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JUL 17 2019

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SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION  
GENERAL EQUITY  
ESSEX COUNTY  
DOCKET NO. C-151-19

GURBIR S. GREWAL,  
Attorney General of New Jersey,  
on behalf of  
CHRISTOPHER W. GEROLD,  
Chief of the New Jersey Bureau  
of Securities,

Plaintiff,

v.

POCKETINNS, INC.,  
a Delaware Corporation,  
and  
SARVAJNYA G. MADA,  
individually, and as President  
and Chief Executive Officer of  
Pocketinns, Inc.,

Defendants.

Civil Action

COMPLAINT

Gurbir S. Grewal, Attorney General of New Jersey, on behalf of Christopher W. Gerold, Chief of the New Jersey Bureau of Securities (the "Bureau Chief" or "Plaintiff"), alleges the following by way of complaint against the above-named Defendants:

## SUMMARY

1. Between January 15 and 31, 2018, Defendants Sarvajnya G. Mada ("Mada") and Pocketinns, Inc. ("Pocketinns") offered and sold from New Jersey approximately \$410,000 of unregistered securities to 217 investors in violation of the New Jersey Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 ("Securities Law").

2. The unregistered securities issued by Pocketinns in the form of a cryptocurrency called PINNS Tokens were offered and sold by Defendants through an Initial Token Offering ("ITO"). The PINNS Tokens were sold to investors in exchange for the cryptocurrency Ethereum ("Ether"). The offering was advertised as a way for Pocketinns to raise capital to develop an online marketplace using blockchain technology, where consumers would be able to use and spend the PINNS Tokens.

3. Pocketinns and Mada sold the PINNS Tokens pursuant to an exemption from registration of the securities with the Securities and Exchange Commission and the New Jersey Bureau of Securities ("Bureau") that requires all purchasers to be verified as accredited investors. Despite the availability of this exemption, Pocketinns and Mada failed to take reasonable steps to comply with the requirement to ensure that the Pocketinns investors were accredited. Therefore, the federal exemption from registration was not available and the PINNS Tokens were required to have been registered with the Bureau, which they were not. As a result, Pocketinns and Mada sold

unregistered securities in violation of the Securities Law. Mada and Pocketinns have since spent nearly all of the Ether raised from investors with the remainder being lost to the market volatility of Ether.

#### JURISDICTION AND VENUE

4. The Bureau is the state regulatory agency charged with the administration of the Securities Law.

5. The Bureau Chief brings this action pursuant to the Securities Law for violations of:

a. N.J.S.A. 49:3-60 (selling unregistered securities against Pocketinns and Mada);

b. N.J.S.A. 49:3-56(a) (acting as an unregistered agent against Mada); and

c. N.J.S.A. 49:3-56(h) (employing an unregistered agent against Pocketinns).

6. Jurisdiction is proper over Defendants pursuant to N.J.S.A. 49:3-51 because each alleged violation of the Securities Law arises out of the offer and sale of securities in or from this state.

7. Venue is proper in Mercer County pursuant to R. 4:3-2(a) because it is where the cause of action arose.

#### PARTIES

8. The Bureau Chief is the principal executive of the Bureau, with offices at 153 Halsey Street, Newark, New Jersey. This action

is brought by Gurbir S. Grewal, Attorney General of New Jersey, on behalf of the Bureau Chief pursuant to N.J.S.A. 49:3-69(a)(2).

9. Defendant Pocketinns is a Delaware corporation incorporated on July 23, 2015, with a principal place of business located at 300 Carnegie Center, Suite 150, Princeton, New Jersey at all relevant times. Pocketinns has never been registered with the Bureau in any capacity.

10. Defendant Mada is an individual residing in North Brunswick, New Jersey. At all relevant times, Mada was the Chief Executive Officer of Defendant Pocketinns. Mada has never been registered with the Bureau in any capacity.

#### FACTS

##### A. The Pocketinns Websites

11. Since approximately 2015, Pocketinns has conducted its business on the Internet, principally by means of websites accessible at [www.pocketinns.com](http://www.pocketinns.com) (the "Pocketinns Travel Website") and [www.pocketinns.io](http://www.pocketinns.io) (the "Pocketinns IO Website").

12. The Pocketinns Travel Website offered a "web and mobile based online marketplace for distinct and exclusive accommodation rentals that provide day & overnight time based flexible home, local hotels and vacation rental solution for consumers . . . ." Pocketinns did not offer any securities on the Pocketinns Travel Website, but provided a link to the Pocketinns IO Website.

13. The Pocketinns IO Website stated, that Pocketinns was developing an "online community driven marketplace ecosystem [where users would be able to exchange goods and services], built around a decentralized block-chain [sic] oriented model." Pocketinns marketed the Pocketinns ITO and sold the PINNS Tokens through the Pocketinns IO Website.

**B. The Offer and Sale of Unregistered PINNS Tokens**

14. Between approximately January 15 and 31, 2018, Mada and Pocketinns, through Mada, conducted the Pocketinns ITO. As a result of the Pocketinns ITO, Mada and Pocketinns, through Mada, offered and sold approximately \$410,000 of unregistered securities in the form of the PINNS Tokens to 217 investors, including two New Jersey investors.

15. The Pocketinns IO Website included a link to a private placement memorandum or "whitepaper" ("Pocketinns Whitepaper"), drafted by Mada, which included, among other things, the risks of participating in the Pocketinns ITO, a description of Pocketinns' business, and the PINNS Tokens.

16. The Pocketinns Whitepaper stated that the Pocketinns ITO would be conducted as a "reverse dutch auction" in which the PTNNS Tokens would be sold in blocks, with prices falling over time until the end of the auction at which time the lowest resulting price would be applied to all purchases throughout the auction period.

17. Pocketinns sought to raise up to \$46 million from the sale of up to 30 million PINNS Tokens that could be purchased using the digital currency Ether.

18. The minimum required investment was one Ether, which currently has a value of approximately \$280, but at the time of the Pocketinns ITO had a value of approximately \$728.

19. Pursuant to the Pocketinns IO Website and Pocketinns Whitepaper, Pocketinns claimed the investor funds would be used for Pocketinns' business, specifically: development and engineering, research, resources, legal and compliance, sales and marketing, communications and media, infrastructure, and finance and acquisitions.

20. The Pocketinns Whitepaper further stated that the PINNS Tokens could be used for various transactions through the Pocketinns ecosystem that was still under construction. It also acknowledged that some PINNS Token purchasers might seek to speculate on the PINNS Tokens for investment purposes.

21. The Pocketinns Whitepaper stated that Pocketinns had "decided to treat the PINNS Token as a security" and would be following applicable securities laws.

22. Certain statements contained on the Pocketinns IO Website and in the Pocketinns Whitepaper constitute offers to sell securities.

23. A PINNS Token is a security as defined in N.J.S.A. 49:3-49(m).

C. Pocketinns' Failed Reliance upon a Federal Exemption from Registration for the PINNS Token Offering

24. Pocketinns represented in the Pocketinns Whitepaper that 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"), 17 CFR § 230.506(c), and limit the purchase of PINNS Tokens to "accredited investors."

25. Form D is used to file a notice of an exempt offering of securities with the U.S. Securities and Exchange Commission. The federal securities laws require Form D to be filed by companies that have sold securities without registration under the Securities Act of 1933 in an offering made under Rule 504 or 506 of Regulation D or Section 4(a)(5) of the Securities Act.

26. Title 17 of the Code of Federal Regulations, Section 230.506(c) ("Rule 506(c)") permits issuers of securities to make limited offers and sales of unregistered securities using general solicitation without regard to the dollar amount offered. However, to qualify for the registration exemption of Rule 506(c), all purchasers of the security must be "accredited investors" as defined in Rule 501 of the Securities Act, 17 CFR § 230.501.

27. To qualify as an "accredited investor" under Rule 501, an individual must either have a personal net worth in excess of \$1,000,000, or, together with a spouse, have a joint net worth in excess of \$1,000,000. Alternatively, to be an "accredited investor"

a person must have had an individual income in excess of \$200,000 in each of the two most recent years preceding the investment or joint income with that person's spouse in excess of \$300,000 in each of those years and have a reasonable expectation of reaching the same income level in the current year.

28. 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." Issuers must take reasonable steps to verify that purchasers are accredited investors.

29. The U.S. Securities and Exchange Commission has stated in adopting final Rules implementing amendments to Rule 506(c), and thereafter, that having an investor check a box to verify accreditation status is not, absent other information, sufficient.

30. Pocketinns represented in the Pocketinns Whitepaper that it would "take reasonable efforts to verify the accredited investor status of participants and follow the other requirements of Rule 506(c)."

31. To purchase the PINNS Tokens, however, Pocketinns merely required that investors confirm their accredited investor status by checking a box during the online investment process.

32. The Pocketinns IO Website also requested that investors upload "Income Proof Documents."

33. Only eleven PINNS Investors provided documentation to Pocketinns to substantiate their accredited investor status.



34. 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.

35. Notwithstanding that Pocketinns stated that approval of a PINNS Token purchase would only occur after "review and verification of all information provided by the prospective purchaser," Pocketinns approved PINNS Token purchases and released the PINNS Tokens to investors without verifying accredited investor status.

36. Approximately sixty days following the close of the PINNS Token sale, Defendant Mada admitted that thirty to forty percent of PINNS Tokens purchasers had not supplied any income proof documentation to Pocketinns to substantiate their accredited investor status.

37. Therefore, in connection with the Pocketinns ITO, Pocketinns did not have a reasonable belief that PINNS Token investors were accredited and did not take reasonable steps to verify purchasers' accreditation status.

38. Defendant Mada admitted that Pocketinns took no steps to independently verify the accredited investor status of non-United States-based investors.

39. After the Pocketinns ITO, Pocketinns filed a Form D, dated February 1, 2018, with the U.S. Securities and Exchange Commission. According to the Form D, the Pocketinns ITO raised 563 Ethers (valued at approximately \$410,000 at the time) from 217 United States and foreign investors.

40. Nearly all of the \$410,000 raised from investors has since been depleted due to a combination of Ether's decrease in market value since the Pocketinns ITO and the Defendants' use of funds for Pocketinns' business.

#### COUNT I

#### OFFER AND SALE OF UNREGISTERED SECURITIES

#### IN VIOLATION OF N.J.S.A. 49:3-60

(As to Defendants Pocketinns and Mada)

41. Plaintiff repeats the allegations in the preceding paragraphs as if fully set forth herein.

42. The PINNS Tokens sold by Pocketinns are securities as defined in N.J.S.A. 49:3-49(m). The securities were not registered with the Bureau, not exempt from registration, and not federally covered.

43. The securities were required to be registered with the Bureau pursuant to N.J.S.A. 49:3-60.

44. Each offer and sale of unregistered securities by Mada and Pocketinns through Mada constitutes a separate violation of N.J.S.A. 49:3-60 and is cause for imposition of civil monetary penalties for each separate violation pursuant to N.J.S.A. 49:3-70.1.

COUNT II

ACTING AS AN AGENT IN THIS STATE WITHOUT REGISTRATION  
IN VIOLATION OF N.J.S.A. 49:3-56(a)  
(As to Defendant Mada)

45. Plaintiff repeats the allegation in the preceding paragraphs as if fully set forth herein.

46. Mada represented Pocketinns in effecting or attempting to effect transactions in unregistered securities from or in New Jersey and, thus, acted as an agent, as defined in N.J.S.A. 49:3-49(b), without being registered with the Bureau to sell the securities.

47. Mada violated N.J.S.A. 49:3-56(a) which provides, among other things, that only individuals registered with the Bureau may lawfully act as an agent.

48. Each sale of the unregistered securities to investors constitutes a separate violation of N.J.S.A. 49:3-56(a) and is cause for the imposition of civil monetary penalties for each separate violation pursuant to N.J.S.A. 49:3-70.1.

COUNT III

EMPLOYING AN UNREGISTERED AGENT  
IN VIOLATION OF N.J.S.A. 49:3-56(h)  
(As to Defendant Pocketinns)

49. Plaintiff repeats the allegations in the preceding paragraphs as if fully set forth herein.

50. Pocketinns employed or engaged Defendant Mada as an agent in effecting or attempting to effect transactions in unregistered securities from or in New Jersey.

51. Mada acted as an agent as defined in N.J.S.A. 49:3-49(b), without being registered with the Bureau.

52. Pocketinns' conduct constitutes employing an agent who was not registered with the Bureau to sell securities in violation of N.J.S.A. 49:3-56(h).

53. Each sale of the unregistered securities to investors constitutes a separate violation of N.J.S.A. 49:3-56(h) and is cause for the imposition of civil monetary penalties for each separate violation pursuant to N.J.S.A. 49:3-70.1.

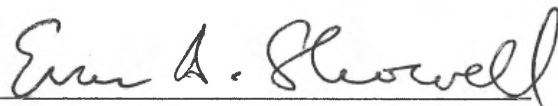
PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests the entry of a judgment pursuant to N.J.S.A. 49:3-47 to -83:

- A. Finding that Defendants Pocketinns, Inc. and Sarvajnya G. Mada engaged in the acts and practices alleged above;
- B. Finding that such acts and practices constitute violations of the Securities Law;
- C. Permanently enjoining Defendants Pocketinns, Inc. and Sarvajnya G. Mada from violating the Securities Law in any manner;
- D. Permanently enjoining the issuance, sale, offer for sale, purchase, offer to purchase, promotion, negotiation, advertisement, or distribution from or within New Jersey of any securities, by or on behalf of Defendants Pocketinns, Inc. and Sarvajnya G. Mada and their agents, employees,

- brokers, partners, officers, directors or stockholders;
- E. Permanently enjoining Defendant Savrajnya G. Mada from controlling any issuer as that term is defined in N.J.S.A. 49:3-49(h);
- F. Assessing civil monetary penalties against Defendant Pocketinns, Inc., jointly and severally, with Defendant Savrajnya G. Mada for each violation of the Securities Law in accordance with N.J.S.A. 49:3-70.1;
- G. Assessing civil monetary penalties against Savrajnya G. Mada, individually, for each violation of the Securities Law in accordance with N.J.S.A. 49:3-70.1;
- H. Requiring Defendants Pocketinns, Inc. and Savrajnya G. Mada to offer restitution and/or rescission to New Jersey investors and investors who were sold securities from New Jersey, pursuant to a plan of restitution and/or rescission pursuant to applicable law; and
- I. Affording Plaintiff any additional relief the Court may deem just and equitable.

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY

By:   
Evan A. Showell  
Deputy Attorney General  
Attorney ID 047961991

DATED: July 17, 2019

RULE 1:38-7(c) CERTIFICATION OF COMPLIANCE

I certify that confidential personal identifiers have been redacted from documents now submitted to the court, and will be redacted from all documents submitted in the future in accordance with Rule 1:38-7(b).

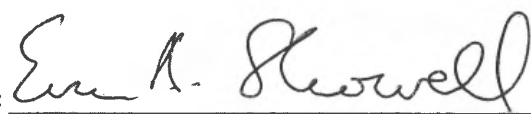
By: Evan A. Showell  
Evan A. Showell  
Deputy Attorney General  
Attorney ID. No. 047961991

Dated: July 17, 2019  
Newark, New Jersey

RULE 4:5-1 CERTIFICATION

I certify, to the best of my information and belief, that the matter in controversy in this action involving the aforementioned violations of the Securities Law in this complaint, is not the subject of any other action in any other court of this State. I certify, to the best of my information and belief, that the matter in controversy in this action is not the subject of a pending arbitration proceeding in this State, nor is any other action or arbitration proceeding contemplated. I certify that there is no other party who should be joined in this action at this time.

I certify that the foregoing statements made by me are true. I am aware that if any of those statements are willfully false, I am subject to punishment.

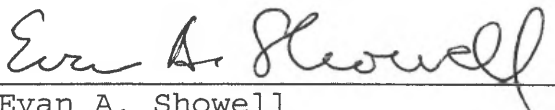
By:   
Evan A. Showell  
Deputy Attorney General  
Attorney ID. No. 047961991

Dated: July 17, 2019  
Newark, New Jersey

DESIGNATION OF TRIAL COUNSEL

Pursuant to Rule 4:25-4, Deputy Attorney Evan A. Showell is hereby designated as trial counsel for the Plaintiff in this action.

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY

By:   
Evan A. Showell  
Deputy Attorney General  
Attorney ID. No. 047961991

Dated: July 17, 2019  
Newark, New Jersey