

secured several specific and significant customer contracts, and had numerous other customers “in the pipeline”; that Gadget had already secured \$10 million in funding; and that HTC’s money would be used for sales and engineering and not existing debts. The Individual Defendants further represented that because they would soon be opening up the Series B round of funding, their Series A investment would significantly increase in value.

Over time, it became clear that these representations were—as one Defendant admitted—lies. Gadget’s product was not market-ready; Gadget had not secured, nor was it close to securing, contracts with any customers; HTC’s funds were intended and needed to pay for outstanding payroll tax liabilities, not sales or engineering; and Defendants had only secured \$8 million in initial funding.

Based on these misrepresentations, HTC asserts claims for violations of Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78a, et seq., and Rule 10b-5(a) promulgated thereunder by the Securities Exchange Commission, 17 C.F.R. § 240.10b5; violations of the Pennsylvania Securities Act of 1972 (“Pennsylvania Securities Act”), 70 Pa. Stat. Ann. §§ 1-101, et seq.; and common law fraud, negligent misrepresentation, and breach of contract.

PARTIES

2. Plaintiff HTC is a limited liability company organized and existing under the laws of the Commonwealth of Pennsylvania with its principal place of business located at 1288 Valley Forge Road, Suite 91, Valley Forge, Pennsylvania 19482.

3. Defendant Gadget is a Delaware corporation with its principal place of business at 58 Park Place, Second Floor, Newark, New Jersey 07102.

4. Defendant Dan Crain (“Crain”) is an individual who, upon information and belief, resides at 33 Van Blarcom Lane, Wycoff, NJ 07481. Crain is a co-founder and past CEO of Gadget.

5. Defendant Rabindra Soni (“Soni”) is an individual who, upon information and belief, resides at 101 Pickney Street, Boston, MA 02114. Soni is a co-founder and, upon information and belief, the current CEO and Executive Chairman of the Board of Gadget.

6. Defendant Maxwell Riggsbee, Jr. (“Riggsbee”) is an individual who, upon information and belief, resides at 160 Summit Street, Englewood, NJ 07631. Riggsbee is a co-founder and, upon information and belief, the current Chief Product Officer of Gadget.

JURISDICTION AND VENUE

7. Jurisdiction exists by virtue of a federal question pursuant to 28 U.S.C. § 1331 because certain of these claims involve violations of the Securities Exchange Act of 1934 (“Exchange Act”). The court has jurisdiction over the remaining state law claims by virtue of supplemental jurisdiction. 28 USC § 1367.

8. Venue is proper in this judicial district under 28 USC § 1391, as it is the judicial district in which a substantial part of the events or omissions giving rise to the claims occurred.

9. As alleged in greater detail below, Gadget and the Individual Defendants solicited an investment from HTC by misleading and fraudulent means and caused damage to HTC within this judicial district.

FACTS

10. Gadget is a software development company that is in the process of developing a new mobile device software technology. The new product will purportedly be able to transform PDF documents into a more user-friendly, interactive format. The technology will also

supposedly offer a new medium for publishing the reformatted data on mobile devices, allowing others to view the content from their own mobile devices.

11. In order to fund this project, Defendants issued and sold security interests in the company to various investors including Plaintiff through private placements, under Rule 506(b) of Regulation D, a “safe harbor” under Section 4(a)(2) of the Securities Act of 1933.

12. HTC was introduced to Gadget through Defendant Rabindra Soni, Gadget’s then Chairman of the Board, in the summer of 2017, when Soni told Andrew Towne, one of HTC’s managing members, that HTC had a unique opportunity to get into a tech deal with big potential. Defendant Soni said that he had invested in the same management team of Defendants Crain and Riggsbee twice before and both ventures were very successful. Defendant Soni told Towne that he would instruct Defendant Crain, Gadget’s CEO, to open up the “Series A” investment round to get HTC the same terms as other Series A investors who had purchased stock the prior fall.

13. In September 2017, Defendant Crain solicited HTC’s Towne by telephone to invest in Gadget’s software business.

14. On September 27, 2017, HTC executed and returned to Gadget the Non-Disclosure Agreement required by Gadget to disclose the proposed investment details.

15. At that time, Crain represented to Towne that Gadget had recently closed a Series A investment round, but that it would reopen the round to permit HTC to invest under the same terms if it did so promptly.

16. Defendants Crain, Soni and Riggsbee hosted several telephone conferences with HTC to extoll the capabilities of its software for use in a mobile environment, to inform of Gadget’s penetration into the relevant markets and to solicit HTC to invest in Gadget.

17. On October 2, 2017, HTC members Andy Towne, John McInerney and Wes Goldstein participated in a video-conference with Defendants Crain (Co-Founder and then CEO) and Riggsbee (Co-Founder and Chief Product Officer). During that meeting, Riggsbee demonstrated the capabilities of the Gadget software product. Crain gave an overview of Gadget's market position and finances using various Power Point presentation slides.

18. Following that session, Mr. Towne requested by email that Gadget provide a copy of the "Presentation Deck," the Power Point presentation of information regarding Gadget's software product shown to HTC during the video-conference call. Towne also requested copies of "the financial materials from the [Series A] round asap, so we can review and move things forward."

19. On October 4, 2017, Gadget forwarded to Mr. Towne at HTC a copy of the "Presentation Deck" used by Defendants during their October 2, 2017 video-conference. A true and correct copy of the Presentation Deck is attached hereto as Exhibit A.

20. Through these meetings and in the presentation materials, Defendants Crain and Riggsbee portrayed the product as fully tested and on the market. Defendants Crain and Riggsbee further represented that the company had won contracts with major corporations including GE Aviation, Siemens, and the "Dummies" book series, and had numerous other prospects named as either "opportunities" or "in the pipeline." (See Exhibit A at pages 12 and 15). The Presentation Deck showed images of Gadget's product in actual use with these customer names. (See Exhibit A at page 20.)

21. During their October 2, 2017 presentation to HTC, Defendants Crain and Riggsbee represented that Gadget was "first to market" with a "three-year head start" on its

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