the Securities Law, as it relates to Pocketinns and Mada for the specific conduct described above and in the Action.

51. No employee, official of, or person representing the Bureau or the State of New Jersey has made any additional promise or representation to Pocketinns or Mada regarding this Consent Order and the Stipulation of Dismissal in the Action.

52. Nothing contained herein shall in any manner be construed to limit or affect any position that the Bureau, any other government, or any person, including investors, may take in any future or pending action not specifically encompassed herein.

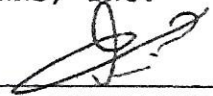
53. In the event that Pocketinns or Mada violate this Consent Order, the Bureau Chief may vacate this Consent Order and take further action against Pocketinns and Mada under the Securities Law.

54. Pocketinns and Mada consent to the form, content, and entry of this Consent Order.

 6/18/2020  
CHRISTOPHER W. GEROLD  
BUREAU CHIEF

POCKETINNS, INC.

DATED: June 10, 2020 By: \_\_\_\_\_

  
Name: SARVAJNYA G. MADA  
Title: CHIEF EXECUTIVE OFFICER

DATED: June 10, 2020 \_\_\_\_\_

  
SARVAJNYA G. MADA