

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10950 / June 22, 2021

SECURITIES EXCHANGE ACT OF 1934
Release No. 92215 / June 22, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20369

In the Matter of

**LOCI, INC. AND
JOHN WISE,**

Respondents.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933 AND SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Loci, Inc. (“Loci” or “the Company”) and John Wise (“Wise”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted. Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds that:

Summary

1. From August 2017 to January 2018, Loci, a developer of a software platform called InnVenn, raised \$7.6 million by offering and selling digital tokens called "LOCICoin" through an unregistered and fraudulent initial coin offering ("ICO"). In promoting the ICO, Loci and its founder and Chief Executive Officer, Wise, made numerous materially false and misleading statements, touted the value of LOCICoin to investors, highlighted their efforts to make LOCICoin available for trading on digital asset trading platforms, and claimed that LOCICoin would increase in price as a result of their efforts.

2. Based on the facts and circumstances set forth below, LOCICoin were offered and sold as investment contracts, and therefore securities, under *SEC v. W. J. Howey Co.*, 328 U.S. 293 (1946) and its progeny, including the cases discussed by the Commission in its *Report of Investigation Pursuant To Section 21(a) Of The Securities Exchange Act of 1934: The DAO* (Exchange Act Rel. No. 81207) (July 25, 2017) (the "DAO Report"). A purchaser in the offering of LOCICoin would have had a reasonable expectation of obtaining a future profit based upon Loci's and Wise's efforts, including, among other things, efforts to create demand and market appreciation for LOCICoin. Loci and Wise violated Sections 5(a) and 5(c) of the Securities Act by offering and selling these securities without having a registration statement filed or in effect with the Commission or qualifying for an exemption from registration.

3. Loci and Wise also violated the antifraud provisions of the federal securities laws with respect to the offering because they made materially false and misleading statements concerning Loci and LOCICoin both in the offer and sale, and in connection with the purchase and sale, of LOCICoin. Respondents made numerous materially false and misleading statements, including statements regarding the number of Loci employees, the number of users of Loci's InnVenn platform, Loci's revenues, Loci business partners, and the existence of a non-profit foundation that would ensure LOCICoin liquidity. As a result, Loci and Wise violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Respondents

4. Loci, Inc. is a Delaware corporation based in Reston, Virginia. Neither Loci nor its securities have ever been registered with the Commission in any capacity. The Company is nearly defunct and has ceased operations.

5. John Wise, age 35, is the founder and Chief Executive Officer of Loci and a resident of Brooklyn, New York. Wise has never been registered in any capacity with the Commission.

Facts

6. Wise formed Loci in 2016. The Company's business provided an intellectual property ("IP") search service for inventors and other users through its software platform, InnVenn. The Company and Wise expected to earn revenue from fee-based subscriptions, which users could pay by credit card to access the platform online.

7. From August 2017 to January 2018, Respondents sought to raise capital by selling digital tokens called LOCIcoin through an ICO. At the time the ICO started, InnVenn's registered users accessed the platform through unpaid or free subscriptions. At that time, the platform had limited search functionality. Loci and Wise planned to use funds raised in the ICO to, among other things, modify the InnVenn platform. The Company and Wise wanted to expand InnVenn's search capabilities, incorporate analytical features to help users evaluate patents and IP, and provide a marketplace for the buying and selling of IP. During the course of the ICO, Loci, under Wise's direction, made changes to InnVenn that allowed users to access the platform by paying with LOCIcoins. Respondents told ICO investors that users would be required to purchase LOCIcoin to access and use InnVenn. Notwithstanding, the option to pay for access to the platform by credit card continued both during and after the ICO.

8. Starting in August and September 2017, Loci and Wise sold LOCIcoin in exchange for Ether in a so-called "pre-sale" pursuant to Simple Agreements for Future Tokens ("SAFTs"). To generate investor interest in LOCIcoin and the offering, Loci disseminated various versions of a so-called whitepaper (the "Whitepapers") to promote the Company, InnVenn, and the token to investors. Loci and Wise sent the Whitepapers directly to prospective investors, which were also publicly available to investors on Loci's website. The Whitepapers were often cited by Wise and Loci executives during publicly-available interviews and on the Company's social media forums.

9. From September to December 2017, Loci and Wise continued to offer LOCIcoin for purchase through SAFTs as part of its so-called "pre-sale," and also began an online marketing campaign for the offer and sale of LOCIcoin as part of a so-called "public sale." Respondents publicized this aspect of its LOCIcoin offering to a broad investor audience through its website, social media forums, and a bounty program. In December 2017, hundreds of investors, including United States investors, submitted purchase orders for LOCIcoin using Ether and Bitcoin as part of the "public sale" aspect of the LOCIcoin offering. Respondents distributed LOCIcoin to all purchasers in January 2018. In total, Respondents raised approximately \$7.6 million.

LOCIcoin Investors Reasonably Expected to Profit from Respondents' Efforts

10. As described below, Loci and Wise marketed LOCIcoin with a focus on potential investor profit. Loci and Wise told investors that funds from the offering would be used to further develop InnVenn, which would increase demand for the platform and likewise the value of LOCIcoin. Loci and Wise told investors that they were purchasing LOCIcoin at a discount and that the tokens would have a minimum value of \$2.49, which could rise as demand for InnVenn increased. Loci and Wise also informed investors that the token would be available for trading on digital asset trading platforms, that LOCIcoin would be tradeable seven days after the ICO close,

and that an affiliated non-profit entity would facilitate the marketing and trading of LOCIcoin after the ICO.

11. In promoting the token, Loci and Wise emphasized its appreciable value as an investment. During the ICO's "public sale" phase, LOCIcoin was offered in four ICO rounds with the token being offered at the Ether equivalent of \$0.33, \$0.44, \$0.57, and \$0.75, respectively. Loci and Wise noted that these prices were offered at a discount off a "base rate" of \$2.50 for each LOCIcoin, or in other words, the equivalent of the price charged to access InnVenn at \$249.99 or 100 LOCIcoin. Wise told prospective investors in a publicly-available podcast interview, recorded in November 2017, that the tokens' value were expected to increase after the ICO and would at least increase above the InnVenn subscription price [of \$2.50], if not higher. He further stated, "because . . . the product, it already has sales That means, as people want to use the product, they would be happy to buy the tokens at a discounted price, thus, bring the price of the tokens back up to \$2.49, \$2.50" and thus the discount "allows for speculative value [of LOCIcoin] to go up above . . . \$2.49, but never below."

12. Wise made similar statements in other social media forums. For example, in a Loci Reddit Q&A Session, Wise was asked, "How will your tokens gain in value? What's in it for ICO investors?" He responded: "Well initially, [LOCIcoins] are anticipated to rise to the equilibrium price of \$2.49 per coin. From there it has everything to do with the quantity of invention assets in circulation [A]s inventions become listed on the blockchain and businesses buy them, there is an increase in price [of LOCIcoin] and [the inventions] MUST be purchased with LOCIcoin. When [the invention buyers] buy the coin from the coin holders (ICO investors or inventors) there is an opportunity to increase the value of each coin in a speculative market."

13. Other Loci representatives made similar statements to investors. For example, in November 2017, one Loci representative told prospective investors in a chat forum: "[w]e can't guarantee the price of the coin after the crowdsale, the market will decide any price movements. What we can say is that we will keep developing our platform and make it as useful as possible hence increasing the demand for the LOCIcoin."

14. Loci and Wise highlighted the Loci management team's experience in patents, inventions, and blockchain technology to demonstrate that the Company would be able to develop and manage InnVenn, and thus increase the value of the LOCIcoin. Through social media and other forums, Wise and Loci representatives talked about building InnVenn into "a powerhouse," highlighted plans to hire marketing and sales teams, provided a timeline of planned developments for InnVenn, discussed lobbying for changes in IP law and acquiring IP, and pursuing other initiatives to make InnVenn and LOCIcoin more valuable.

15. Respondents informed investors that ICO proceeds would predominantly go towards product development, marketing, and operations – 75% of proceeds, according to the Whitepapers. The Whitepapers and other communications indicated that Wise would personally retain 2.5 million of 100 million LOCIcoins issued, and that he would be restricted from immediately reselling them. Loci's team, advisors, and partners would retain 8.5 million LOCIcoin, and an additional 39 million tokens would be retained by an affiliated non-profit entity,

Loci Nexus, for use in promoting token liquidity and purported use on the platform. The significant number of tokens withheld demonstrated that the Company and Wise had a financial incentive to expend efforts to increase the value of LOCIcoins.

16. Loci and Wise told investors that the token would be tradeable on digital asset trading platforms. For example, in November 2017, Wise told potential investors in a publicly-available podcast interview, “So, once all of the tokens are sold, then we’ll go on an exchange, and we’re expecting that will be around January 1st.” In November 2017, a Loci representative informed investors on a chat forum that the token would be tradeable seven days following the completion of the ICO. In December 2017, Loci and Wise also told prospective investors that Loci Nexus would facilitate the marketing and trading of LOCIcoin after the ICO.

17. In late 2017, Loci personnel solicited several digital asset trading platforms to “list” the LOCIcoin for trading. Beginning in February 2018, following the ICO, the tokens were “listed” to trade on several digital asset trading platforms. Loci hired a so-called “market maker” for the purpose of increasing liquidity and trading volume of LOCIcoin on one of the digital asset trading platforms.

18. Reasonable investors would expect to profit from Loci and Wise’s efforts. Reasonable investors would anticipate that profits would come from an increase in value of LOCIcoin, which depended on the Respondents’ efforts developing and marketing InnVenn and making LOCIcoin tradable on digital asset trading platforms. Respondents repeatedly informed investors that their efforts would create value in LOCIcoins.

Respondents Made Materially False Statements

19. Wise had ultimate authority over the false and misleading statements described below, including statements made to the media, and statements contained in the Whitepapers, marketing materials, and other offering documents. These statements were material. Wise knew or was reckless in not knowing that these statements were false and misleading.

20. Loci and Wise made materially misleading statements to investors about Loci’s revenues and paid users. In August 2017, Loci representatives sent a “pitch deck” and one version of the Whitepapers to a number of prospective investors. The pitch deck stated that “[I]near growth rate estimates with existing sales suggest Loci will have around 6,000 users a month by December grossing \$1,194,000 in revenue.” The Whitepaper included a chart, showing 500 current Loci users, and 6,100 users by Q4 2017. The pitch deck also showed Q2 2017 (current at the time) revenues at nearly \$100,000. These statements were materially false and misleading because Loci never had sales, revenues, or paid users.

21. Leading up to the “public sale” phase of the ICO in December 2017, Loci and Wise continued to make materially misleading statements about Loci’s revenues and users. For example, Wise falsely told prospective investors that Loci had paying users and revenues, had InnVenn sales, sold InnVenn to lawyers, and had 500 current users. Wise also made the false and

misleading projections of 6,000 users by December 2017, and 50,000 to 60,000 users by June 2018.

22. Wise also provided false information in interviews with the news media. In 2017, Wise was interviewed for a *Washington Business Journal* (“WBJ”) article, titled “A Sterling firm aims to upend the patent industry – and it’s using cryptocurrency to do it,” which was published in July 2017. The resulting article inaccurately stated that Loci had twenty-four employees. A later November 2017 WBJ article, titled “This Sterling company has sold millions of dollars of LOCIcoin – a sort of Bitcoin for IP,” inaccurately stated that “Loci has about 45 dedicated workers, with dozens more contractors.” At the time Wise provided this inaccurate information to the news media, Loci had no employees, and only a few contractors. Loci did not hire its first employee until after the ICO ended.

23. Loci and Wise also repeatedly informed investors in marketing materials that a non-profit foundation called Loci Nexus was the issuer of LOCIcoin and responsible for the ICO. According to Loci and Wise, Nexus was responsible for ensuring that the ICO proceeds would fund the InnVenn project and Loci’s operations, that after the ICO, Nexus would be central to “Loci’s Economic Model” by holding a reserve of 34% of all LOCIcoins that could be used to facilitate coin liquidity on and off the InnVenn platform, and that the foundation would fund intellectual property research and development. Through the marketing materials, Loci and Wise conveyed to investors that Nexus would manage all matters relating to the LOCIcoin, and Loci would exclusively focus on developing and managing the InnVenn platform as a for-profit enterprise. These statements were false. “LociNexus” did not exist at the time that the Company and Wise made these statements. Rather, leading up to the ICO, Loci was the entity responsible for issuing LOCIcoin and managing the ICO and its proceeds. An entity called Loci Nexus was later formed, but the efforts to create that entity did not begin until April 2018, months after the ICO ended.

24. Wise made other materially false statements to investors, including that Loci had partnerships with two large universities, and that Wise had thousands of inventions and fifteen years of experience as an aerospace engineer. Wise also falsely told one institutional investor that a well known high net worth individual was going to invest \$250 million in Loci, and that Loci had a valuation of \$2.4 billion.

25. In the Whitepapers, Wise and Loci told investors that ICO proceeds would be used for product development, operations, and marketing. There were no disclosures that Wise would use the funds to pay his personal expenses. Wise improperly used \$38,163 of the investor funds raised for Loci to pay personal expenses.

Violations

26. As a result of the conduct described above, Respondents violated Section 5(a) of the Securities Act, which states that “[u]nless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly, (1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such a security through the use or medium of any prospectus or otherwise, or (2) to carry or cause to be

carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.”

27. As a result of the conduct described above, Respondents violated Section 5(c) of the Securities Act, which states that “[i]t shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed as to such security.”

28. As a result of the conduct described above, Respondents violated Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of a security.

29. As a result of the conduct described above, Respondents violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

Undertakings

30. Respondents have undertaken to:

A. Destroy all LOCIcoins in their possession or control within 10 days of the date of this Order.

B. Publish notice of the Order on Loci’s social media channels, in a form not unacceptable to Commission staff, within 10 days of the date of this Order.

C. Issue requests to remove LOCIcoins from any further trading on all digital asset trading platforms where LOCIcoins are or may be trading, including any that Respondents previously contacted to request trading of LOCIcoins, and publish notice of such requests on Loci’s social media channels, in a form not unacceptable to Commission staff, within 10 days of the date of this Order.

D. Refrain from participating, directly or indirectly, in any offering of a digital asset security; provided, however, that such undertaking shall not prevent Respondent Wise from purchasing or selling digital asset securities for his own personal account.

E. Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Carolyn Welshhans, Associate Director, Division of Enforcement, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

31. In determining whether to accept the Offers, the Commission has considered these undertakings, and the current financial condition of each Respondent.

Disgorgement and Civil Penalties

Respondent Wise has submitted a sworn Statement of Financial Condition dated July 20, 2020, and other evidence and has asserted his inability to pay disgorgement plus prejudgment interest and a civil penalty.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondents Loci and Wise shall cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondents Loci and Wise shall comply with the undertakings enumerated in Section III, Paragraph 30 above.

C. Respondent Wise be, and hereby is:

prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, 15 U.S.C. § 781, or that is required to file reports pursuant to Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

D. Respondent Wise shall, within 7 days of the entry of this Order, pay disgorgement of \$38,163 and prejudgment interest of \$6,209.40, but payment of such amount is waived based upon Wise's sworn representations in his Statement of Financial Condition dated July 20, 2020, and other documents submitted to the Commission.

E. The Division of Enforcement may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent Wise provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement and pre-judgment interest. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent Wise was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent Wise may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement and interest should not be ordered; (3) contest the amount of disgorgement and interest to be ordered; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

F. Based upon Respondent Wise's sworn representations in his Statement of Financial Condition dated July 20, 2020, and other documents submitted to the Commission, the Commission is not imposing a penalty against Respondent Wise.

G. The Division of Enforcement may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent Wise provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent Wise was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent Wise may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of a penalty should not be ordered; (3) contest the imposition of the maximum penalty allowable under the law; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

H. Respondent Loci shall, within 7 days of the entry of this Order, pay a civil money penalty in the amount of \$7,600,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent Loci may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the party as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Carolyn Welshhans, Associate Director, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

I. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent Loci agrees that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against a Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary