

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:

18MOONS, INC.

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Docket No. E-2018-0010

CONSENT ORDER

I. PRELIMINARY STATEMENT

This Consent Order (“Order”) is entered into by the Massachusetts Securities Division (the “Division”) and 18moons, Inc. (hereinafter “18moons”) with respect to the investigation (Docket No. E-2018-0010) by the Enforcement Section of the Division (the “Enforcement Section”) into whether 18moons’ activities and conduct violated MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”), and the corresponding regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00 – 14.414 (the “Regulations”).

On March 26, 2018, 18moons submitted an Offer of Settlement (“Offer”) to the Division. 18moons neither admits nor denies the Statement of Facts set forth in Section V and the Violations of Law set forth in Section VI herein, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the investigation (Docket No. E-2018-0010) hereby with prejudice.

II. JURISDICTION AND AUTHORITY

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities. The Act authorizes the Division to regulate the offers and/or sales of securities, as well as those individuals offering and/or selling securities within the Commonwealth.
2. The Offer was made and this Order is entered in accordance with the Act. Specifically, the acts and practices investigated by the Enforcement Section took place in Massachusetts.

III. RELEVANT TIME PERIOD

3. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of December 15, 2016 to January 25, 2018 (the “Relevant Time Period”).

IV. RESPONDENT

4. 18moons, Inc. is a corporation organized under the laws of Delaware. 18moons registered as a foreign corporation in Massachusetts on December 2, 2016. 18moons has a principal place of business located at 320 Nevada Street, Suite 301, Newton, Massachusetts 02460.

V. STATEMENT OF FACTS

5. 18moons is a company that creates, produces and distributes children’s programming.
6. In January 2018, the 18moons Chief Financial Officer stated that the company had 1.5 million monthly active users.
7. In late 2017, 18moons began to plan its initial coin offering of Planet Kids Coins (hereinafter “PKCs”).

8. 18moons planned to offer a maximum \$10 million (USD) of PKCs in February 2018, with a soft cap of \$1 million (USD).
9. 18moons planned to authorize a maximum of 125,000,000 PKCs and to offer up to 100,000,000 PKCs to potential purchasers.
10. PKCs were to be implemented as Ethereum-based tokens on the Ethereum blockchain, as opposed to an independent blockchain.
11. 18moons planned that the initial price of a PKC would be \$0.10 (USD).
12. 18moons structured a two-tier bonus structure whereby “early birds” would receive a 3% bonus if they purchased between 1-5 million PKCs, and a 10% bonus if they purchased between 50-100 million PKCs.
13. 18moons utilized certain social media platforms, including Bitcointalk, Reddit, Telegram, Twitter, and YouTube to make potential purchasers aware of the planned offering of PKCs.
14. After receiving the Division’s January 25, 2018 subpoena, 18moons noted on its website and represented to the Division that it decided to postpone indefinitely the proposed offering of PKCs.
15. 18moons planned to make PKCs available for purchase using USD or other cryptocurrencies.
16. 18moons intended to pool funds raised from the sale of PKCs “to fuel the development and maintenance of the platform.”
17. The value of PKCs were to be based on the price traded on cryptocurrency exchanges.

18. During the Relevant Time Period, 18moons was not registered in any capacity in the securities industry in Massachusetts.

19. PKCs are not registered in Massachusetts.

VI. VIOLATIONS OF LAW

Count I – Violations of MASS. GEN. LAWS ch. 110A, § 301

20. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in the commonwealth unless:--

- (1) the security is registered under this chapter;
- (2) the security or transaction is exempted under section 402; or
- (3) the security is a federal covered security.

MASS. GEN. LAWS ch. 110A, § 301.

21. Section 401(k) of the Act provides:

“Security” means any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting-trust certificate; certificate of deposit for a security; certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. “Security” does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay money either in a lump sum or periodically for life or some other specified period.

MASS. GEN. LAWS ch. 110A, § 401(k).

22. Section 14.401 of the Regulations provides:

Investment Contract, as used in Section 401(k) of the Act, includes:

- (1) any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of

someone other than the investor. As used in 950 CMR 14.401, a "common enterprise" means an enterprise in which the fortunes of the investor are interwoven with and dependent upon the efforts and successes of those seeking the investment or a third party; and (2) any investment by which an offeree furnishes initial value to an offeror, and a portion of this initial value is subject to the risks of the enterprise, and the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise, and the offeree does not receive the right to exercise practical and actual control over the management of the enterprise.

950 MASS. CODE REGS. 14.401.

23. The Enforcement Section alleges that the conduct of 18moons, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

VII. ORDER

IT IS HEREBY ORDERED:

- A. 18moons shall not sell unregistered or non-exempt securities in Massachusetts;
- B. 18moons is censured by the Division;
- C. 18moons shall not make offers and sales of PKCs in Massachusetts until PKCs, or other such offerings, are registered as securities or are exempt from registration as securities in Massachusetts. For any future registered or exempt offers of securities in Massachusetts, 18moons shall file a Form U-2, Consent to Service of Process, with the Division to the extent required by MASS. GEN. LAWS. ch. 110A, § 414(g);
- D. Prior to making any offers or sales of PKCs, or other such offerings, 18moons shall provide the Enforcement Section with written notice of such securities offerings;
- E. If applicable, 18moons shall offer rescission of sales of PKCs to those investors who purchased PKCs prior to the date of this Order; and

F. Upon issuance of the Order, if 18moons fails to comply with any of the terms set forth in the Division's Order, the Enforcement Section may take appropriate action. Additionally, after a fair hearing and the issuance of an appropriate order finding that 18moons has not complied with the Order, the Enforcement Section may move to have the Order declared null and void, in whole or in part, and re-institute the associated investigation.

G. NO DISQUALIFICATION

This Order waives any disqualifications in the Massachusetts laws, or rules or regulations thereunder, including any disqualifications from relying upon the registration exemptions or safe harbor provisions to which 18moons may be subject. This Order is not intended to form the basis of any disqualifications under federal securities laws, rules or regulations thereunder, including but not limited to Section 3(a)(39) of the Securities Exchange Act of 1934 or Rule 506 of Regulation D under the Securities Act of 1933.

**WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH**

By: 

Bryan J. Lantagne

Director

Massachusetts Securities Division

One Ashburton Place, Room 1701

Boston, MA 02108

Date: March 27, 2018