

and (iii) defendants have received substantial compensation in this County by engaging in numerous activities and conducting business, which had an effect in this County.

Dated: Dated: June 26, 2018
New York, New York

THE ROSEN LAW FIRM, P.A.

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TO:

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alia, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of the Defendants' public documents, conference calls and announcements made by Defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Longfin, legal filings, news reports, securities analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a shareholder derivative action that seeks to remedy wrongdoing committed by Longfin's directors and officers from December 13, 2017 through the present (the "Relevant Period").

2. Longfin is a finance and technology company that specializes in structured trade finance solutions and physical commodities finance solutions.

3. In December 2017, the Company completed the initial public offering of its Class A Common Stock to investors (the "IPO") at an offering price of \$5.00 per share pursuant to an exemption afforded under Regulation A of the Securities Act of 1933 (the "Securities Act"), issuing a total of 1,140,989 shares of Class A Common Stock in the offering.

4. Under this exemption, issuers can raise up to \$50 million from investors through "public solicitation" without being required to register the offering with state regulators or the SEC.

5. Also on December 11, 2017, the Company acquired the website www.Ziddu.com ("Ziddu") and all of its respective content and intellectual property rights from Meridian Enterprises Pte. Ltd. ("Meridian"), purportedly giving the Company access to Blockchain empowered technology that can offer micro-lending against collateralized warehouse receipts in

the form of Ziddu tokens to small and medium enterprises, processors, manufactures, importers, and exporters across continents.

6. Share of Longfin stock began trading on the NASDAQ on December 13, 2017.

7. As part of the Company's transaction with Meridian, Longfin issued 2.5 million restricted Class A shares to Meridian and certain affiliated parties. Meridian is 92% owned by Defendant Venkat S. Meenavalli ("Meenavalli").

8. Before the Company's acquisition of Ziddu, Ziddu had no ascertainable value. In fact, Ziddu produced no revenue, and Longfin only acquired the rights to use the Ziddu trade name and website, and as of the date of the acquisition, the Company assigned a value of zero to Ziddu.

9. Nonetheless, the Company's acquisition of Ziddu caused the Company's stock price to rise from a closing price of \$5.39 per share on December 14, 2017 to a closing price per share of \$72.38 on December 18, 2017.

10. On January 28, 2018, the Company issued a press release touting the Company's revenue prospects and future use of funds.

11. The Company, effective March 16, 2018, was added to two stock indices by FTSE Russell—the Russell 200 Index and the Russel 3000 Index (the "Russell Indexes").

12. On March 26, 2018, Citron Research publicly accused Longfin of fraud and inaccuracies in its financial reporting.

13. The same day, FTSE Russell issued a statement announcing that the Company would be removed from the Russell Indexes after the close of market on March 28, 2018 due to a failure to meet the requirements to be listed.

14. On April 2, 2018, the Company filed its annual report on Form 10-K with the SEC for the fiscal quarter and year ended December 31, 2017, revealing, *inter alia*, that Longfin was

subject to an SEC investigation and that the SEC requested that Longfin provide certain documents related to the IPO and other financings and the acquisition of Ziddu. The Form 10-K also revealed that the Company had material weaknesses in its internal controls over financial reporting and may not be able to continue as a going concern.

15. On this news, the price per share of Company stock fell \$2.95, or 17%, from the previous trading day's closing price, to close at \$14.31 on April 2, 2018. By the close of market on April 3, 2018, the price per share of Longfin stock fell an additional \$4.42, or almost 31%, from the previous trading day's closing price, closing at \$9.41.

16. On April 6, 2018, the SEC issued a press release announcing that the SEC obtained a court order freezing more than \$27 million in trading proceeds from allegedly illegal distributions and sales of restricted shares of Company stock caused and/or enabled by the Individual Defendants (the "Unregistered Sales Misconduct"), and that the SEC was pursuing an action against the Company, Defendant Meenavalli, and certain affiliates (the "SEC Action").

17. During the Relevant Period, the investing public was under a false impression of the Company's business, operations, and financial success.

18. During the Relevant Period, the Individual Defendants, in breach of their fiduciary duties owed to Longfin, willfully or recklessly made and/or caused the Company to make false and misleading statements. Specifically, the Individual Defendants willfully or recklessly made and/or caused the Company to make false and misleading statements and/or omissions of material fact that failed to disclose, *inter alia*, that: (1) the Company made several false and misleading statements regarding the IPO in its SEC filings, resulting in an SEC investigation, including falsely representing the location of the Company's principal offices, the age of Defendant Meenavalli, and that Sarah Altahawi was an officer of the Company when she was not; (2) the Company

acquired Ziddu to capitalize on the popularity of and investing interest in blockchain companies to artificially inflate its stock price; (3) the Company's Ziddu acquisition prompted an investigation by the SEC; (4) the Company was aware that it did not meet the requirements to be listed on the Russell Indexes; (5) Defendants engaged in and/or facilitated the Unregistered Sales Misconduct; (6) the Company had several material weaknesses in its operations and internal controls; and (7) the Company failed to maintain internal controls.

19. As a result of the foregoing, statements about the Company's business, operations and prospects were materially false and misleading and lacked a reasonable basis at all relevant times.

20. The Individual Defendants failed to correct and/or caused the Company to fail to correct these false and misleading statements and/or omissions of material fact, rendering them personally liable to the Company for breaching their fiduciary duties.

21. Additionally, in breach of their fiduciary duties, the Individual Defendants failed to maintain internal controls.

22. The Individual Defendants' breaches of fiduciary duty and other misconduct have subjected the Company, its Chief Executive Officer ("CEO"), and its Chief Financial Officer ("CFO") to a consolidated federal securities fraud class action lawsuit pending in the United States District Court for the Southern District of New York (the "Securities Class Action"), the Company and its CEO to the SEC Action, the need to undertake internal investigations, losses from the waste of corporate assets, and losses due to the unjust enrichment of Individual Defendants who were improperly over-compensated by the Company, and will likely cost the Company going forward millions of dollars.

23. The Company has been substantially damaged as a result of the Individual Defendants' knowing or highly reckless breaches of fiduciary duty and other misconduct.

24. In light of the breaches of fiduciary duty engaged in by the Individual Defendants, all of whom are the Company's current directors, of the collective engagement in fraud and misconduct by the Company's directors, of the substantial likelihood of the directors' liability in this derivative action and of two of them in the Securities Class Action, and of their not being disinterested and/or independent directors, a majority of the Board cannot consider a demand to commence litigation against themselves on behalf of the Company with the requisite level of disinterestedness and independence.

JURISDICTION AND VENUE

25. This Court has jurisdiction over each Defendant named herein pursuant to, *inter alia*, New York Civil Practice Laws and Rules (CPLR) §§ 301-02, 311. The amount in controversy, exclusive of interest and costs, exceeds the jurisdictional minimum of this Court. Longfin is a corporation that conducts business and maintains its principal headquarters and operations in this County. Each individual Defendant has sufficient minimum contacts with New York so as to render the exercise of jurisdiction by the New York courts permissible under traditional notions of fair play and substantial justice.

26. Venue is proper in this Court pursuant to CPLR § 503 because one or more of the Defendants either resides in or maintains its principal office in this County, a substantial portion of the transactions and wrongs complained of herein, including the Defendants' primary participation in the wrongful acts detailed herein and aiding and abetting the Individual Defendants' breaches of their fiduciary duties owed to Longfin common stockholders, occurred in

this County, and Defendants have received substantial compensation in this County by doing business here and engaging in numerous activities that had an effect in this County.

27. Venue and jurisdiction are additionally proper in this County because many of the acts complained of herein, including the dissemination of materially false and misleading statements and reports prepared by or with the participation, acquiescence, encouragement, cooperation, or assistance of the Individual Defendants, occurred, at least in part, in this County.

PARTIES

Plaintiff

28. Plaintiff is a current shareholder of Longfin. Plaintiff has continuously held Longfin common stock at all relevant times.

Nominal Defendant Longfin

29. Longfin is a Delaware corporation with its principal executive offices at 16-017, 85 Broad Street, New York, New York, 10004. Longfin's shares traded on the NASDAQ under the ticker symbol "LFIN" until May 2, 2018 when the shares were delisted.

Defendant Meenavalli

30. Defendant Meenavalli has served as the Company's CEO and as a Company director and Chairman of the Board since February 2017. According to the Company's Schedule 14C filed with the SEC on February 28, 2018 (the "2018 Schedule 14C"), as of February 28, 2018, Defendant Meenavalli beneficially owned 42,150,000 shares of the Company's common stock, which represented 55.1% of the Company's outstanding common stock. Given that the price per share of the Company's common stock at the close of trading on February 28, 2018 was \$36.02, Meenavalli owned over \$1.51 billion worth of Longfin stock.

31. On June 19, 2017, Longfin acquired all of the common shares of Longfin Tradex Pte. Ltd. Prior to the acquisition, Longfin Tradex Pte. Ltd was 55% owned by Stampede Capital

Limited (“Stampede”) and 45% owned by Meenavalli. Defendant Meenavalli and his wife own approximately 17% of the outstanding voting shares of Stampede.

32. Defendant Meenavalli is a 92% owner of Meridian.

33. For the fiscal year ended December 31, 2017, Defendant Meenavalli received \$19,055,027 in compensation from the Company. This included \$55,027 in salary and \$19,000,000 in stock awards.

34. The Company’s annual report for the fiscal quarter and year ended December 31, 2017, filed with the SEC on April 2, 2018 on Form 10-K (the “2017 10-K”), stated the following about Defendant Meenavalli:

Venkat S. Meenavalli - Founder, Chairman and Chief Executive Officer¹

Venkat is an entrepreneur and is multitalented with his high skill and knowledge when it comes to IT, Finance, Fintech, Trading, Venture Capital, PE / Mezzanine Debt, Real Estate, Advisory and Re-Insurance and established business houses in Singapore, UK, US, India, Dubai and St. Vincent.

Venkat holds an advanced diploma from Maritime Communication Australia, a PG Diploma in International Trade Finance from Middlesex, is a Novell Certified Network Engineer and Microsoft Certified engineer and is a Microsoft Internet Security Engineer. He is a widely read world traveler, an eloquent speaker, dynamic administrator and analytical thinker with business acumen. He is always adopting and applying new concepts that suit contemporary and modern business challenges.

Venkat is a true believer in disruptive technologies and believes that every piece of information is worth millions. He is also a true believer in the alchemy of structured trade finance.

Defendant Ratakonda

35. Defendant Vivek K. Ratakonda (“Ratakonda”) has served as the Company’s CFO since December 11, 2017, and as a Company director since June 2017. According to the 2018 Schedule 14C, as of February 28, 2018, Defendant Ratakonda beneficially owned 50,100 shares

¹ Emphasis in original unless otherwise noted throughout.

of the Company's common stock. Given that the price per share of the Company's common stock at the close of trading on February 28, 2018 was \$36.02, Ratakonda owned over \$1.8 million worth of Longfin stock.

36. The 2017 10-K stated the following about Defendant Ratakonda:

Vivek Kumar Ratakonda, Director & CFO

R. Vivek Kumar is a fellow member of the Institute of Chartered Accountants of India having nearly three decades of experience in the profession of Chartered Accountants. He has consulting and industry experience. His experience inter alia includes advising on transaction structuring including mergers, acquisitions, divestitures, corporate restructuring, capital restructuring, foreign investment consulting, contract structuring and negotiations.

Mr. Vivek has experience on Global Treasury Management, Structured Finance Management, Securitization Management and Asset Back Securitization Management segments. He has expertise in conceptualizing capital structures, knowledge of regulatory framework and has advised on direct taxation.

Defendant Patel

37. Defendant Yogesh Patel ("Patel") has served as the Company's Global Head-Marketing, Secretary, and as a Company director since February 2017.

38. The 2017 10-K stated the following about Defendant Patel:

Yogesh Patel, Director: Global Head – Marketing

Mr. Yogesh Patel has experience in the field of marketing and advertising of more than 30 years. Mr. Patel has been a pioneer in the marketing in the digital marketing and is an entrepreneur. Mr. Patel has been the founding member and marketing executive of many innovative businesses. He has been founder of a company in the business of prepaid and dial around calling cards in 1993 in United States of America for which he was featured in business magazines. Mr. Patel, in 1998 founded an Indian portal serving all the major Indian community with 17 verticals for providing the information, act as search engine and advertising portal. Mr. Patel joined Northgate Technologies Limited, (an India listed entity) as Chief Operating Officer and helped company grow in 2004. The company was pioneer in online advertising and VOIP calling services at the very inception stage of online advertising and VOIP calling services globally.

Prior to these, Mr. Patel was software developer.

Mr. Patel is currently in advisory role for financial technology companies and other technology & non-technology companies around the world. Besides the interests in online advertising, financial technology solutions marketing, Mr. Patel has keen interests and understanding of commodities, mining, electronics, construction and development of new and innovative products and services across the globe physically and digitally.

Mr. Yogesh Patel hold a Master's in Business Administration with majors in Marketing and Advertising from an institute in India.

Mr. Yogesh Patel is a U.S. Citizen and resides in the State of New Jersey.

Defendant Gaddi

39. Defendant Linga M. Gaddi ("Gaddi") has served as the Company's Chief Technology Officer ("CTO") and as a Company director since June 2017. According to the 2018 Schedule 14C, as of February 28, 2018, Defendant Gaddi beneficially owned 50,100 shares of the Company's common stock. Given that the price per share of the Company's common stock at the close of trading on February 28, 2018 was \$36.02, Gaddi owned over \$1.8 million worth of Longfin stock.

40. The 2017 10-K stated the following about Defendant Gaddi:

Linga Murthy Gaddi – Director & CTO

Mr. Gaddi has a Double Master's Degree in MSc (Computer Science) and M.Tech (Computer Science) and has worked in Isoftel Telecommunications Singapore, where he was part of a team of researching analysts with large billing systems that specialized in Radius servers and B2B billing.

Linga was also a key architect in Northgate Technologies Ltd and headed the R&D division and also developed the second largest VoIP product, Globe7, which is used by millions of users across 140 countries and worked for many companies in the UK, Hong Kong and Singapore.

Linga has had hands-on involvement in developing the SOR systems, Message Queue Servers, Inter Process Communication Systems and has been involved in functionality, stability and performance improvements in algorithmic trading and exchange connectivity components for proprietary trading platforms and has developed high frequency core algorithmic components by integrating risk frame

structured frameworks in global markets. He is one of the architects in building an ultra-low-latency platform and has implemented a high frequency trading platform.

Defendant Dass

41. Defendant Ghanshyam Dass (“Dass”) has served as a Company director since August 2017. Dass also serves as a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee.

42. The 2017 10-K stated the following about Defendant Dass:

Ghanshyam Dass, Director

Mr Dass is senior advisor, KPMG. Assisting KPMG team in the region to develop and further strengthen core businesses, by maximizing business opportunities, optimizing market synergies and complementarities across industry sectors as also strengthening relationship with the Regulators, various trade bodies and Government Departments at Centre and State Level. He completed his Masters in Linguistics (an Inter Disciplinary Course) from Jawaharlal Nehru University, New Delhi and Bachelor’s degree with Honours in Economics from Delhi University, New Delhi, India.

Ghanshyam has had a career in domestic, international banking and Capital Markets for over 32 years. Ghanshyam joined NASDAQ OMX Group in 2000 and up until February 2009, he was Managing Director – Asia Pacific & Middle East, prior to which he was the General Manager and Chief Executive of Majan International Bank (a subsidiary of Commerz Bank A. G., Frankfurt, Germany) in the Sultanate of Oman. He also worked on several assignments, including the British Bank of the Middle East for two years as the Chief Executive Officer for its India operations, and with the Hongkong and Shanghai Banking Corporation for over ten years as Manager – South Asia & Middle East, Financial Institutions Group amongst other assignments.

In his early career, he spent over nine years with US Educational Foundation in India (as Research Assistant to a Senior Fullbright Scholar), Bank of India, Wells Fargo Bank N. A., (as Assistant Representative for India) and Marine Midland Bank, N.A.

He worked as Senior Advisor, INTEL Capital up until July 31, 2010 - Assisted Intel Capital team in the region to develop and further strengthen core businesses across Information Technology, Telecom and other related sectors.

Currently Mr Dass is:

- Independent Director on the Boards of Jain Irrigation Systems Ltd, Jubilant Industries Ltd., Mayar Infrastructure Development Pvt. Ltd., Powerica Ltd., Estel Communications Ltd., Estel Technologies Ltd, Jubilant Agri & Consumer Products Ltd., BQ Padmavathy Finance Academy Private Limited and Mayar Health Resorts Ltd.
- Member, The Indus Entrepreneurs (TiE), Association of Biotech Led Enterprises (ABLE)
- Founder Member Association of Outsourcing Professionals (AOP), and President – Masters Athletic Federation of India.
- Member, Governing Council, Bangalore International Mediation, Arbitration and Conciliation Centre (BIMACC).
- Vice President, Para Athletics Federation of India.
- Special Advisor to NASDAQ OMX Group
- Trustee, The Braj Foundation
- Advisor on the Abhaya Foundation’s National Advisory Council

Defendant Nichols

43. Defendant David Nichols (“Nichols”), upon information and belief, has served as a Company director since at least the IPO. Defendant Nichols also serves as a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee.

44. The 2017 10-K stated the following about Defendant Nichols:

David Nichols, Director

Dave Nichols has over 14 years of experience in entrepreneurial and startup businesses. As co-founder and managing director of Pangea Capital Partners, Dave built a portfolio of carbon emissions projects in China, South Africa and Indonesia.

Dave is the co-founder and managing director of Pangea Capital Partners. He is responsible for building Pangea’s global business presence in the environmental sector and manages its carbon emissions trading business. He has in-depth knowledge of project finance, carbon emissions, environmental policy, commodities sales and trading, and principal investing. At Pangea, Mr. Nichols expanded and operated the business in developing markets including China, Indonesia, and South Africa. He develops and executes projects in many sectors such as renewable energy, energy efficiency and water mitigation. At Pangea, Dave is directly responsible for the origination and development of over 30 carbon emissions reduction projects under the Kyoto Protocol CDM Mechanism.

Mr. Nichols also has a track record of successfully negotiating contracts in developing markets. In China he successfully signed and developed over 30 CDM projects with counterparties ranging from small private Chinese companies to large state owned enterprises. In 2009 Mr. Nichols joined Deegon Inc. where he originated and negotiated physical commodities transactions in both the oil and coal markets with leading Chinese companies including Norinco and Sinochem. Dave successfully brokered a \$50 million fuel oil deal with a company in China. At Deegon, Dave had the additional responsibility of managing logistical aspects of the commodity deliveries. At Pangea Capital Partners Mr. Nichols also leads a successful project finance group raising capital for projects in China and other developing countries.

Dave has valuable experience in emerging markets and has built a presence in the environmental markets sector, including Asia, Latin America, Africa and the U.S. He has extensive knowledge in investment management, corporate finance, foreign exchange markets and business operations. Prior to Pangea Capital Partners, Dave was President of MTD, Inc. a developer of medical imaging technology. Dave earned an MBA with distinction from Columbia University and a BS in Environmental Science from University of Delaware.

45. Defendant Nichols is a citizen of New York.

Defendant Parker

46. Defendant John Parker ("Parker") has served as a Company director since August 2017. Defendant Parker also serves as a member of the Audit Committee.

47. The 2017 10-K stated the following about Defendant Parker:

John Parker, Director

Mr. Parker is a Managing Partner at JP Advisors in London, England. Mr. Parker founded JP Advisors in 2012 to provide financial capital markets advisory services to private and public companies. He is an experienced sales and marketing professional, having spent the past 30 years first with technology companies in Silicon Valley and then with major financial institutions including Lehman Brothers, Salomon Brothers (Citigroup), ING Group, WestLB AG and Uralsib Capital.

He has helped companies raise over \$25 billion in 130 different transactions from 30 different countries. Mr. Parker has extensive knowledge of equity and debt capital markets combined with broad and deep relationships across private equity, asset management, and the banking industry in the US and Europe. He has a strong international background, having run institutional equities teams and broker dealer platforms in New York and London.

He has managed sales organisations where he has built teams from the start up stage, restructured underperforming teams, rebuilt platforms suffering from high employee turnover and improved performance to reinvigorate growth. Additionally, Mr. Parker has worked with publicly listed companies, assisting in debt and equity capital raising and investor relations advisory, with a particular emphasis on the development of the equity story, presentation material and investor targeting, to ensure the optimal market valuations for his clients.

He has experience in sales and marketing, strategic planning, business plan development, equity story development, regulatory compliance, financial modelling, budgeting, P&L responsibility and board level communication and interaction. During his career, John has worked and/or conducted business in the U.S., Latin America, Western Europe, Turkey, Russia, Ukraine, India and Singapore.

Mr. Parker has a bachelor's degree in Economics from the University of California, Irvine and a MBA from the Anderson School at UCLA.

Defendant Wang

48. Defendant Henry Wang ("Wang") has served as a Company director since August 2017. Defendant Wang also serves as a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee.

49. The 2017 10-K stated the following about Defendant Wang:

Henry Wang, Director

Mr. Wang has over 20 years of experience in information technology within the financial services industry; he has held senior roles at online trading firms' TD Ameritrade and TD Waterhouse Securities.

50. Defendant Wang is a citizen of New York.

FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS

51. By reason of their positions as officers, directors, and/or fiduciaries of Longfin and because of their ability to control the business and corporate affairs of Longfin, the Individual Defendants owed Longfin and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage Longfin

in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of Longfin and its shareholders so as to benefit all shareholders equally.

52. Each director and officer of the Company owes to Longfin and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the Company and in the use and preservation of its property and assets and the highest obligations of fair dealing.

53. The Individual Defendants, because of their positions of control and authority as directors and/or officers of Longfin, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

54. To discharge their duties, the officers and directors of Longfin were required to exercise reasonable and prudent supervision over the management, policies, controls, and operations of the Company.

55. Each Individual Defendant, by virtue of his or her position as a director and/or officer, owed to the Company and to its shareholders the highest fiduciary duties of loyalty, good faith, and the exercise of due care and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of the Individual Defendants complained of herein involves a knowing and culpable violation of their obligations as directors and officers of Longfin, the absence of good faith on their part, or a reckless disregard for their duties to the Company and its shareholders that the Individual Defendants were aware or should have been aware posed a risk of serious injury to the Company. The conduct of the Individual Defendants who were also officers and directors of the Company has been ratified by the remaining Individual Defendants who collectively comprised Longfin's Board at all relevant times.

56. As senior executive officers and directors of a publicly-traded company whose common stock was registered with the SEC pursuant to the Securities Exchange Act of 1934 (the “Exchange Act”) and was traded on the NASDAQ, the Individual Defendants had a duty to prevent and not to effect the dissemination of inaccurate and untruthful information with respect to the Company’s financial condition, performance, growth, operations, financial statements, business, products, management, earnings, internal controls, and present and future business prospects, including the dissemination of false information regarding the Company’s business, prospects, and operations, and had a duty to cause the Company to disclose in its regulatory filings with the SEC all those facts described in this Complaint that it failed to disclose, so that the market price of the Company’s common stock would be based upon truthful and accurate information.

57. To discharge their duties, the officers and directors of Longfin were required to exercise reasonable and prudent supervision over the management, policies, practices, and internal controls of the Company. By virtue of such duties, the officers and directors of Longfin were required to, among other things:

(a) ensure that the Company was operated in a diligent, honest, and prudent manner in accordance with the laws and regulations of New York, Delaware, and the United States, and pursuant to Longfin’s own Code of Business Conduct and Ethics;

(b) conduct the affairs of the Company in an efficient, business-like manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company’s assets, and to maximize the value of the Company’s stock;

(c) remain informed as to how Longfin conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, to make

reasonable inquiry in connection therewith, and to take steps to correct such conditions or practices;

(d) establish and maintain systematic and accurate records and reports of the business and internal affairs of Longfin and procedures for the reporting of the business and internal affairs to the Board and to periodically investigate, or cause independent investigation to be made of, said reports and records;

(e) maintain and implement an adequate and functioning system of internal legal, financial, and management controls, such that Longfin's operations would comply with all applicable laws and Longfin's financial statements and regulatory filings filed with the SEC and disseminated to the public and the Company's shareholders would be accurate;

(f) exercise reasonable control and supervision over the public statements made by the Company's officers and employees and any other reports or information that the Company was required by law to disseminate;

(g) refrain from unduly benefiting themselves and other Company insiders at the expense of the Company; and

(h) examine and evaluate any reports of examinations, audits, or other financial information concerning the financial affairs of the Company and to make full and accurate disclosure of all material facts concerning, *inter alia*, each of the subjects and duties set forth above.

58. Each of the Individual Defendants further owed to Longfin and the shareholders the duty of loyalty requiring that each favor Longfin's interest and that of its shareholders over their own while conducting the affairs of the Company and refrain from using their position, influence or knowledge of the affairs of the Company to gain personal advantage.

59. At all times relevant hereto, the Individual Defendants were the agents of each other and of Longfin and were at all times acting within the course and scope of such agency.

60. Because of their advisory, executive, managerial, and directorial positions with Longfin, each of the Individual Defendants had access to adverse, non-public information about the Company.

61. The Individual Defendants, because of their positions of control and authority, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by Longfin.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

62. In committing the wrongful acts alleged herein, the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their wrongdoing. The Individual Defendants caused the Company to conceal the true facts as alleged herein. The Individual Defendants further aided and abetted and/or assisted each other in breaching their respective duties.

63. The purpose and effect of the conspiracy, common enterprise, and common course of conduct was, among other things, to: (i) facilitate and disguise the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, gross mismanagement, and abuse of control; (ii) conceal adverse information concerning the Company's operations, financial condition, legal compliance, future business prospects and internal controls; (iii) engage in the Unregistered Sales Misconduct; and (iv) artificially inflate the Company's stock price.

64. The Individual Defendants accomplished their conspiracy, common enterprise, and common course of conduct by causing the Company purposefully or recklessly to conceal material facts, fail to correct such misrepresentations, and violate applicable laws. In furtherance of this

plan, conspiracy, and course of conduct, the Individual Defendants collectively and individually took the actions set forth herein. Because the actions described herein occurred under the authority of the Board, each of the Individual Defendants who is a director of Longfin was a direct, necessary, and substantial participant in the conspiracy, common enterprise, and/or common course of conduct complained of herein.

65. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, each of the Individual Defendants acted with actual or constructive knowledge of the primary wrongdoing, either took direct part in, or substantially assisted in the accomplishment of that wrongdoing, and was or should have been aware of his or her overall contribution to and furtherance of the wrongdoing.

66. At all times relevant hereto, each of the Individual Defendants was the agent of each of the other Individual Defendants and of Longfin and was at all times acting within the course and scope of such agency.

LONGFIN'S CODE OF ETHICS

67. Pursuant to the Company's Code of Business Conduct and Ethics (the "Code of Ethics"), the Code "applies to all directors, officers and employees of Longfin Corp., its subsidiaries and any subsidiaries it may form in the future (collectively, 'LFIN' or the 'Company')." Moreover, each individual under the purview of the Code of Ethics is to acknowledge, by signature, their receipt of a copy of the Code of Ethics and that they agree to comply with its terms.

68. The Code of Ethics provides, as to "Compliance with Government and Industry Regulation," that:

You must comply with all applicable federal, state and local laws, regulations, rules and regulatory orders applicable to our business. Each employee, director, agent, contractor and consultant must acquire appropriate knowledge of the requirements of his or her locale relating to his or her duties sufficient to enable him or her to recognize potential dangers and to know when to seek advice from our legal counsel. Violations of laws, regulations, rules and orders may subject the employee, director, agent, contractor or consultant to individual criminal or civil liability, as well as to discipline by LFIN. These violations may also subject LFIN to civil or criminal liability and/or the loss of business.

69. The Code of Ethics provides, as to “Business Records,” that:

Accuracy

LFIN requires its employees to honestly and accurately record and report financial and other business information in order to make responsible business decisions and full, fair, accurate, timely and understandable financial and other disclosures to regulatory agencies and the public. LFIN is legally required to maintain an effective system of internal controls to ensure that transactions are properly authorized, assets are safeguarded, financial records are reliable and operations are conducted in accordance with directives of the Board of Directors and management. All of our books, records, accounts and financial statements must be maintained in reasonable detail, most appropriately reflect LFIN’s transactions and must conform both to applicable legal requirements and to our system of internal controls.

To maintain the integrity of the accounting records, all entries in LFIN’s books and records must be prepared carefully and honestly and must be supported by adequate documentation to provide a complete, accurate, and auditable record. All employees have a responsibility to ensure that their work is fair and accurate. No false or misleading entry may be made for any reason, and no employee may assist any other person in making a false or misleading entry.

Employees must timely communicate required information to our management to enable decisions regarding disclosure. Public statements and filings regarding our business and financial status must be true, accurate, complete, and not misleading in all material respects. Business records and communications often become public and all officers, directors and employees should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies.

Full disclosure reinforces responsibility and acts as a powerful deterrent to wrongdoing. Therefore, undisclosed or unrecorded transactions are not allowed for any purpose. Any employee having information or knowledge of any undisclosed or unrecorded transaction or the falsification of records should report it promptly as detailed under the heading “Reporting Procedures”.

70. In a subsection titled “Managing and Managing Records,” the Code of Ethics provides:

We are required by local, state, federal, foreign and other applicable laws, rules and regulations to retain certain records and to follow specific guidelines in managing our records. Records include email, paper documents, CDs, computer hard disks, floppy disks, and all other media. Civil and criminal penalties for failure to comply with such guidelines can be severe for employees, directors, agents, contractors and LFIN, and failure to comply with such guidelines may subject the employee, director, agent, contractor or consultant to disciplinary action, up to and including termination of employment or business relationship at LFIN’s sole discretion. A legal hold suspends all document destruction procedures in order to preserve appropriate records under special circumstances, such as litigation or government investigations. Our Chief Compliance Officer determines and identifies what types of Company records or documents are required to be placed under a legal hold. Every employee, director, agent, contractor and consultant must comply with this policy. Failure to comply with this policy may subject the employee, director, agent, contractor or consultant to disciplinary action, up to and including termination of employment or business relationship at LFIN’s sole discretion. Our Chief Compliance Officer will notify you if a legal hold is placed on records for which you are responsible. You then must preserve and protect the necessary records in accordance with instructions from our Chief Compliance Officer. Records or supporting documents that have been placed under a legal hold must not be destroyed, altered or modified under any circumstances. A legal hold remains effective until it is officially released in writing by our Chief Compliance Officer. If you are unsure whether a document has been placed under a legal hold, you should preserve and protect that document while you check with our Chief Compliance Officer. If you have any questions about this policy you should contact our Chief Compliance Officer.

71. In a subsection titled, “Company Funds and Employees,” the Code of Ethics provides:

You are responsible for all LFIN funds and employees over which you exercise control. LFIN funds must be used only for Company business purposes and LFIN employees must perform work only for Company business purposes. You must take reasonable steps to ensure that LFIN receives good value for its funds spent and maintain accurate and timely records of each and every expenditure made using LFIN funds. Expense reports must be accurate and submitted in a timely manner. You must not use LFIN funds or employees for any personal or non-LFIN purpose.

72. The Code of Ethics provides, as to “Conflicts of Interest,” that:

Each of us has a responsibility to LFIN, its stockholders and each other. Although this duty does not prevent us from engaging in personal transactions and investments, it does demand that we avoid situations where a conflict of interest might occur or appear to occur. LFIN is subject to scrutiny from many different individuals and organizations. We should always strive to avoid even the appearance of impropriety. Two factors that will be considered when determining whether a conflict of interest exists are: (1) whether the employee or director is or could be in a position to influence LFIN's relationship with the competitor, partner, affiliate, or customer; and (2) whether the judgment of the employee or director could be affected, or could appear to be affected, as it relates to the competitor, partner, affiliate, or customer because of the significance of the personal interest of the employee or director. Conflicts of interest may also arise when an employee, officer or director (or his or her family members) receives improper personal benefits as a result of the employee's, officer's or director's position at LFIN.

73. In violation of the Code of Ethics, the Individual Defendants conducted little, if any, oversight of the Company's engagement in the Individual Defendants' scheme to issue materially false and misleading statements to the public and to facilitate and disguise the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, abuse of control, and gross mismanagement. Moreover, in violation of the Code of Ethics, the Individual Defendants failed to maintain the accuracy of Company records and reports, comply with laws and regulations, conduct business in an honest and ethical manner, and properly report violations of the Code of Ethics.

INDIVIDUAL DEFENDANTS' MISCONDUCT

Background

74. Longfin is a finance and technology company that specializes in structured trade finance solutions and physical commodities finance solutions.

75. In December 2017, the Company completed the IPO pursuant to an exemption afforded under Regulation A of the Securities Act, issuing a total of 1,140,989 shares of Class A Common Stock at an offering price of \$5.00 per share.

76. Under this exemption, issuers can raise up to \$50 million from investors through “public solicitation” without being required to register the offering with state regulators or the SEC.

77. Also in December 2017, the Company acquired the website Ziddu and all of its respective content and intellectual property rights from Meridian, purportedly giving the Company access to Blockchain empowered technology that can offer micro-lending against collateralized warehouse receipts in the form of Ziddu tokens to small and medium enterprises, processors, manufactures, importers, and exporters across continents.

78. As part of the Company’s transaction with Meridian, Longfin issued 2.5 million restricted Class A shares to Meridian and certain affiliated parties.

79. Before the Company’s acquisition of Ziddu, Ziddu had no ascertainable value. In fact, Ziddu produced no revenue and Longfin only acquired the rights to use the Ziddu trade name and website—Longfin did not acquire any employees, production techniques, or physical facilities. The Company assigned a value of zero to Ziddu as of the date of the acquisition.

80. Nonetheless, the Company’s acquisition of Ziddu caused the Company’s stock price to rise from a closing price of \$5.39 per share on December 14, 2017 to a closing price per share of \$22.01 on December 15, 2017. By the close of trading on December 18, 2017, the price per share of Longfin stock was \$72.38.

The Unregistered Sales Misconduct

81. The Company began trading on the NASDAQ on December 13, 2017.

82. Between the IPO and February 2018, there were over \$27 million in unregistered distributions of Company securities in a public distribution by Company affiliates Amro Izzelden Altahawi (“Altahawi”), Suresh Tammineedi (“Tammineedi”), and Dorababu Penumarthi

(“Penumarthy,” and together with Altahawi and Tammineedi, the “Affiliates”), who conducted sales of Longfin securities in violation of Section 5 of the Securities Act [15 U.S.C. § 77e], which prohibits such unregistered sales engaged in by the Affiliates unless a specific exemption applies under the federal securities laws—but no such specific exemption applied.

83. The Individual Defendants participated in and/or caused the Company to participate in the illegal transactions.

84. Altahawi was an affiliate of Longfin, serving as the Company corporate secretary and conducting business on behalf of the Company using the email address “andy@longfin.com.” In an August 2017 roadshow presentation, he was also listed as a director of the Company. Altahawi moreover communicated with regulators in connection with the Company’s IPO and arranged for a transfer agent to issue shares in connection with the Company’s acquisition of Ziddu.

85. On September 15, 2017, the Individual Defendants caused the Company to issue Altahawi 2,025,000 Class A common shares of Longfin stock in consideration for purported consulting services provided by Altahawi. Altahawi’s shares were restricted securities that could not, except under limited circumstances that did not exist here, be resold. Nonetheless, he sold 475,751 shares of Company stock in the public market for profits exceeding \$25 million between February 8, 2018 and March 23, 2018. A registration statement was not filed or in effect for these sales, and they were not subject to a Securities Act exemption.

86. Similarly, registration statements for sales of Company stock by Tammineedi and Penumarthy, respectively, were not filed or effective, and their transactions did not have an exemption from registration that applied to them. Penumarthy and Tammineedi, between

December 2017 and March 2018, reaped over \$2.7 million and over \$168,000, respectively, in illegal profits from their selling of Company shares.

87. The Individual Defendants caused Longfin to authorize 40,000 shares to Penumarthi and 30,000 shares to Tammineedi on December 6, 2017. The shares to Tammineedi were authorized despite that he had not transferred funds to the Company's escrow agent in accordance with his subscription agreement.

88. Tammineedi was an affiliate of the Company and/or a nominee of Defendant Meenavalli, serving as a director of Stampede until February 2018. Meenavalli and Tammineedi were also involved with each other as directors of various related entities. Penumarthi was also an affiliate of the Company and/or a nominee of Meenavalli. Meenavalli and Penumarthi both served as directors of Smartahead Solutions Ltd., and Penumarthi had represented in a post on Facebook that he was the head of the Company's United Kingdom operations.

89. The Affiliates' and Individual Defendants' misconduct has resulted in the SEC obtaining an emergency freeze, via court order, of the more than \$27 million in trading proceeds obtained by the Affiliates through illegal distributions and sales of Company stock.

False and Misleading Statements

90. The Relevant Period begins on December 13, 2017, when the Company began trading on the NASDAQ.

The Registration Statement

91. On March 13, 2017, the Company filed its Regulation A Offering Statement on Form 1-A, which was qualified on June 16, 2017. The Company subsequently filed several post-qualification offering statements that were qualified on October 11, 2017 and November 22, 2017,

with the latest post-qualification offering statement being filed on November 3, 2017 (the “Registration Statement”), and signed by Defendants Meenavalli, Patel, Ratakonda, and Gaddi.

92. The Registration Statement specifically noted that Defendant Meenavalli was 45 years old.

93. The Registration Statement also stated that Sarah Altahawi was the Company’s Associate Vice President, in addition to providing her biography, which read, in relevant part:

Sarah Altahawi – Associate Vice President

Ms. Altahawi has more than three years of investment banking experience at a leading investment banking house in New York. She is a versatile player in taking on varied roles from relationship management to facilitate highly effective marketing/ PR plans. Ms. Sarah has is a potent leader in her work Ms. Sarah is responsible for identifying, securing offerings, merger & acquisition deals by way of gathering, analyzing and interpreting complicated numerical information. Ms. Sarah led worldwide syndication processes for numerous capital raises on behalf of SEC qualified companies and conducted comprehensive and discerning research in a wide range of industries while creating company profiles in order to support executives in pitching ideas to prospective clients. Her forward-thinking pragmatism and intuitive interpersonal skills are exceptional.

Ms. Altahawi earned degree from University of Hartford and attained broad knowledge in the capital market, including mortgage lending.

94. The Registration statement also lists the Company’s location as follows:

Longfin Corp. was formed in the State of Delaware on 1 February 2017. The Company principal execution office is 16-017, 85 Broad Street, New York NY 10004.

LongFin Corp., is currently strategically operating its business operation via direct control and coordination from its principal place of business in the City and the state of New York by the Director and Chief Executive Officer, Mr. Venkata S. Meenavalli, the director/ Global Head Executive Officer, Mr. Yogesh Patel and Chief Financial Officer, Mr. Krishanu Singhal.

December 15, 2017 Form 8-K

95. On December 15, 2017, the Company filed a Form 8-K with the SEC, attaching a press release titled, “Longfin Corp. Acquires Ziddu.com, A Blockchain-empowered Global Micro-

lending Solutions Provider.” The Form 8-K and press release failed to disclose that: (1) the Company made several false and misleading statements regarding the IPO in its SEC filings, resulting in an SEC investigation, including falsely representing the location of the Company’s principal offices, the age of Defendant Meenavalli, and that Sarah Altahawi was an officer of the Company when she was not; (2) the Company acquired Ziddu to capitalize on the popularity of and investing interest in blockchain companies to artificially inflate its stock price; (3) Defendants engaged in and/or facilitated the Unregistered Sales Misconduct; (4) the Company had several material weaknesses in its operations and internal controls; and (5) the Company failed to maintain internal controls.

96. The press release stated, in relevant part:

New York, NY (December 14, 2017) - Longfin Corp. (LFIN:Nasdaq) announces the acquisition of Ziddu.com, a Blockchain technology empowered solutions provider that offers Microfinance Lending against Collateralized Warehouse Receipts in the form of Warehouse Coins to small and medium enterprises (SMEs), processors, manufacturers, importers and exporters using crypto currencies across continents.

Ziddu Warehouse Coin is a smart contract that enables Importers and Exporters to use their Ziddu coins that are loosely pegged to Ethereum and Bitcoin Crypto Currency. The Importers/Exporters convert offered Ziddu coins into Ethereum and Bitcoin Cryptocurrencies and use the proceeds for their working capital needs.

Warehouse receipt financing utilizes secured stored goods as loan collateral. Warehouse financing is a secured lending technique that allows SME’s access to financing secured by commodities stored in warehouses.

Businesses of all sizes continue to struggle in accessing sufficient credit, resulting in a global trade finance gap of US\$1.5 trillion in 2016, according to an Asian Development Bank (ADB). Access to financing is the biggest impediment to small farmers in African countries and other frontier markets. Overall, African micro and SMEs face a financing shortfall of about US\$190 billion from the traditional banking sector. African firms are 19% less likely to obtain a bank loan compared to other regions of the world. Hard-currency shortage is forcing companies to get creative with crypto currencies such as Bitcoin and Ethereum as an alternative to US Dollars in many emerging markets.

97. The press release discussed the relevance of Blockchain technology to the Company, stating, in relevant part:

“The advent of Blockchain technology has caught the imagination of the global financial services industry; blockchain is emerging as a technological revolution that we believe is set to disrupt the financial services infrastructure. Crypto currencies such as Bitcoin and Ethereum are expected to act as a global financing currency to avail credit against hard currencies of many emerging markets.” Says Venkat Meenavalli, Chairman of Longfin Corp.

Ziddu intends to use blockchain technology to transform the lives of millions of SME’s by providing finance by way of Ziddu coins and through Crypto Currencies such as Ethereum and Bitcoin against their collateralized warehouse receipts. At the end of the contract, Importers/Exporters are expected to realize their proceeds and pay back their funds through Crypto Currencies only. Depending upon the risk profile of the counterparty, the interest will vary between 12% to 48%.

January 23, 2018 Press Release

98. On January 23, 2018, the Company filed a Form 8-K with the SEC, attaching a press release titled, “Multibillion Dollar Fund to Invest \$52.7 million into Longfin Corp.” The Form 8-K and press release failed to disclose that: (1) the Company made several false and misleading statements regarding the IPO in its SEC filings, resulting in an SEC investigation, including falsely representing the location of the Company’s principal offices, the age of Defendant Meenavalli, and that Sarah Altahawi was an officer of the Company when she was not; (2) the Company acquired Ziddu to capitalize on the popularity of and investing interest in blockchain companies to artificially inflate its stock price; (3) Defendants engaged in and/or facilitated the Unregistered Sales Misconduct; (4) the Company had several material weaknesses in its operations and internal controls; and (5) the Company failed to maintain internal controls.

99. The press release stated, in relevant part:

New York, Jan. 23, 2018 (GLOBE NEWSWIRE) -- Longfin Corp. (“Longfin” or the “Company”) (NASDAQ: LFIN) a leading global FinTech company, has announced that the Company has entered into a securities purchase agreement with a multibillion dollar fund. The institutional investor is investing \$52,700,000

through convertible note instruments (the “Notes”). A press release regarding the transaction was previously issued prior to finalization of the documentation earlier today, and the Company is confirming the transaction is proceeding on the terms indicated below.

Joseph Gunnar & Co., LLC is acting as placement agent.

100. The press release additionally provided “Key Transaction Details,” stating, in relevant part:

The Notes consist of (i) Series A Senior Convertible Notes in the aggregate principal amount of \$10,095,941.18 and (ii) Series B Senior Secured Convertible Notes in the aggregate principal amount of \$42,604,058.82. The nature of the investment will involve (i) an upfront cash payment in the amount of \$5,000,000, and (ii) secured promissory notes payable by the investors to the Company in the aggregate principal amount of \$42,604,058.82 (referred to below as the “Investor Notes”). Under the Investor Notes, the Investors are required to prepay the Investor Notes to the Company in two equal installments following the registration of all of the shares underlying the Investor Notes and warrants issued together with the Investor Notes.

Longfin is one of the few players in the global FinTech space in alternative finance and shadow banking, a \$72 trillion industry worldwide.

“To secure funding from this large institutional investor at current market valuation will enhance the visibility and revenue growth of the company in a rapid way. We are confident in our goal of reaching a 250% revenue growth rate organically, and outnumbering our growth rate in 2017. This funding will also help Longfin in its acquisition endeavors within the Blockchain powered Smart Contracts and FinTech space across the globe,” stated Venkat S Meenavalli, Chairman and CEO of Longfin Corp.

Closing is subject to certain closing conditions set forth in the definitive transaction documents. A Current Report on Form 8-K will be filed by the Company with the Securities and Exchange Commission shortly containing the definitive agreements regarding the transaction. Investors are urged to review the Form 8-K for the actual details of the documents.

March 22, 2018 Press Release

101. On March 22, 2018, the Company issued a press release announcing that the Company joined the Russell Indexes. The press release, titled “Longfin Corp. Joins Russell 2000® Index and Russell 3000® Index,” failed to disclose that: (1) the Company made several false and

misleading statements regarding the IPO in its SEC filings, resulting in an SEC investigation, including falsely representing the location of the Company's principal offices, the age of Defendant Meenavalli, and that Sarah Altahawi was an officer of the Company when she was not; (2) the Company acquired Ziddu to capitalize on the popularity of and investing interest in blockchain companies to artificially inflate its stock price; (3) the Company's Ziddu acquisition prompted an investigation by the SEC; (4) the Company was aware that it did not meet the requirements to be listed on the Russell Indexes; (5) Defendants engaged in and/or facilitated the Unregistered Sales Misconduct; (6) the Company had several material weaknesses in its operations and internal controls; and (7) the Company failed to maintain internal controls.

102. The press release stated, in relevant part:

New York, March 22, 2018 (GLOBE NEWSWIRE) -- Longfin Corp. ("Longfin" or the "Company") (LFIN), a global FinTech company, has announced that it has been added to the Russell 2000® Index and the Russell 3000® Index, effective March 16, 2018, as part of Russell's quarterly additions of companies with recent initial public offerings.

Russell indices are widely used by investment managers and institutional investors for both index funds and as benchmarks for passive and active investment strategies in the U.S. marketplace.

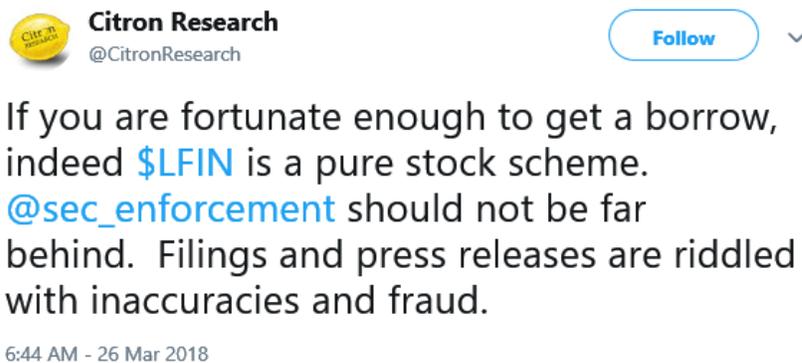
The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies, representing approximately 98% of the investable U.S. equity market. The Russell 2000® Index measures performance of the small-cap segment of the U.S. equity market and is a subset of the Russell 3000® Index.

Venkat S Meenavalli, Chairman and CEO of Longfin, says "We are pleased that Longfin is included in the Russell 2000® Index. We believe that this inclusion reflects the stockholder value we are building and will help increase Longfin's visibility within the investment community."

The Truth Emerges

The Citron Research Tweet

103. On March 26, 2018, Citron Research posted a tweet on www.Twitter.com stating that Longfin's "[f]ilings and press releases are riddled with inaccuracies and fraud." The tweet was as follows:



Removal From the Russell Indexes

104. Also on March 26, 2018, FTSE Russell announced in a statement that Longfin would be removed from the Russell Indexes on March 28, 2018. The statement stated, in relevant part:

LongFin (USA, constituent) was included as an IPO in the Russell 2000 index at the March quarterly update on the basis of its IPO filing of 3 November 2017 which stated that up to 10,000,000 Class A commons shares would be offered. Subsequently, an SEC filing published on 13 February 2018, immediately prior to the Russell US Index rank date of 14 February 2018 for the quarterly IPO additions, confirmed that up to a maximum of 1,140,000 of the shares offered had been taken up by the public. Consequently FTSE Russell has determined that LongFin failed to meet the minimum 5% free float requirement as at the 14 February cut-off date. In accordance with the FTSE Russell Recalculation Policy and Guidelines, LongFin will therefore be removed from the Russell Indexes on 28 March 2018 (after the close).

105. On this news, the price per share of Longfin common stock fell \$11.82, or over 16%, from its closing price on March 23, 2018, closing at \$59.28 on March 26, 2018, the next day the market was open.

March 27, 2018 CNBC Article

106. On March 27, 2018, *CNBC* published an article titled, “Longfin loses more than a third of its value after the controversial cryptocurrency stock is booted from the Russell 2000 index.” The article stated, in relevant part:

Shares of Longfin plunged for a second straight day after FTSE Russell said it would remove the stock of the small, cryptocurrency play from the benchmark Russell indexes.

Longfin (Ticker: LFIN) closed 41.5 percent lower Tuesday at \$34.68 a share. The little-known stock fell 16.6 percent Monday after noted short seller Andrew Left’s Citron Research tweeted that Longfin “is a pure stock scheme.”

The tiny stock had skyrocketed in December after news it was acquiring a firm focused on the same blockchain technology as bitcoin. Longfin went public in mid-December and announced last week it was added to the small-cap Russell 2000 and 3000 indexes on March 16 as part of FTSE Russell’s quarterly additions.

However, FTSE Russell said in a release after Monday’s market close that Longfin shares will be removed from the Russell indexes due to insufficient free-floating shares as of Feb. 14. The change is set to take effect after the close Wednesday and will include the Russell 2000 and Russell 3000 indexes.

* * *

“We are reapplying” for inclusion in the indexes, Longfin CEO Venkat Meenavalli told *CNBC* in a phone interview Tuesday. He said the stock’s free float has increased above the minimum 5 percent as of March 11 due to the expiration of a lockup period on a consultant’s stock holdings.

As for Citron’s negative view, “we are going to take legal action after we file the 10-K” in the next three days, Meenavalli said. “The company is a profitable company, making revenue.”

107. On this news, the price per share of Longfin common stock fell \$24.60, or over 41%, from the previous day’s closing price, closing at \$34.68 on March 27, 2018.

108. By the close of market on March 29, 2018, the price per share of Longfin stock fell to \$17.26 per share.

April 2, 2018 Form 10-K

109. On April 2, 2018, the Company filed the 2017 10-K with the SEC, revealing, *inter alia*, that the Company had several material weaknesses in its internal control over financial reporting, was the subject of an SEC investigation, and may not be able to continue as a going concern.

110. Only Defendants Meenavalli and Ratakonda signed the 2017 10-K.

111. All of Longfin's directors were required to sign the 2017 10-K.

112. With regard to the material weaknesses identified by the Company, the 2017 10-K stated, in relevant part:

We have identified several material weaknesses in our internal control over financial reporting. If our planned remediation of these material weaknesses is not effective, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our securities.

In connection with the audit of our financial statements beginning on page F-1, the Company identified several material weaknesses in its internal control over financial reporting. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected on a timely basis. Below are the material weaknesses identified:

- the Company lacks qualified personnel who fully understand GAAP reporting requirements, possess appropriate skills to identify and determine proper accounting for new, complex or unusual transactions or have a proficiency in the SEC reporting environment;
- the Company did not maintain sufficient personnel with the technical knowledge and skills to perform accounting functions for complex/non-recurring transactions and financial reporting functions;

- the Company exhibited an overall lack of sufficient knowledge, organized and sufficient audit support, documented positions and assessments, and policies/procedures related to the accounting treatment for both complex and non-complex transactions;
- certain segregation of duties issues exist (i.e., the same person performs the process and the control in certain areas);
- the Company does not have any formal or documented accounting policies and procedures, including with respect to intangible assets and monitoring related parties;
- senior financial reporting personnel have the ability to make journal entries; and
- there is no formal review process around journal entries recorded.

Neither we nor our independent registered public accounting firm has performed an evaluation of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. In light of the material weaknesses that were identified, we believe that it is possible that additional material weaknesses and control deficiencies may have been identified if such an evaluation had been performed.

113. The 2017 10-K also noted the steps the Company stated it intended to take to remediate the material weaknesses and enhance the Company's internal control environment, stating, in relevant part:

The Company is working to remediate the material weaknesses, has taken steps to enhance the internal control environment, and plans to take additional steps to remediate the material weaknesses. Specifically, we will:

- seek technically competent staff with appropriate experience applying GAAP accounting guidance and are currently utilizing a consultant with US GAAP/SEC experience to assist with financial reporting requirements;
- design additional controls around identification, documentation and application of technical accounting guidance;
- implement additional internal reporting procedures, including those designed to add depth to the review processes and improve segregation of duties; and
- restructur [sic] internal controls to eliminate or improve known control issues.

The actions that we are taking are subject to ongoing senior management review as well as audit committee oversight. Although we plan to complete this remediation process as quickly as possible, we cannot at this time estimate how long it will take, and our efforts may not be successful in remediating these material weaknesses. In addition, we will incur additional costs in improving our internal control over financial reporting. If we are unable to successfully remediate these material weaknesses or if we identify additional material weaknesses, we may not detect errors on a timely basis. This could harm our operating results, cause us to fail to meet our SEC reporting obligations or NASDAQ Capital Market listing requirements on a timely basis, adversely affect our reputation, cause our stock price to decline or result in inaccurate financial reporting or material misstatements in our annual or interim financial statements.

In addition to the remediation efforts related to the material weaknesses described above, we are in the process of designing and implementing the internal control over financial reporting required to comply with Section 404 of the Sarbanes Oxley Act. This process will be time consuming, costly and complicated. If during the evaluation and testing process, we identify one or more other material weaknesses in our internal control over financial reporting, our management will be unable to assert that our internal control over financial reporting is effective. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed. If we are unable to assert that our internal control over financial reporting is effective, or when required in the future, if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

114. The 2017 10-K also discussed concerns about the Company's ability to continue as a going concern, stating, in relevant part:

Going Concern

The Company has limited operating history and experienced a net loss of \$26.4 million since its inception. The Company has \$2.1 million of cash at December 31, 2017. The Company operates primarily in structured trade finance and providing technology services and our operating costs are primarily related to the cost of providing those services, employee compensation and administrative expenses.

On January 22, 2018, pursuant to a Securities Purchase Agreement (“SPA”) entered into by an institutional investor (the “Investor”), the Company agreed to sell and issue (1) (i) Senior Convertible Notes to the Investor in the aggregate principal amount of \$52,700,000 (each, a “Note” and collectively, the “Notes”), consisting of a Series A Note in the principal amount of \$10,095,941 and (ii) a Series B Note in the principal amount of \$42,604,059, and (2) a warrant to purchase 751,894 shares of Longfin Class A Common Stock, exercisable for a period of five years at an exercise price of \$38.55 per share (the “Warrant”), for consideration consisting of (i) a cash payment of \$5,000,000, and (ii) a secured promissory note payable by the Investor to Longfin (the “Investor Note”) in the principal amount of \$42,604,059 (collectively, the “Financing”). On February 13, 2018, the Company completed the Financing and related sale and issuance of the Notes, the Warrant and a placement agent warrant. The maturity date of the Notes is August 13, 2019 and the Investor Note is February 13, 2048. To date, the Company has received \$3.7 million in net proceeds (\$5.0 million net of costs of \$1.3 million) related to the Financing and will not be able to obtain additional monies through the Financing until the Company files a Registration Statement to register the common shares underlying the Notes and Warrant and such Registration Statement is declared effective by the Securities and Exchange Commission or such shares are eligible for resale pursuant to Rule 144 under the Securities Act, or the investor elects to convert or exercise such securities not with standing the underlying shares have not been so registered or are then so eligible.

The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain the monies from the Financing and the attainment of profitable operations. These factors, which are not within the Company’s control, raise substantial doubt regarding the Company’s ability to continue as a going concern. Although it is actively working on obtaining the additional funding pursuant to the Financing, the Company cannot make any assurances that the additional monies will be available to it and, if available, on a timely basis. If the Company is unable to obtain the monies from the Financing, it would negatively impact its business and operations and could also lead to the reduction or suspension of the Company’s operations and ultimately force the Company to cease operations. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

115. The 2017 10-K also discussed the SEC investigation of the Company, stating, in relevant part:

Legal Matters

The Company is and may become subject to certain legal proceedings and claims arising in connection with the normal course of its business. In the opinion of

management, there are currently no claims that would have a material adverse effect on its consolidated financial position, results of operations or cash flows.

On March 5, 2018, the Division of Enforcement of the SEC informed the Company that it is conducting an investigation *In the Matter of Trading in the Securities of Longfin Corp.* and requested that the Company provide certain documents in connection with its investigation, including documents related to our IPO and other financings and the acquisition of Ziddu.com. The Company is in the process of responding to this document request and will cooperate with the SEC in connection with its investigation. While the SEC is trying to determine whether there have been any violations of the federal securities laws, the investigation does not mean that the SEC has concluded that anyone has violated the law. Also, the investigation does not mean that the SEC has a negative opinion of any person, entity or security.

April 2, 2018 Wall Street Journal Article

116. On April 2, 2018, *The Wall Street Journal* published an article titled, “Up-and-Down IPO Longfin Is Facing an SEC Probe.” The article commented on Longfin’s many issues, specifically stating, *inter alia*, that the Company “failed to disclose important information and misstated facts as basic as the age of its controlling shareholder, according to a review of securities filings.” The article stated, in relevant part:

Longfin Corp. took advantage of post-financial-crisis rules designed to create jobs and help young companies go public. But the financial-technology company, which was valued at \$5.4 billion as recently as 10 days ago, is now under investigation by the Securities and Exchange Commission after it failed to disclose important information and left a trail of misstatements behind.

Since Longfin’s December initial public offering, which raised \$5.7 million, the company’s price first rose 13-fold, then fell by 80%, all in less than four months. In the run-up to the IPO, the company, which says it operates computer platforms for trading on the Singapore and other stock exchanges, failed to disclose important information and misstated facts as basic as the age of its controlling shareholder, according to a review of securities filings.

On Monday, the company disclosed the SEC probe while also reporting material weaknesses in financial controls. The company, which said it is cooperating with the probe, said it may not be able to continue as a going concern.

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The SEC gave Longfin the green light to sell shares based on one month's audited financial statements, which showed that 96% of the company's expenses were paid to a company controlled by Longfin's owner, Venkat Meenavalli, an Indian entrepreneur. The company also provided two years of audited statements for a Singaporean subsidiary, which generates most of its revenue.

* * *

Mr. Meenavalli, who says he controls 90% of Longfin shares, told The Wall Street Journal he is "based out of Dubai" but intends to spend 15 days a month in the U.S. He said its sole U.S. office space—a small room with three desks and no computers in a shared-office building in downtown Manhattan that was deserted at 9:30 on a recent weekday morning—is temporary. Longfin plans to open a bigger office in New York and is hiring more U.S. employees, he added.

117. The article continued to discuss the Company's misconduct, stating, in relevant part:

A tiny portion of Longfin shares were sold in the Dec. 13 IPO. Two days later, Longfin disclosed that its chief financial officer and chief operating officer had resigned just before the offering. But on the same day, the company said it had acquired a crypto company, Ziddu.com, from a company controlled by Mr. Meenavalli.

Longfin shares rose more than 1,200% over the next two sessions to a peak value of \$72.38.

Mr. Meenavalli is 48 years old, according to records he confirmed in an interview, although in a May 2017 SEC filing he is listed as 45. Described in that filing as "a financial wizard," his biographies for some earlier companies show him having a computer-science degree from Australia's Suffield University. His Longfin biography lists a diploma in international trade finance from Middlesex University in the U.K.

In SEC filings, Longfin reported it had 20 employees in March 2017. The number dropped to two the following month, rose to 15 in July, fell to three in November and was reported as 18 on Monday. A filing in July 2017 listed Sarah Altahawi, 23, as a New York-based executive. Ms. Altahawi said Monday she is not a company officer, "so that was a mistake."

Her father, Andy Altahawi, said she was a secretary. He was issued 2 million Longfin shares for advising on its IPO, according to filings. He said he "managed the SEC process as a consultant" and didn't act as a banker or underwriter. Mr. Altahawi was listed on Longfin's website as a director until September, when the SEC questioned why he wasn't included in the company's filings.

“I’m not a director...never was—what was online was untrue,” he said. Mr. Meenavalli said Mr. Altahawi was an officer for two months but then resigned and declined an invitation to join the board.

At its peak value, Longfin was included for eight trading days in the Russell 2000 small-company stock index, which would draw in some of the \$122 billion in funds that follow the index. Short-sellers said Russell made a mistake because just 1.5% of Longfin’s shares traded, below the 5% minimum. Russell said it made the decision based on Longfin’s IPO disclosures, which said more shares would trade. Its reversal, announced March 26, sent the shares down 41% the next day.

118. On this news, the price per share of Longfin common stock fell \$4.42, or over 30%, from the previous day’s closing price, closing at \$9.89 on April 3, 2018.

April 6, 2018 SEC Announcement

119. On April 6, 2018, the SEC issued a press release titled, “SEC Obtains Emergency Freeze of \$27 Million in Stock Sales of Purported Cryptocurrency Company Longfin.” The article stated, in relevant part:

**FOR IMMEDIATE RELEASE
2018-61**

Washington D.C., April 6, 2018 —The Securities and Exchange Commission has obtained a court order freezing more than \$27 million in trading proceeds from allegedly illegal distributions and sales of restricted shares of Longfin Corp. stock involving the company, its CEO, and three other affiliated individuals.

According to a complaint unsealed today in federal court in Manhattan, shortly after Longfin began trading on NASDAQ and announced the acquisition of a purported cryptocurrency business, its stock price rose dramatically and its market capitalization exceeded \$3 billion. The SEC alleges that Amro Izzelden “Andy” Altahawi, Dorababu Penumarthi, and Suresh Tammineedi then illegally sold large blocks of their restricted Longfin shares to the public while the stock price was highly elevated. Through their sales, Altahawi, Penumarthi, and Tammineedi collectively reaped more than \$27 million in profits.

According to the SEC’s complaint, Longfin’s founding CEO and controlling shareholder, Venkata Meenavalli, caused the company to issue more than two million unregistered, restricted shares to Altahawi, who was the corporate secretary and a director of Longfin, and tens of thousands of restricted shares to two other affiliated individuals, Penumarthi and Tammineedi, who were allegedly acting as nominees for Meenavalli. The subsequent sales of those restricted shares violated

federal securities laws that restrict trading in unregistered shares distributed to company affiliates.

“We acted quickly to prevent more than \$27 million in alleged illicit trading profits from being transferred out of the country,” said Robert Cohen, Chief of the SEC Enforcement Division’s Cyber Unit. “Preventing defendants from transferring this money offshore will ensure that these funds remain available as the case continues.”

The SEC’s complaint, which was filed under seal on April 4, charges Longfin, Meenavalli, Altahawi, Penumarthy, and Tammineedi with violating Section 5 of the Securities Act of 1933. The complaint seeks injunctive relief, disgorgement of ill-gotten gains, and penalties, among other relief.

120. On April 9, 2018, the Company announced that On April 5, 2018, the Company was notified that its independent registered public accounting firm, CohnReznick LLP (“CohnReznick”) had resigned its engagement with the Company, which resignation was effective immediately. CohnReznick was engaged by the Company on February 7, 2018. CohnReznick’s resignation as the Company’s independent registered public accounting firm was accepted by the Audit Committee of the Company on April 5, 2018.

121. On April 10, 2018, the Company announced that on April 6, 2018, the Company received a notice from the NASDAQ, indicating that the Company was no longer in compliance with the NASDAQ Listing Rule 5250(c)(1) due to the Company’s inability to timely file its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 with the SEC, and that the NASDAQ instituted a trading halt in the Company’s Class A Stock.

122. As noted in a Form 8-K filed by the Company with the SEC on April 18, 2018, the continuance of the trading halt for a period of five trading days constituted an event of default under convertible notes in aggregate principal amount of \$52,700,000 that the Company sold in a private placement that it closed on February 13, 2018. Due to the occurrence of the event of default, the outstanding principal amount of the notes, plus accrued but unpaid interest at a default interest rate of 18%, liquidated damages and other amounts owed, became, at the notes purchaser’s

election, immediately due and payable in either cash or stock pursuant to the terms of the notes. Following the occurrence of the event of default, the purchaser of the notes notified Longfin that it had elected to exercise its remedies with respect to requiring the Company to redeem certain of the notes, which the purchaser calculated as \$33.6 million as of April 20, 2018, the date the purchaser demanded that it be paid by Longfin. Pursuant to the note purchase agreement, the purchaser may require the Company to redeem the remainder of the notes.

123. On April 18, 2018, the Company received a notice from the NASDAQ indicating that the Company does not comply with the NASDAQ Listing Rule 5250(c)(1) due to the Company not having included the signatures of a majority of the members of its Board of Directors in the 2017 10-K, which it filed with the SEC on April 2, 2018.

124. On May 2, 2018, the Company notified the NASDAQ that it would voluntarily delist its shares of Class A Common Stock from the NASDAQ.

125. In breach of their fiduciary duties, the Individual Defendants willfully or recklessly made and/or caused or permitted the Company to make the false and misleading statements and omissions of material fact to the investing public as set forth above.

126. Moreover, the Individual Defendants failed to correct and caused the Company to fail to correct the false and misleading statements and omissions of material fact referenced herein, rendering them personally liable to the Company for breaching their fiduciary duties.

127. In further breach of their fiduciary duties, the Individual Defendants failed to maintain internal controls and engaged in and/or facilitated the Unregistered Sales Misconduct.

128. The Individual Defendants' breaches of fiduciary duty and ultimate failure to maintain internal controls resulted in the Company failing to file its periodic reports with the SEC

timely or properly, which led to a halt in the trading of the Company's stock that violated terms of notes it had sold—that significantly damaged the Company.

DAMAGES TO LONGFIN

129. As a direct and proximate result of the Individual Defendants' conduct, Longfin will lose and expend many millions of dollars.

130. Such expenditures include, but are not limited to, legal fees associated with the Securities Class Action filed against the Company, its CEO, and CFO, the SEC Action, any internal investigations, and amounts paid to outside lawyers, accountants, and investigators in connection thereto.

131. Additionally, these expenditures include, but are not limited to, lavish compensation and benefits paid to the Individual Defendants who breached their fiduciary duties to the Company.

132. Such expenditures also include the \$33.6 million and potentially millions more that the Company is required to pay as a result of causing an event of default under notes that it sold to a purchaser pursuant to a private placement that closed on February 13, 2018 and the excessive interest payments it is required to pay, as well.

133. As a direct and proximate result of the Individual Defendants' conduct, Longfin has also suffered and will continue to suffer a loss of reputation and goodwill, and a "liar's discount" that will plague the Company's stock in the future due to the Company's and their misrepresentations and the Individual Defendants' breaches of fiduciary duties and unjust enrichment.

DERIVATIVE ALLEGATIONS

134. Plaintiff brings this action derivatively and for the benefit of Longfin to redress injuries suffered, and to be suffered, as a result of the Individual Defendants' breaches of their fiduciary duties as directors and/or officers of Longfin, unjust enrichment, waste of corporate assets, gross mismanagement, and abuse of control, as well as the aiding and abetting thereof.

135. Longfin is named solely as a nominal party in this action. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

136. Plaintiff is a shareholder of Longfin, and has been a shareholder of Longfin at all relevant times. Plaintiff will adequately and fairly represent the interests of Longfin in enforcing and prosecuting its rights, and, to that end, has retained competent counsel, experienced in derivative litigation, to enforce and prosecute this action.

DEMAND FUTILITY ALLEGATIONS

137. Plaintiff incorporates by reference and re-alleges each and every allegation stated above as if fully set forth herein.

138. A pre-suit demand on the Board of Longfin is futile and, therefore, excused. At the time of filing of this action, the Board consists of the following eight individuals: Defendants Meenavalli, Dass, Ratakonda, Patel, Gaddi, Nichols, Parker, and Wang (the "Directors"). Plaintiff needs only to allege demand futility as to four of the eight Directors who are on the Board at the time this action is commenced.

139. Demand is excused as to all of the Directors because each one of them faces, individually and collectively, a substantial likelihood of liability as a result of the Unregistered Sales Misconduct and the scheme they engaged in knowingly or recklessly to make and/or cause the Company to make false and misleading statements and omissions of material facts, which

renders them unable to impartially investigate the charges and decide whether to pursue action against themselves and the other perpetrators of the scheme.

140. In complete abdication of their fiduciary duties, the Directors either knowingly or recklessly participated in making and/or causing the Company to make the materially false and misleading statements alleged herein. The fraudulent scheme was intended to make the Company appear more profitable and attractive to investors. As a result of the foregoing, the Directors breached their fiduciary duties, face a substantial likelihood of liability, are not disinterested, and demand upon them is futile, and thus excused.

141. Additional reasons that demand on Defendant Meenavalli is futile follow. Defendant Meenavalli currently serves as the Company's CEO and Chairman of the Board, and is thus, as the Company admits, a non-independent director. Defendant Meenavalli was ultimately responsible for the Unregistered Sales Misconduct and all of the false and misleading statements and omissions that were made, including those contained in the SEC filings and press releases referenced herein, almost all of which he personally made statements in or signed. He received lavish compensation, including \$19,055,027 in 2017. His large Company stock holding, representing a 55.1% ownership of the Company and worth over \$1.51 billion before the fraud was fully exposed, reveals his interest in keeping the Company's stock price as high as possible. As the Company's highest officer and as a trusted Company director, he conducted little, if any, oversight of the engagement in the Unregistered Sales Misconduct and scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Defendant Meenavalli also breached the duty of loyalty by engaging in self-interested transactions involving Meridian, Stampede, and Ziddu, and such breach is non-indemnifiable, and as a result,

he faces a substantial likelihood of liability. Moreover, Defendant Meenavalli is a defendant in the Securities Class Action and the SEC Action. Defendant Meenavalli is particularly liable for his engagement in the Unregistered Sales Misconduct, as Affiliates Tammineedi and Penumarthi were likely serving as his nominees when making their illicit sales. For these reasons, too, Defendant Meenavalli breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

142. Additional reasons that demand on Defendant Ratakonda is futile follow. Defendant Ratakonda currently serves as the Company's CFO and as a Company director, and is thus, as the Company admits, a non-independent director. His large Company stock holding, worth approximately \$1.8 million before the fraud was exposed, reveals his interest in keeping the Company's stock price as high as possible. As the Company's CFO and as a trusted Company director, he conducted little, if any, oversight of the engagement in the Unregistered Sales Misconduct and scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Defendant Ratakonda is ultimately responsible for the false and misleading statements made in the Registration Statement and 2017 10-K, both of which he signed. Moreover, Defendant Ratakonda is a defendant in two of the Securities Class Action. He is also not disinterested or independent because his position as a Longfin officer, which is the primary source of his livelihood, is dependent on controlling shareholder Defendant Meenavalli. Thus, for these reasons, Defendant Ratakonda breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

143. Additional reasons that demand on Defendant Patel is futile follow. Defendant Patel currently serves as the Company's Global Head-Marketing, Secretary, and as a Company director, and is thus, as the Company admits, a non-independent director. As a trusted Company director, he conducted little, if any, oversight of the engagement in the Unregistered Sales Misconduct and scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Defendant Patel is ultimately responsible for the false and misleading statements made in the Registration Statement, which he signed. He is also not disinterested or independent because his position as a Longfin officer, which is the primary source of his livelihood, is dependent on controlling shareholder Defendant Meenavalli. Thus, for these reasons, Defendant Patel breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

144. Additional reasons that demand on Defendant Gaddi is futile follow. Defendant Gaddi currently serves as the Company's CTO and as a Company director, and is thus, as the Company admits, a non-independent director. His large Company stock holding, worth approximately \$1.8 million before the fraud was exposed, reveals his interest in keeping the Company's stock price as high as possible. As the Company's CTO and as a trusted Company director, he conducted little, if any, oversight of the engagement in the Unregistered Sales Misconduct and scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Defendant Gaddi is ultimately responsible for the false and misleading statements made in the Registration Statement, which he signed. He is also not disinterested or independent because his position as a Longfin officer, which is the primary

source of his livelihood, is dependent on controlling shareholder Defendant Meenavalli. Thus, for these reasons, Defendant Gaddi breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

145. Additional reasons that demand on Defendant Dass is futile follow. Defendant Dass has served as a Company director since August 2017, and is a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. As a trusted Company director and member of the Audit Committee, he conducted little, if any, oversight of the engagement in the Unregistered Sales Misconduct and scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate assets. He is also not disinterested or independent because his position as a Longfin officer, which is the primary source of his livelihood, is dependent on controlling shareholder Defendant Meenavalli. Thus, for these reasons, Defendant Dass breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

146. Additional reasons that demand on Defendant Nichols is futile follow. Defendant Nichols has served as a Company director since at least the IPO, upon information and belief, and is a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. As a trusted Company director and member of the Audit Committee, he conducted little, if any, oversight of the engagement in the Unregistered Sales Misconduct and scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously

disregarded his duties to protect corporate assets. Thus, for these reasons, Defendant Nichols breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

147. Additional reasons that demand on Defendant Parker is futile follow. Defendant Parker has served as a Company director since August 2017 and is a member of the Audit Committee. As a trusted Company director and member of the Audit Committee, he conducted little, if any, oversight of the engagement in the Unregistered Sales Misconduct and scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Thus, for these reasons, Defendant Parker breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

148. Additional reasons that demand on Defendant Wang is futile follow. Defendant Wang has served as a Company director since August 2017, and is a member of the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. As a trusted Company director and member of the Audit Committee, he conducted little, if any, oversight of the engagement in the Unregistered Sales Misconduct and scheme to make false and misleading statements, consciously disregarded his duties to monitor such controls over reporting and engagement in the scheme, and consciously disregarded his duties to protect corporate assets. Thus, for these reasons, Defendant Wang breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

149. Additional reasons that demand on the Board is futile follow.

150. The Directors are beholden to Defendant Meenavalli, who faces a substantial likelihood of liability in the instant action, the Securities Class Action, and the SEC Action for his engagement in the misconduct discussed herein. By virtue of his controlling ownership of Company stock and his position as CEO, Defendant Meenavalli controls the Company and dominates the Board. The Company admitted to Defendant Meenavalli's control in the 2017 10-K, which states, in relevant part:

As of the April 2, 2018, Mr. Venkata Srinivas Meenavalli owns the majority of shares of Longfin's Common Stock. Therefore, Mr. Meenavalli is now and could be in the future in a position to elect or change the members of the board of directors and to control Longfin's business and affairs including certain significant corporate actions, including but not limited to acquisitions, the sale or purchase of assets and the issuance and sale of Longfin's shares. Longfin also may be prevented from entering into transactions that could be beneficial to the other holders of the shares without Mr. Meenavalli's consent. Mr. Meenavalli's interests might differ from the interests of other shareholders.

Each of the remaining Directors, who receive \$12,000 per year in cash and stock for their service as directors, may fear retaliation against them if they were to accept a demand against Meenavalli, who controls the employment of the officer Directors and the Board seats of the remaining Directors. Thus, the remainder of the Directors are unable to evaluate a demand with independence as a result of Defendant Meenavalli's control over them and the Company, and therefore, demand is excused.

151. The Directors have longstanding business and personal relationships with each other and the Individual Defendants that preclude them from acting independently and in the best interests of the Company and the shareholders. These conflicts of interest precluded the Directors from adequately monitoring the Company's operations and internal controls and calling into question the Individual Defendants' conduct. Thus, demand upon the Directors would be futile.

152. All of the Directors breached the duty of candor by making, or causing the Company to make, false and misleading statements regarding the Company's business, operations, and prospects, despite having knowledge of the falsity of those statements. The Directors may not be indemnified for breaching the duty of candor. As a result, all of the Directors face a substantial likelihood of liability and cannot evaluate a demand with disinterest. Therefore, demand is futile, and thus, excused.

153. In violation of the Code of Ethics, the Directors conducted little, if any, oversight of the Company's engagement in the Individual Defendants' scheme to issue materially false and misleading statements to the public and to facilitate and disguise the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, gross mismanagement, and abuse of control. In further violation of the Code of Ethics, the Directors failed to comply with laws and regulations, maintain the accuracy of Company records and reports, conduct business in an honest and ethical manner, and properly report violations of the Code of Ethics. Thus, the Directors face a substantial likelihood of liability and demand is futile as to them.

154. Longfin has been and will continue to be exposed to significant losses due to the wrongdoing complained of herein, yet the Directors have not filed any lawsuits against themselves or others who were responsible for that wrongful conduct to attempt to recover for Longfin any part of the damages Longfin suffered and will continue to suffer thereby. Thus, any demand upon the Directors would be futile.

155. The Individual Defendants' conduct described herein and summarized above could not have been the product of legitimate business judgment as it was based on bad faith and intentional, reckless, or disloyal misconduct. Thus, none of the Directors can claim exculpation

from their violations of duty pursuant to the Company's charter (to the extent such a provision exists). As a majority of the Directors face a substantial likelihood of liability, they are self-interested in the transactions challenged herein and cannot be presumed to be capable of exercising independent and disinterested judgment about whether to pursue this action on behalf of the shareholders of the Company. Accordingly, demand is excused as being futile.

156. The acts complained of herein constitute violations of fiduciary duties owed by Longfin's officers and directors, and these acts are incapable of ratification.

157. The Directors may also be protected against personal liability for their breaches of fiduciary duty alleged herein by directors' and officers' liability insurance if they caused the Company to purchase it for their protection with corporate funds, i.e., monies belonging to the stockholders of Longfin. If there is a directors' and officers' liability insurance policy covering the Directors, it may contain provisions that eliminate coverage for any action brought directly by the Company against the Directors, known as, *inter alia*, the "insured-versus-insured exclusion." As a result, if the Directors were to sue themselves or certain of the officers of Longfin, there would be no directors' and officers' insurance protection. Accordingly, the Directors cannot be expected to bring such a suit. On the other hand, if the suit is brought derivatively, as this action is brought, such insurance coverage, if such an insurance policy exists, will provide a basis for the Company to effectuate a recovery. Thus, demand on the Directors is futile and, therefore, excused.

158. If there is no directors' and officers' liability insurance, then the Directors will not cause Longfin to sue the Individual Defendants named herein, since, if they did, they would face a large uninsured individual liability. Accordingly, demand is futile in that event, as well.

159. Thus, for all of the reasons set forth above, all of the Directors, and, if not all of them, at least four of the Directors, cannot consider a demand with disinterestedness and independence. Consequently, a demand upon the Board is excused as futile.

FIRST CLAIM

Against the Individual Defendants for Breach of Fiduciary Duties

160. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

161. Each Individual Defendant owed to the Company the duty to exercise candor, good faith, and loyalty in the management and administration of Longfin's business and affairs.

162. Each of the Individual Defendants violated and breached his or her fiduciary duties of candor, good faith, loyalty, reasonable inquiry, oversight, and supervision.

163. The Individual Defendants' conduct set forth herein was due to their intentional or reckless breach of the fiduciary duties they owed to the Company, as alleged herein. The Individual Defendants intentionally or recklessly breached or disregarded their fiduciary duties to protect the rights and interests of Longfin.

164. In breach of their fiduciary duties, the Individual Defendants engaged in and/or facilitated the Unregistered Sales Misconduct.

165. In further breach of their fiduciary duties owed to Longfin, the Individual Defendants willfully or recklessly made and/or caused the Company to make false and misleading statements and/or omissions of material fact that failed to disclose that: (1) the Company made several false and misleading statements regarding the IPO in its SEC filings, resulting in an SEC investigation, including falsely representing the location of the Company's principal offices, the age of Defendant Meenavalli, and that Sarah Altahawi was an officer of the Company when she

was not; (2) the Company acquired Ziddu to capitalize on the popularity of and investing interest in blockchain companies to artificially inflate its stock price; (3) the Company's Ziddu acquisition prompted an investigation by the SEC; (4) the Company was aware that it did not meet the requirements to be listed on the Russell Indexes; (5) Defendants engaged in and/or facilitated the Unregistered Sales Misconduct; (6) the Company had several material weaknesses in its operations and internal controls; and (7) the Company failed to maintain internal controls. As a result of the foregoing, statements about the Company's business, operations and prospects were materially false and misleading and lacked a reasonable basis at all relevant times.

166. The Individual Defendants also failed to correct and/or caused the Company to fail to correct the false and misleading statements and/or omissions of material fact, rendering them personally liable to the Company for breaching their fiduciary duties.

167. Also in breach of their fiduciary duties, the Individual Defendants failed to maintain internal controls.

168. The Individual Defendants' breaches of fiduciary duty and ultimate failure to maintain internal controls resulted in the Company failing to file its required Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 with the SEC, which led to a halt in the trading of the Company's stock that violated terms of notes it had sold and has significantly damaged the Company.

169. The Individual Defendants had actual or constructive knowledge that the Company issued materially false and misleading statements, and they failed to correct the Company's public statements and representations. The Individual Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth, in that they failed to ascertain and to disclose such facts, even though such facts were

available to them. Such material misrepresentations and omissions were committed knowingly or recklessly and for the purpose and effect of artificially inflating the price of Longfin's securities.

170. The Individual Defendants had actual or constructive knowledge that they had caused the Company to improperly engage in the fraudulent schemes set forth herein and to fail to maintain internal controls. The Individual Defendants had actual knowledge that the Company was engaging in the fraudulent schemes set forth herein, and that internal controls were not adequately maintained, or acted with reckless disregard for the truth, in that they caused the Company to improperly engage in the fraudulent schemes and to fail to maintain adequate internal controls, even though such facts were available to them. Such improper conduct was committed knowingly or recklessly and for the purpose and effect of artificially inflating the price of Longfin's securities.

171. These actions were not a good-faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

172. As a direct and proximate result of the Individual Defendants' breaches of their fiduciary obligations, Longfin has sustained and continues to sustain significant damages. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

173. Plaintiff on behalf of Longfin has no adequate remedy at law.

SECOND CLAIM

Against Individual Defendants for Unjust Enrichment

174. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

175. By their wrongful acts, violations of law, and false and misleading statements and omissions of material fact that they made and/or caused to be made, the Individual Defendants were unjustly enriched at the expense of, and to the detriment of, Longfin.

176. The Individual Defendants either benefitted financially from the improper conduct or received bonuses, stock options, or similar compensation from Longfin that was tied to the performance or artificially inflated valuation of Longfin, or received compensation that was unjust in light of the Individual Defendants' bad faith conduct.

177. Plaintiff, as a shareholder and a representative of Longfin, seeks restitution from the Individual Defendants and seeks an order from this Court disgorging all profits, including from insider transactions, benefits, and other compensation, including any performance-based or valuation-based compensation, obtained by the Individual Defendants due to their wrongful conduct and breach of their fiduciary and contractual duties.

178. Plaintiff on behalf of Longfin has no adequate remedy at law.

THIRD CLAIM

Against Individual Defendants for Abuse of Control

179. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

180. The Individual Defendants' misconduct alleged herein constituted an abuse of their ability to control and influence Longfin, for which they are legally responsible.

181. As a direct and proximate result of the Individual Defendants' abuse of control, Longfin has sustained significant damages. As a direct and proximate result of the Individual Defendants' breaches of their fiduciary obligations of candor, good faith, and loyalty, Longfin has sustained and continues to sustain significant damages. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

182. Plaintiff on behalf of Longfin has no adequate remedy at law.

FOURTH CLAIM**Against Individual Defendants for Gross Mismanagement**

183. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

184. By their actions alleged herein, the Individual Defendants, either directly or through aiding and abetting, abandoned and abdicated their responsibilities and fiduciary duties with regard to prudently managing the assets and business of Longfin in a manner consistent with the operations of a publicly-held corporation.

185. As a direct and proximate result of the Individual Defendants' gross mismanagement and breaches of duty alleged herein, Longfin has sustained and will continue to sustain significant damages.

186. As a result of the misconduct and breaches of duty alleged herein, the Individual Defendants are liable to the Company.

187. Plaintiff on behalf of Longfin has no adequate remedy at law.

FIFTH CLAIM**Against Individual Defendants for Waste of Corporate Assets**

188. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

189. As a further result of the foregoing, the Company will incur many millions of dollars of legal liability and/or costs to defend unlawful actions, to engage in internal investigations, and to lose financing from investors and business from future customers who no longer trust the Company and its products.

190. As a result of the waste of corporate assets, the Individual Defendants are each liable to the Company.

191. Plaintiff on behalf of Longfin has no adequate remedy at law.

PRAYER FOR RELIEF

FOR THESE REASONS, Plaintiff demands judgment in the Company's favor against all Individual Defendants as follows:

(a) Declaring that Plaintiff may maintain this action on behalf of Longfin, and that Plaintiff is an adequate representative of the Company;

(b) Declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to Longfin;

(c) Determining and awarding to Longfin the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon;

(d) Directing Longfin and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect Longfin and its shareholders from a repeat of the damaging events described herein, including, but not limited to, putting forward for shareholder vote the following resolutions for amendments to the Company's Bylaws or Certificate of Incorporation and the following actions as may be necessary to ensure proper corporate governance policies:

1. a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater shareholder input into the policies and guidelines of the board;

2. a provision to permit the shareholders of Longfin to nominate at least four candidates for election to the Board; and

3. a proposal to ensure the establishment of effective oversight of compliance with applicable laws, rules, and regulations.

- (e) Awarding Longfin restitution from Individual Defendants, and each of them;
- (f) Awarding Plaintiff the costs and disbursements of this action, including reasonable attorneys' and experts' fees, costs, and expenses; and
- (g) Granting such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: June 26, 2018

Respectfully submitted,

THE ROSEN LAW FIRM, P.A.

/s/ Phillip Kim

Phillip Kim

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Counsel for Plaintiff

VERIFICATION

I, Joseph Bents am the plaintiff in the within action. I have read the foregoing complaint and know the contents thereof. The allegations of the complaint are true of my personal knowledge, except as to the matters therein stated to be alleged on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this 26th day of June, 2018.



Joseph Bents