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DISTRICT OF HAWAII

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**UNITED STATES DISTRICT COURT
DISTRICT OF HAWAII**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

MODDHA INTERACTIVE, INC.,
MARIANNE VERONIKA SANDOR,
EDWARD MICHAEL PORRAZZO,
and SPAR STREET,

Defendants.

Case No. **CV18 00264 DKW RLP**

COMPLAINT

(FILED UNDER SEAL)

Plaintiff Securities and Exchange Commission (“SEC”) alleges:

SUMMARY

1. This SEC enforcement action is being brought to stop an ongoing offering fraud, where the defendants have promoted a fake technology and illusory prospects for its commercial success to enrich themselves with investors’ funds. The federal securities laws vest in this Court the power to enjoin, on an emergency basis, further violations of the law. The Court also has the equitable authority to freeze the assets of securities law violators for the good of defrauded investors, order them to provide a sworn accounting of their financial affairs, and prohibit them from destroying relevant documents. Because defendants continue to raise money from investors, and have a history of quickly dissipating investor funds for their personal use, the SEC now brings this action to secure that emergency relief from this Court.

2. Defendant Moddha Interactive, Inc. (“Moddha”) calls itself a “worldwide Positive Media and Technology Corporation.” Defendants Sandor and Porrazzo, who are married, are Moddha’s only officers or directors. Moddha claims to own an “exclusive proprietary portfolio of patents based on the Quantum Transducer (‘QT’),” a technology that will “revolutionize” conventional mobile phones, allow consumers to operate tablet devices “with the wave of your hand as if you were Tony Stark in *Iron Man*,” and produce “a more elegant, thinner, healthier and more energy-efficient device than iPhone and Android.” In meetings with potential investors, Moddha demonstrated a tablet device, similar to an iPad but capable of displaying 3D images, that supposedly incorporated Moddha’s patented “QT” technology. Sandor and Porrazzo also burnished Moddha’s commercial bona fides with claims that it had just become a “Registered Supplier” of a global telecommunications firm (“Global Telecommunications Firm”). On the basis of this presumed technology, Moddha has raised over \$2.6 million from 51 investors since 2012 through a private placement offering of its unregistered securities. These funds, however, were procured by fraud: Moddha’s purported “Quantum Transducer”

technology is a sham.

3. In truth, Moddha's intellectual property portfolio consists of only a handful of patents, all of which are expired and thus commercially worthless. The devices touted by Moddha's offering materials and demonstrated by Sandor and Porrazzo to potential investors were either fake, or were designed and developed by other companies. Moddha never had, and continues to have no business relationship with the Global Telecommunications Firm. And instead of using investor funds in strict accordance with the limitations contained in Moddha's private placement memorandum, the majority of the money Moddha raised in the last year has been misappropriated through transfers to Sandor and Porrazzo's personal accounts and spent on personal things that have nothing to do with the business, including a 7-night stay at a luxury hotel the week of Thanksgiving in 2017.

4. Investor money was also funneled to defendant Spar Street, to pay him sales commissions for acting as a sales agent for the offering and drumming up new investors. Street, however, has never registered with the SEC to be a broker.

5. When confronted by their investors, Sandor and Porrazzo compounded their lies, repeatedly claiming that a large influx of funds was imminent and Moddha's investors would soon be made whole through a dividend share buyback. They claimed this new money would come from the Global Telecommunications Firm, or from a wealthy investor whose forthcoming \$150 million investment in Moddha was delayed, the defendants claimed, due to a variety of excuses, including sickness, gun violence at an embassy, and the eruption of a volcano in Iceland. This was false – the Global Telecommunications firm does not do business with Moddha at all, and there is no imminent new funding from some alleged wealthy investor. In spite of defendants' increasingly outlandish excuses, Moddha's expired patent portfolio and sham business had no prospect of generating real returns for its investors.

6. By engaging in this conduct: (i) defendants Moddha, Sandor, and

Porrazzo violated the antifraud provisions of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5; and (ii) defendant Street violated the broker-dealer registration provisions of Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

JURISDICTION AND VENUE

7. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa(a).

8. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged in this complaint.

9. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27(a) of the Exchange Act, 15 U.S.C. § 78aa(a) because certain of the transactions, acts, practices and courses of conduct constituting violations of the federal securities laws occurred within this district. In addition, venue is proper in this district because defendants Sandor, Porrazzo, and Street reside in this district, and defendant Moddha has its principal place of business in this district.

DEFENDANTS

10. Defendant Moddha Interactive, Inc. was formed in 2002, incorporated in Hawaii, and its principal place of business is Kahului, Hawaii. Moddha is not registered with the SEC in any capacity. The company’s securities are not registered with the SEC, nor are they listed on any exchange. Moddha purports to be a technology and media company that is the beneficiary of an enormously valuable

patent portfolio.

11. Defendant Marianne Veronika Sandor, age 48, is a resident of Hana, Hawaii. She is Moddha's chairman and chief executive officer. Along with defendant Porrazzo, Sandor is a signatory to Moddha's corporate bank accounts.

12. Defendant Edward Michael Porrazzo is 61 years old and a resident of Hana, Hawaii. He is Moddha's chief technology officer, secretary, and treasurer, and is Sandor's spouse.

13. Defendant Spar Street, age 55, is a resident of Haiku, Hawaii. Street acted as a sales agent for Moddha by identifying potential investors, promoting Moddha to them, and arranging meetings between them and defendants Sandor and Porrazzo to discuss potential investment. Street is also a member of Moddha's so-called "Board of Advisors." Street is not registered as a broker-dealer or associated with a registered broker-dealer.

THE ALLEGATIONS

A. Moddha's Securities Offering

14. In a November 2014 filing and a February 2018 amended filing with the SEC, Moddha stated that it had been engaged in an offering of unregistered securities since July 7, 2012. Moddha's SEC filings further stated that as of December 31, 2017, the company had raised over \$2.6 million from 51 investors located in multiple states.

15. Moddha solicits investors for its securities offering through the company's website, online professional profiles for Sandor and Porrazzo, the use of sales agents, in-person meetings with potential investors, and written offering materials provided to investors and potential investors, including a private placement memorandum ("PPM"), and has been doing so since at least 2015.

16. Porrazzo and Sandor are Moddha's chief technology officer and chairman/chief executive officer, respectively; they are Moddha's only officers or directors; they possess sole control over decisions concerning Moddha's

management, operation, and policies; they affixed their names to many of the written materials provided by the company to potential investors, and thus, on information and belief, Porrazzo and Sandor each had ultimate authority over the content of Moddha's offering materials, including its PPM, and whether and how to communicate that content to investors and potential investors.

17. In its offering materials, Moddha dubbed itself as a "worldwide Positive Media and Technology Corporation."

18. Moddha's PPM described its purported business in sprawling terms, claiming that it is: (i) poised to profit from "consumer product sales, subscription services; including vast licensing dollars with its proprietary hardware, software and original content in diverse global industries"; (ii) "currently offering telecommunications products and services licenses worldwide, with an initial focus on the Middle East and Africa, Western and Eastern Europe, South America, Mexico, Central America and the Caribbean, with future plans to expand into Asia, India, North America and beyond"; and (iii) creating "its own proprietary content and also acquiring existing media, such as documentary films and educational games as well as feature films, for providing to its Global Digital Subscription Network, connecting schools world-wide."

19. A key representation in the PPM is that Moddha "owns an exclusive, proprietary portfolio of patents based on the Quantum Transducer (QT)."

20. When describing its purported Quantum Transducer, "QT" technology, the company's PPM claimed that:

a. "There is at least one transducer in everything electronic and about 15 transducers in a cellphone. All other transducers perform only one function ... QT performs multiple functions and frequencies simultaneously, sending and receiving without interference on the same paper-thin surface."

b. "QT replaces conventional transducers ... QTs reduce harmful radiation. QTs reduce the cost of manufacturing. QTs reduce the cost of cellular

networks and extend ranges and capabilities, especially in expanding rural areas. QTs greatly increase battery life, data transfer rates and data capacity. MODDHA's QT revolutionizes conventional cellphones."

c. "QTs operate with such levels of efficiency, improvement and cost-effectiveness that QT's transform all electronics and offer entirely new ways of harnessing wireless electricity that can help bring balance to the planet."

21. Moddha also represented in its offering materials that its proprietary QT technology had been incorporated in an array of Moddha products, including what Moddha called its "Q-Tablet" and "Q-Connect Smart Phone" devices.

22. According to Moddha's PPM, its "patented revolutionary QT technology provides a new interface to create and distribute 3-D interactive content" through a proprietary touchscreen that Moddha called, "WaveScreen," which "allows you to manipulate and interact with your device in 3-D with the wave of your hand, as if you were Tony Stark in *Iron Man*. But QT and the *WaveScreen* aren't science fiction; they are science-fact."

23. Having incorporated the QT-enabled "WaveScreen" interface into its products, Moddha's PPM claimed that "MODDHA is positioned to change the face of consumer electronics, media, telemedicine and education by featuring the QT WaveScreen interactive display interface technology, on its Q-Tablet and Q-Connect Smart Phone devices."

24. This was all a sham. Moddha's extravagant claims of having secured the intellectual property rights for a ground-breaking technology that would transform the consumer electronics, media, telemedicine, and educational markets were uniformly false.

25. Moddha had no true revenue-generating relationships with anyone, much less as a "Registered Supplier" to the Global Telecommunications Firm.

26. At bottom, Moddha's unregistered securities offering was simply a means to fund Sandor's and Porrazzo's lifestyle, in stark contravention of Moddha's

PPM, which explicitly set forth how investor funds were to be used.

27. Moddha's offering is ongoing, and defendants are continuing to solicit investors and obtain investor funds.

B. The Material Misrepresentations and Omissions

1. Moddha's Expired and Worthless Patent Portfolio

28. To convince potential investors that it could profit from its technology, Moddha needed them to believe that the company had intellectual property rights to QT.

29. On that subject, Moddha's PPM repeatedly stressed that it owned a valuable and expansive portfolio of patents which covered the purported QT technology:

a. "MODDHA owns its own exclusive proprietary portfolio of patents based on the Quantum Transducer ('QT') that simplifies, harmonizes and expands the capabilities currently offered by conventional communications, electronics, display interfaces and wireless delivery."

b. "MODDHA believes its patents comprise the hardware for modern-day touch-screens."

c. "MODDHA is poised to capture a dominant position in today's cellular telecom market with its patented QT technology that increases reception and transmission quality ..."

d. "MODDHA's patented, multi-functional transducer technology has the potential to provide not only significant incremental changes, but also long-term, disruptive replacements in nearly every major industry worldwide."

e. "The proven history of QT has opened the door for many successful high-tech companies like Apple, Philips Electronics, Google/HTC/Motorola and Samsung, to catapult themselves to over \$50 billion annually with the use of trade secrets, IP and patented technologies that are now owned and protected by MODDHA. MODDHA desires to collect infringement

damages from companies once they have been legally judged to have infringed or to have agreed to settle.”

30. In the same vein, Moddha’s offering summary – which bears both Sandor and Porrazzo’s names – claims that “MODDHA owns its own exclusive proprietary portfolio of patents based on Quantum Transduction (“QT”) that is elegant, simple and expands the capabilities currently offered by conventional communications, electronics, display interfaces, wireless delivery, wearable technology and 3D interactivity.”

31. Sandor and Porrazzo also affixed their names to a PowerPoint presentation used with investors, which referred to Moddha’s “proprietary technologies” and similarly represented that Moddha had a “Well Protected, Established, Mature Intellectual Property Estate.”

32. Porrazzo and Sandor also represented, during in-person meetings with potential investors, that Moddha owned patents which covered its technology. These representations were specifically made in an October 2017 meeting with a married couple who were solicited to invest.

33. These representations of an immensely valuable and enforceable patent portfolio were false.

34. Moddha owns only five patents issued by the U.S. Patent and Trademark Office (“USPTO”) related to transducers and speakers. The five patents were assigned to Moddha in 2011.

35. At the time they were assigned to Moddha, two of Moddha’s five patents had already expired. Those two patents had expired by operation of law in 2004 because of the patent-holder’s failure to pay the required maintenance fees with the USPTO.

36. The last three Moddha patents had all expired as of May 2014 because each patent’s statutory patent term had expired.

37. In 2017, a consultant to several of Moddha’s investors confronted

Porrazzo and Sandor about Moddha's expired patent portfolio. Porrazzo and Sandor admitted that Moddha's patent portfolio had expired.

38. Moddha, Sandor, and Porrazzo's representations that Moddha held enforceable intellectual property rights for its claimed technological innovation were important to Moddha investors when they decided to invest their money in Moddha's unregistered securities. The purported QT technology was central to the company's business, and without patent protection for that technology and the products which embodied it, Moddha would not be able to commercially profit from it.

2. Lies About Moddha's Ability to Buyback "Share Dividends"

39. Since at least 2015, when offering Moddha securities, Sandor and Porrazzo communicated to investors and potential investors that Moddha was a safe investment because they would at least get all of their invested capital back through Moddha's "founder's" share program.

40. Sandor and Porrazzo represented that if investors purchased Moddha's securities within a limited window of time, investors would receive "founder's" shares that provided an automatic share dividend equal to the amount invested; in other words, a "two for one" deal. For example, a purchase of 100 "founder's" shares would entitle the investor to an immediate dividend of another 100 shares.

41. Sandor and Porrazzo also told investors that Moddha was on the cusp of receiving a large infusion of capital that would allow the company to buy back the dividend shares, thereby returning the investor's capital while still giving them the ability to participate in future gains.

42. In 2015, Porrazzo and Sandor claimed that this impending infusion of capital was going to come from a wealthy investor who would put \$150 million into Moddha.

43. In one case, in or about 2015, Sandor showed an investor an email that purportedly confirmed another person's commitment to transfer \$150 million to Moddha.

44. As time passed, however, and the investor questioned Porrizzo and Sandor about when the capital infusion would in fact occur, Sandor provided that investor with increasingly absurd explanations for the delay.

45. Sandor claimed first, that the \$150 million investor was sick, and then that he was delayed by a shooting at a foreign embassy, and finally that the \$150 million payment was held up because the investor's flight had been grounded by the eruption of an Icelandic volcano.

46. In the end, the purported \$150 million cash infusion never came, and Moddha never returned the inquiring investor's funds.

47. More recently, Sandor and Porrizzo have told investors that the company would be able to buy back investors' dividend shares with revenues from its commercial relationship with the Global Telecommunications Firm.

48. As just one example, Porrizzo and Sandor met in October 2017 with two potential investors who owned a local business in Hawaii.

49. After demonstrating Moddha's purported Q-Tablet and claiming that the product had been patented, Sandor also provided the potential investors with a PowerPoint presentation that prominently featured the Global Telecommunications Firm's trademark logo throughout, which was entitled "[Global Telecommunications Firm] Business Case for Moddha Spatial 3D Q-Tablet & Software Apps."

50. In her transmitting email, Sandor told the potential investors that:

As I mentioned, we have just become a registered supplier with [Global Telecommunications Firm]. I have included our very CONFIDENTIAL MODDHA – [GLOBAL TELECOMMUNICATIONS FIRM] Deck. (Please do not distribute). It is only 7 slides and encapsulates much and will explain the products we will be bringing to the market. :)

51. Every slide of the PowerPoint presentation Sandor sent contained the Global Telecommunications Firm's trademark, and the presentation stressed among other things that, "[Global Telecommunications Firm] profits from the \$113 billion

3D Display market, selling exclusive Moddha S3D Tablets.”

52. The husband and wife business owners subsequently invested \$500,000 in exchange for 5,000 of the company’s supposed “founder’s” shares. Like other investors, the couple were told by Sandor and Porrazzo that they would be receiving a share dividend of another 5,000 shares, which they could quickly redeem with Moddha through a share buyback, thus recouping their \$500,000 capital investment while still holding on to their original 5,000 shares of Moddha stock.

53. In a November 3, 2017 shareholder update, Sandor again touted the company’s supposed dividend share buyback program: “MODDHA intends to offer a full cash redemption of your MODDHA Dividend Share Certificates at the issue price the dividend was made equaling \$100 per share ... To our knowledge and by our research, MODDHA is the only Private Company in history, who will have ever provided a 100% return dividend, and we are excited to blaze the trail for other companies to follow.”

54. In this same November 3, 2017 shareholder update, Sandor repeated the claim that Moddha was “now a Registered Supplier to [the Global Telecommunications Firm]” and also included the same PowerPoint presentation containing the Global Telecommunications Firm’s trademark.

55. The November 3, 2017 shareholder update also included new claims that “the powerpoint [sic] . . . was circulated amongst the higher ups of [the Global Telecommunications Firm] and received a resounding unanimous vote to partner with MODDHA. [The Global Telecommunications Firm] has requested to sell MODDHA products in all [the Global Telecommunications Firm’s] Stores Nationwide. There is a desire from [the Global Telecommunications Firm] to co-brand the Q-Tablet and Quartz headset. We are considering the request.”

56. Months later, after their share redemption still had not occurred, the husband and wife Moddha investors received a January 2018 email from Sandor attempting to explain the delay:

Greetings and Aloha MODDHA Shareholders ... This is a quick note to let you know that our executive team, [sic] were all down and offline for the past 5 weeks with this horrible high fever bronchial flu. Fortunately, we have all recovered and despite not having any holiday at all, nor any Christmas, nor New Year's celebration with our families, we have made it through and are today back to work.

We have been advised that there were some remaining ... documents required to be executed with [Moddha's transfer agent.] We are now executing those documents so that [the transfer agent] can be fully empowered ... and provide the required services for your share dividend redemption ... Although it was out of our control that our whole team came down with this violent influenza at such a critical moment, we wish to apologize to each of you, for any hardship this delay, and/or our being out of touch has caused to you.

57. Then in April 2018, Sandor sent another shareholder update claiming that the share buyback was merely awaiting "final approval from securities counsel."

58. Despite Sandor's promises, Moddha has never redeemed the husband and wife's "founder's" shares. The company has not returned any portion of the \$500,000 they invested in the company last fall.

59. Sandor and Porrazzo have never told investors that Moddha didn't have the financial wherewithal to make a share buyback or that the claimed relationship with the Global Telecommunications Firm was categorically false.

60. From January 2017 to April 2018, the daily ledger balance on Moddha's bank account has never exceeded \$200,000.

61. Moddha is not a "Registered Supplier" of the Global Telecommunications Firm.

62. The Global Telecommunications Firm never authorized Moddha to use its name or trademark in connection with Moddha's solicitation of investors, or for any other purpose.

63. The Global Telecommunications Firm has never asked to sell Moddha products in any of its stores.

64. Moddha has not received a single dollar in sales, licensing, or other revenue from the Global Telecommunications Firm.

65. Moddha's, Sandor's, and Porrazzo's representations that investors would be able to quickly recoup their invested capital, while still maintaining an equity stake in Moddha going forward, were important to Moddha investors. Moddha, Sandor, and Porrazzo's claims that the dividend share buyback would be paid for by, alternatively, an impending \$150 million transfer from an individual investor, or revenues generated through Moddha's commercial relationship with the Global Telecommunications Firm, were likewise significant to investors' decision to invest. That is because these false statements went to a fundamental feature of the investment – the safety of the investment and whether Moddha investors were guaranteed to at least the return of their invested capital.

3. Misrepresentations About How Investor Funds Would Be Used

66. Sandor and Porrazzo are the only signatories on Moddha's corporate bank accounts.

67. Moddha's PPM contains a detailed description and table stating that funds raised from investors would be used on specific business-related costs.

68. Among other things, the PPM stated that funds were to be used to "build and install the dedicated servers for the global network, to produce the Q-Connect Smart Phone and Q-Tablet, to manufacture the ready prototype products, [and] to develop and integrate the Wave Screen interface onto the QT products."

69. In addition, Sandor and Porrazzo made specific representations to investors in personal meetings about how their investments would be used.

70. For example, one investor was told, in or about summer 2015, that Moddha specifically needed the funds for manufacturing its Q-Tablet in China.

71. Other investors understood from Porrazzo and Sandor that the money

they invested would be used by Moddha for its business, rather than for Porrazzo's and Sandor's personal expenses.

72. These representations concerning how Moddha, Porrazzo, and Sandor would use money raised from the company's investors were false. Of the approximately \$827,025 in investor funds raised from January 2017 to April 2018, for instance, the majority of that money was diverted to Sandor and Porrazzo for their personal use or to co-defendant Street as commissions.

73. The following chart shows how the \$827,025 of investor money was diverted to Sandor, Porrazzo and Street:

TYPE OF EXPENSE	APPROXIMATE AMOUNT SPENT FROM JANUARY 2017 - APRIL 2018
Net Transfers to Sandor's and Porrazzo's personal accounts, including transfer to overseas account	\$221,373
Commission payments to Spar Street, the sales agent	\$104,835
Travel (including airfare, Airbnb, and hotels)	\$51,227
Auto (including lease, service, and fuel)	\$15,372
Retail (including grocery, liquor, and department stores)	\$13,830
Restaurants	\$7,461
ATM cash withdrawals	\$3,953
Sandor and Porrazzo's charity in Kenya	\$2,200
Total	\$420,251
Percentage of Investor Funds	51%

74. Included in these funds diverted to Sandor and Porrazzo were amounts spent at retailers of products that have no evident business purpose, such as The Home Depot, Liquor Barn, Target, and Walgreens.

75. One egregious example occurred from November 19 to 26, 2017 during Thanksgiving week. In that week, Sandor and Porrazzo used Moddha investor funds to stay at a luxury hotel in Santa Monica, California, where they spent upwards of

\$2,400 a night on a room and purchased hundreds of dollars of food, drink, and spa treatments, including a \$425 bottle of wine. All told, Sandor and Porrazzo's seven-night stay at the hotel was paid for with \$15,884.01 in investor funds.

76. In the same vein, on May 3, 2017, a Moddha investor transferred \$50,000 to the company. Sandor and Porrazzo immediately misappropriated these funds, transferring \$20,000 of that amount to Porrazzo's bank account the same day.

77. And in the most recent set of corporate bank records obtained during the SEC's pre-filing investigation, Moddha's beginning account balance on April 1, 2018 had dwindled to \$6,036.91. On April 3, 2018, a Moddha investor transferred \$50,000 to the company. Once again, Sandor and Porrazzo quickly caused \$10,000 in investor funds to be diverted to their personal and joint bank accounts, on the very same day those investor funds first came in to Moddha's corporate account.

78. In addition to these personal transfers, Sandor and Porrazzo spent \$182,964 to satisfy two legal judgments against Moddha from January 2017 to April 2018.

79. In that time period, there is no indication in Moddha's bank records that investor funds were used to manufacture QT products.

80. Investors would have wanted to know that money raised by Moddha's stock offering would not be used for working capital, as stated in the PPM, and instead be diverted to Sandor, Porrazzo, and Street.

C. The Scheme to Defraud Investors

81. Moddha, Sandor and Porrazzo misappropriated investor money by transferring funds from Moddha's corporate account, for which Sandor and Porrazzo were the only two signatories, for their personal use.

82. Moddha, Sandor and Porrazzo also gave potential and current investors the false appearance that Moddha's business was real, and that its supposed QT technology had already been incorporated into tangible and innovative products.

83. Their artifice was simple, yet effective: Sandor and Porrazzo

demonstrated products in meetings with investors, including the Q-Tablet featured in the company's offering materials, when in fact the products they showed investors were made by unrelated companies and did not incorporate any of Moddha's claimed technology.

84. In particular, the Q-Tablet – which did generate a 3D image that many potential investors found impressive – used by Sandor and Porrazzo for product demonstrations was instead designed and manufactured by a wholly-unrelated third-party technology company. In 2017, Sandor admitted to an investor consultant that another company owned and had developed the tablet used in Moddha's demonstrations, but insisted that Moddha owned 51% of that other company. When pressed for documentation of Moddha's ownership, Sandor changed her story and said that the demonstration tablet had really been manufactured by a San Francisco Bay Area company that she refused to identify.

85. Similarly, Moddha's offering materials contained images of other products supposedly being developed by Moddha, including "wearable technology," "bone induction headphones," and a QT-powered speaker. Those images, though, were faked – the photos were of other companies' products that had been altered to appear as if they had been developed by Moddha.

86. In addition, Sandor and Porrazzo showed investors pre-produced videos that purported to show Moddha's products working as claimed, but when an investor consultant asked them to reproduce those results in a real-life setting, Sandor and Porrazzo refused to do so.

87. Sandor and Porrazzo engaged in a bait and switch, enticing investors to invest by telling them they would get a share dividend equal to 100% of their investment (the bait), when in reality, Moddha lacked the funds to follow through on a promised buyback of investors' share dividend, and instead gave investors progressively more absurd excuses as to why the new funding never came (the switch).

88. Sandor and Porrizzo also lied to investors to lull them into believing nothing was wrong and to avoid any detection of their fraud.

89. In November 2017, Sandor and Porrizzo sent a shareholder update to Moddha investors claiming that “upon our receipt of our first tranche of receivables scheduled this month of November,” Moddha would “provide a 100% return on investment” by buying back dividend shares. The update stressed that “[t]o our knowledge and by our research, MODDHA is the only Private Company in history, who will have ever provided a 100% return dividend[.]”

90. Sandor and Porrizzo followed that communication up with a January 2018 shareholder update to Moddha’s investors, representing that a “horrible high fever bronchial flu” had put them out of commission for the last 5 weeks, which had unfortunately delayed the promised share dividend redemption.

91. Months passed, and then in April 2018, Sandor again wrote to the Moddha investors, stating that “[w]e have now completed the required paperwork to provide a liquidity event to all shareholders ... We have prepared an Offer to Re-Purchase MODDHA Common Shares for any, and all, shares you are currently holding. The offer is only awaiting final approval from securities counsel in order for it to go out for distribution to you[.]”

92. This serial pattern of excuses and hollow justifications were made by Sandor and Porrizzo for the purpose of concealing their fraud and lulling investors into believing their investments were in a real business.

93. All of these deceptive acts by Porrizzo and Sandor were intended to convince investors that Moddha was a legitimate technology company with real and innovative products, when in truth, Moddha’s business was nothing more than a fraudulent means to fund Sandor and Porrizzo’s lifestyle.

D. Moddha’s, Sandor’s and Porrizzo’s Scienter and Negligence

94. Moddha, Sandor, and Porrizzo knew, or were reckless in not knowing, that Moddha’s patent portfolio consisted entirely of expired and unenforceable

intellectual property. They further acted unreasonably in making representations to the contrary. Indeed, Sandor and Porrizzo admitted as much when confronted with that fact by an investor consultant in 2017.

95. Moddha, Sandor, and Porrizzo knew, or were reckless in not knowing, that Moddha would not be able to engage in a massive share dividend repurchase that would have the effect of returning, shortly after an initial investment in “founder’s shares,” every dollar of the capital put into the company by Moddha’s investors. They further acted unreasonably in making representations to the contrary. Sandor and Porrizzo knew that Moddha was not a “Registered Supplier” of the Global Telecommunications Firm; despite that fact, they disseminated offering materials that falsely touted this non-existent relationship to investors. Absent that purported influx of revenue – or any other stream of operational revenue for that matter – Moddha’s repeated claims of a soon-to-occur share buyback were pure fantasy.

96. Moddha, Sandor, and Porrizzo knew, or were reckless in not knowing, that Sandor and Porrizzo were misappropriating investor funds. They further acted unreasonably in making representations to the contrary. Sandor and Porrizzo are Moddha’s only officers or directors, they controlled Moddha’s corporate accounts, little of the money Moddha raised from investors was spent on its business operations, and Sandor and Porrizzo directed all of the transfers of investor funds that were diverted for Sandor and Porrizzo’s personal use.

97. Moddha, Sandor, and Porrizzo knew, or were reckless in not knowing, that they were deceiving investors by lulling the investors into believing the business was legitimate and returns would be paid on their investments. The defendants also acted unreasonably in carrying out this deceit.

E. Street’s Illegal Broker-Dealer Activities

98. Several recent Moddha investors were brought to the company by Spar Street.

99. In its PPM, Moddha claims to have established a “Board of Advisors,”

comprised of “highly qualified business and industry professionals” who will “advise” management in “making appropriate decisions and taking effective action.” Spar is a member of Moddha’s purported “Board of Advisors.”

100. From at least January 2014 to the present, Street has actively solicited Moddha investors, provided those investors with information about Moddha, made statements to potential investors about the merits of an investment in Moddha, and/or participated in subsequent in-person meetings between potential investors and Sandor and Porrazzo.

101. Street is not registered as a broker-dealer, nor is he associated with a registered broker-dealer.

102. Street received an approximate 15% commission on all investments he brought to Moddha.

103. From January 2014 through November 2017, Street received more than \$200,000 in commission compensation for investments by 7 Moddha investors located in Hawaii, California, Colorado, and Dubai.

104. Street did not disclose to investors that he was receiving a commission or any other compensation from Moddha.

105. Accordingly, Street regularly participated in Moddha’s offer and sale of securities at key points in the chain of distribution.

FIRST CLAIM FOR RELIEF

Fraud in the Connection with the Purchase and Sale of Securities

Violations of Section 10(b) of the Exchange Act and Rule 10b-5(b)

(against Defendants Moddha, Sandor and Porrazzo)

106. The SEC realleges and incorporates by reference paragraphs 1 through 105 above.

107. In the course of Moddha’s securities offering, defendants Moddha, Sandor, and Porrazzo made material misrepresentations and omissions about the commercial value of Moddha’s purported intellectual property portfolio (Moddha’s

patents are all expired), Moddha's "Registered Supplier" relationship with the Global Telecommunications Firm (no such supplier relationship exists), the purportedly imminent infusion of a \$150 million investment from a wealthy individual, and the company's use of investor funds as working capital (Sandor and Porrizzo diverted large sums for their personal use).

108. By engaging in the conduct described above, defendants Moddha, Sandor, and Porrizzo, and each of them, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange: made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

109. Defendants Moddha, Sandor, and Porrizzo, with scienter, made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading by the conduct described in detail above.

110. By engaging in the conduct described above, defendants Moddha, Sandor, and Porrizzo violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5(b) thereunder, 17 C.F.R. § 240.10b-5(b).

SECOND CLAIM FOR RELIEF

Fraud in Connection with the Purchase or Sale of Securities

Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a) and (c) (against Defendants Moddha, Sandor and Porrizzo)

111. The SEC realleges and incorporates by reference paragraphs 1 through 105 above.

112. Defendants Moddha, Sandor, and Porrizzo engaged in a scheme to defraud by: (i) misappropriating investor money for their personal use; and (ii)

engaging in other deceptive practices – namely, passing off other companies’ products and product images as their own, producing bogus video demonstrations, baiting and switching investors with the promise of a 100% share dividend, and lulling investors with excuse after excuse for their inability to follow through on a promised share dividend buyback.

113. By engaging in the conduct described above, defendants Moddha, Sandor, and Porrazzo, and each of them, directly or indirectly, in connection with the purchase or sale of a security, and by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange: (a) employed devices, schemes, or artifices to defraud; and (b) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

114. Defendants Moddha, Sandor, and Porrazzo, with scienter, employed devices, schemes and artifices to defraud; and engaged in acts, practices or courses of conduct that operated as a fraud on the investing public by the conduct described in detail above.

115. By engaging in the conduct described above, defendants Moddha, Sandor, and Porrazzo violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rules 10b-5(a) and 10b-5(c) thereunder, 17 C.F.R. §§ 240.10b-5(a) & 240.10b-5(c).

THIRD CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities

Violations of Section 17(a)(2) of the Securities Act

(against Defendants Moddha, Sandor, and Porrazzo)

116. The SEC realleges and incorporates by reference paragraphs 1 through 105 above.

117. In the course of Moddha’s unregistered securities offering, defendants Moddha, Sandor, and Porrazzo obtained money or property by means of material

misrepresentations and omissions about the commercial value of Moddha's purported intellectual property portfolio (Moddha's patents are all expired), Moddha's "Registered Supplier" relationship with the Global Telecommunications Firm (no such supplier relationship exists), a purportedly imminent \$150 million investment by a wealthy investor, and the company's use of investor funds as working capital (Sandor and Porrazzo diverted large sums for their personal use).

118. By engaging in the conduct described above, defendants Moddha, Sandor, and Porrazzo, and each of them, directly or indirectly, in the offer or sale of securities, and by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails directly or indirectly: obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

119. Defendants Moddha, Sandor, and Porrazzo, with scienter or negligence, obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

120. By engaging in the conduct described above, defendants Moddha, Sandor, and Porrazzo violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2).

FOURTH CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities

Violations of Sections 17(a)(1) and (3) of the Securities Act (against Defendants Moddha, Sandor and Porrazzo)

121. The SEC realleges and incorporates by reference paragraphs 1 through 105 above.

122. Defendants Moddha, Sandor, and Porrazzo engaged in a scheme to defraud by: (i) misappropriating investor money for their personal use; and (ii)

engaging in deceptive practices – namely, passing off other companies’ products and product images as their own, producing bogus video demonstrations, baiting and switching investors with the promise of a 100% share dividend, and lulling investors with excuse after excuse for their inability to follow through on a promised share dividend buyback.

123. By engaging in the conduct described above, defendants Moddha, Sandor, and Porrazzo, and each of them, directly or indirectly, in the offer or sale of securities, and by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails directly or indirectly: (a) employed devices, schemes, or artifices to defraud; and (b) engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

124. Defendants Moddha, Sandor, and Porrazzo, with scienter or negligence, employed devices, schemes and artifices to defraud; and, with scienter or negligence, engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

125. By engaging in the conduct described above, defendants Moddha, Sandor, and Porrazzo violated, and unless restrained and enjoined will continue to violate, Sections 17(a)(1) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1) & 77q(a)(3).

FIFTH CLAIM FOR RELIEF

Unregistered Broker-Dealer

Violation of Section 15(a) of the Exchange Act

(against Defendant Street)

126. The SEC realleges and incorporates by reference paragraphs 1 through 105 above.

127. Defendant Street actively solicited investors for Moddha, made statements to them about the merits of an investment in the company, and received

transaction-based sales commissions from Moddha for his work in funneling investors to the company's fraudulent securities offering.

128. By engaging in the conduct described above, defendant Street made use of the mails and means or instrumentalities of interstate commerce to effect transactions in, and induced and attempted to induce the purchase or sale of, securities (other than exempted securities or commercial paper, bankers' acceptances, or commercial bills) without being registered with the SEC in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b), and without complying with any exemptions promulgated pursuant to Section 15(a)(2), 15 U.S.C. § 78o(a)(2).

129. By engaging in the conduct described above, defendant Street has violated, and unless restrained and enjoined, is reasonably likely to continue to violate, Section 15(a) of the Exchange Act, 15 U.S.C. § 78o(a).

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that Defendants committed the alleged violations.

II.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, temporarily, preliminarily, and permanently enjoining defendants Moddha, Sandor, and Porrazzo, and their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Section 10(b) of the Exchange Act [15 U.S.C. §§ 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and permanently enjoining Sandor and Porrazzo from directly or indirectly, including but not limited to, through any entity owned or controlled by Sandor or Porrazzo, respectively, from participating in the issuance,

purchase, offer, or sale of any security in an unregistered offering by an issuer.

III.

Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil Procedure, temporarily, preliminarily, and permanently enjoining defendant Street, and his officers, agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Section 15(a) of the Exchange Act [15 U.S.C. §§ 78o(a)], and permanently enjoining Street from directly or indirectly, including, but not limited to, through any entity owned or controlled by Street, soliciting any person or entity to purchase or sell any security in an unregistered offering by an issuer.

IV.

Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and a preliminary injunction freezing the assets of defendants, requiring accountings from each of the defendants, requiring the repatriation of any funds, prohibiting each of the defendants from destroying documents, and granting expedited discovery.

V.

Order defendants Moddha, Sandor, and Porrazzo to jointly and severally disgorge all funds received from their illegal conduct, together with prejudgment interest thereon.

VI.

Order defendant Street to disgorge all funds received from his illegal conduct, together with prejudgment interest thereon.

VII.

Order Defendants to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. §

78u(d)(3)].


VIII.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

IX.

Grant such other and further relief as this Court may determine to be just and necessary.

Dated: July 9, 2018



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