

federal securities laws and pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Longfin is a finance and technology (“fintech”) company. The Company provides trade and physical commodities solutions for finance businesses and trading platforms. Longfin recently began using blockchain technology to enable global trade finance solutions for small and medium enterprises, processors, manufacturers, importers, and exporters through cryptocurrencies.

3. The Company’s entry into blockchain markets attracted widespread attention when, on December 15, 2017, Longfin announced the acquisition of Ziddu.com, a blockchain-empowered global micro-lending solutions provider.

4. In early March 2018, the global index operator FTSE Russell (“Russell”) also took note of Longfin and added the Company to two widely tracked Russell indices effective March 16, 2018.

5. On March 26, 2018, stock commentary website Citron Research (“Citron”) posted a tweet on Twitter.com questioning the veracity of Longfin’s operations. The same day, Russell issued a statement announcing Longfin would be removed from its global indices after market close on March 28, 2018, only approximately 12 days after being added.

6. On March 30, 2018, the end date by which Defendant Meenavalli stated Longfin’s annual report would be filed, no Longfin financial report on Form 10-K had been filed with the SEC. Further, as of the close of trading on April 2, 2018, two days after Defendant Meenavalli stated the annual report would be filed, no Longfin financial report on Form 10-K had been filed with the SEC.

7. The foregoing events caused the price of the Company's stock to decline from \$71.10 per share on March 23, 2018, to close at \$14.31 per share on April 2, 2018, a decline of 79.9%, damaging investors.

8. Throughout the Class Period, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Longfin had material weaknesses in its operations and internal controls that hindered the Company's profitability; (ii) Longfin did not meet the requirements for inclusion in Russell indices; and (iii) as a result of the foregoing, the Defendants' public statements were materially false and misleading at all relevant times.

9. As a result of the fraudulent conduct alleged herein, Plaintiff and other members of the Class purchased Longfin common stock at artificially inflated prices and suffered significant losses and damages once the truth emerged.

JURISDICTION AND VENUE

10. The federal law claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331, Section 27 of the Securities Act (15 U.S.C. §78aa.). This Court has jurisdiction over each Defendant named herein because each Defendant is an individual who has sufficient minimum contacts with this District to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

12. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and 28 U.S.C. §1391(b) because certain of the acts alleged herein, including the preparation and dissemination of materially false and/or misleading information, occurred in this District.

PARTIES

13. Plaintiff purchased Longfin common stock within the Class Period and, as a result, was damaged thereby. Plaintiff's certification evidencing his transactions is attached hereto as Exhibit A.

14. Defendant Longfin is a Delaware company with principal offices located at 85 Broad Street, 16-017, New York, NY 10004. The Company's common stock trades on the NASDAQ under the ticker symbol "LFIN."

15. Defendant Venkat S. Meenavalli ("Meenavalli") has served at all relevant times as Chairman of the Board and the Company's Chief Executive Officer.

16. Defendant Meenavalli:

- (a) directly participated in the management of the Company;
- (b) was directly involved in the day-to-day operations of the Company at the highest levels;
- (c) was directly or indirectly involved in drafting, producing, reviewing, and/or disseminating the false and misleading statements and information alleged herein;
- (d) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;
- (e) was aware of or deliberately recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or
- (f) approved or ratified these statements in violation of the federal securities laws.

17. Because of Defendant Meenavalli's position within the Company, he had access to undisclosed information about Longfin's business, operations, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's shareholder records, operating plans, budgets and forecasts and reports of actual operations and performance), conversations and connections with other corporate officers and employees, attendance at management and director meetings and committees thereof and via reports and other information provided to them in connection therewith.

18. As an officer of a publicly held company whose securities were, and are, registered with the SEC pursuant to the federal securities laws of the United States, Defendant Meenavalli had a duty to disseminate prompt, accurate, and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management, earnings, and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly traded stock would be based upon truthful and accurate information. The Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

19. Defendant Meenavalli, because of his position with the Company, possessed the power and authority to control the contents of Longfin's reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*, the market. Defendant Meenavalli was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of his

position and access to material non-public information available to him, he knew that the adverse facts specified herein had not been disclosed to, and were being concealed from the public and that the positive representations which were being made were then materially false and/or misleading. Defendant Meenavalli is liable for the false statements pleaded herein, as those statements each were “group-published” information, the result of the collective actions of the Individual Defendants.

20. Defendant Meenavalli is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Longfin common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Longfin’s business, operations, management, and the intrinsic value of its common stock; and (ii) caused Plaintiff and other shareholders to purchase Longfin’s common stock at artificially inflated prices.

SUBSTANTIVE ALLEGATIONS

Background

21. Longfin is a fintech company. The Company provides trade finance solutions and physical commodities finance solutions for finance houses and trading platforms for North America, South America, and Africa regions. The Company’s business model includes importer and exporter financing, financial institution intermediation, insurance backed trade financing, and Carry trade finance with FX solutions.

22. Longfin recently began utilizing blockchain technology to enable global trade finance solutions for small and medium enterprises, processors, manufacturers, importers, and exporters through cryptocurrencies.

23. On or around December 13, 2017, Longfin held a Reg A+ initial public offering on the NASDAQ, a type of offering created under the Jumpstart Our Business Startups (“JOBS”) Act allowing private companies to raise up to \$50 million from the public.

False and Misleading Statements

24. On December 15, 2017, Longfin issued a press release entitled “Longfin Corp. Acquires Ziddu.com, A Blockchain-empowered Global Micro-lending Solutions Provider.” The press release stated, in relevant part:

NEW YORK, Dec. 15, 2017 (GLOBE NEWSWIRE) - Longfin Corp. (NASDAQ: LFIN), a leading global FinTech company, announces the acquisition of Ziddu.com, a Blockchain-empowered solutions provider that offers Microfinance Lending against Collateralized Warehouse Receipts in the form of Ziddu Coins.

Ziddu Coin is a smart contract that enables SME’s, processors, manufacturers, importers and exporters using cryptocurrencies across continents. Ziddu Coins are loosely pegged to Ethereum and Bitcoin. The importers/exporters convert offered Ziddu coins into Ethereum or Bitcoin and use the proceeds for their working capital needs. At the end of the contract, importers/exporters will realize their proceeds and pay back their funds through cryptocurrencies only. Depending upon the risk profile of the counterparty, the interest will vary from 12% to 48%.

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

About Ziddu.com

Ziddu.com is a blockchain-empowered global Micro-lending Solutions Provider. The company provides SEMs with Warehouse financing backed by their commodities in warehouses. Its warehouse financing leverages blockchain technology to finance through Ziddu coins and other cryptocurrencies such as Ethereum and Bitcoin against their collateralized warehouse receipts.

25. As a result of this news, the price of the Company stock increased from \$5.39 per share on December 14, 2017, to close at \$72.38 per share on December 18, 2017, an increase of 1,243% over two trading days.

26. The Ziddu.com acquisition attracted broad attention from investors and the media who wanted to know more about the merger. For example, *Bloomberg* published a December 19, 2017 article entitled, “Crypto Wannabe CEO Helps Pop Own Bubble With Unusual Interview.” The article included a Company response to a *Bloomberg* inquiry, in which Longfin spokesperson Hang Su stated, “We are not going to make revenue from Ziddu.com this year [2017], but it will account for 5-10 percent of revenue next year [2018].”

27. On January 23, 2018, Longfin issued a press release entitled “Multibillion Dollar Fund to Invest \$52.7 million into Longfin Corp.” 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.

* * *

Key Transaction Details

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.

[Emphasis added].

28. On March 16, 2018, the global indices operator Russell added Longfin to the Russell 2000 Index and the Russell 3000 Index (the “Indices”), as part of Russell’s quarterly additions of companies with recent initial public offerings. Russell’s policy and guidelines for an issuer’s inclusion in the Indices are widely known and easily accessible on Russell’s public website.¹ Among other things, Russell requires an issuer’s free float be at least 5% of its shares outstanding.

29. On March 22, 2018, Longfin issued a press release entitled, “Longfin Corp. Joins Russell 2000® Index and Russell 3000® Index.” 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.

¹ See e.g., FTSE Russell Recalculation Policy and Guidelines, http://www.ftse.com/products/downloads/FTSE_Index_Recalculation_Policy_and_Guidelines.pdf (last visited April 3, 2018).

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.”

[Emphasis added].

30. As a result of this news, the price of the Company stock increased from \$57.47 per share on March 21, 2018, to close at \$64.50 per share on March 22, 2018, an increase of 12.23%.

31. Despite Longfin being the only entity with accurate and precise knowledge of the Company’s free float relative to its shares outstanding, and likewise aware of Russell’s requirements for the Company to be added to the Indices, Longfin made no attempt to correct its wrongful inclusion. Instead, the Company brashly leveraged the mistake to tout an unsubstantiated confidence that stockholders had in the Company. In doing so, the Defendants caused an inflated demand and price for the Company’s common stock.

32. On March 23, 2018, an article was published on *SeekingAlpha* entitled, “LongFin Popped Because It Was (Probably) Mistakenly Added To FTSE Russell Indices.” The article questioned (but could not verify) whether it was Russell or Longfin that had been misinformed about the Company’s free float not meeting the Indices’ inclusion requirements. The article stated, in relevant part:

Float size

For LongFin to meet the FTSE’s guidelines, its free float must be 5% of shares outstanding or in this case 3,827,049 shares. It’s not made clear if Galaxy Media, Abhishek Bachchan or Amitabh Bachchan are under any

sort of lock-up agreement. If we assume they all sold, the public float would be 1,490,989 shares.

The only way for the public float to be equal to or greater than 3,827,049 is if more shares were issued and not disclosed or someone sold while under lock-up. Note that LongFin discloses its shares outstanding on its investor FAQ and it remains at 76,540,989.

Additional evidence

Seeking Alpha user cuebert emailed LongFin IR about the size of the float and got this response:

From: <hang.su@dgjpl.com>
Date: Wed, Mar 21, 2018 at 9:51 PM
Subject: RE: LFIN info
To:
Cc: lfin@dgjpl.com

Dear Matt,

Thanks for inquiring. Longfin's public float is about 1.1 million. The number of Longfin's shares outstanding is 76,540,989. Longfin's next earning will be at the end of this month.

Best Regards,

Hang Su
Investor Relations
Dragon Gate Investment Partners
[150 E 58th Street 20th Floor](#)
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Tel: [+1 \(347\) 414-1321](tel:+1(347)414-1321) | Fax [+1 \(212\) 601-2791](tel:+1(212)601-2791)
hang.su@dgjpl.com | <http://www.dgjpl.com>

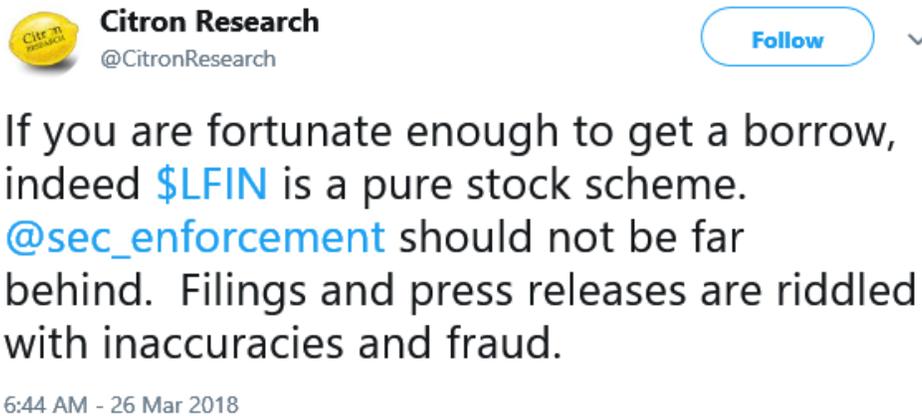
33. The email referenced in the *SeekingAlpha* article was dated March 21, 2018, and revealed a Company spokesperson stating, “Longfin’s public float is about 1.1 million. The number of Longfin’s shares outstanding is 76,540,989.” Notably, the email exposing that Longfin’s free float was less than 5% of shares outstanding was sent one day prior to the Company announcing its inclusion in the Indices.

34. Throughout the Class Period, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Longfin had material weaknesses in its operations and internal controls that hindered the Company’s profitability; (ii) Longfin did not meet the requirements for inclusion in the Russell indices; and (iii) as a result of the foregoing, the Defendants’ public statements were materially false and misleading at all relevant times.

35. As a result of the fraudulent conduct alleged herein, Plaintiff and other members of the Class purchased Longfin common stock at artificially inflated prices and suffered significant losses and damages once the truth emerged.

The Truth Begins to Emerge

36. On March 26, 2018, before the market opened, stock commentary website Citron Research (“Citron”) posted the following tweet on Twitter.com accusing Longfin of being a fraud:



37. Citron’s tweet from its Twitter account, with 76,000 followers including numerous media outlets, quickly spread through the financial markets. *CNBC*, for example, published the article entitled, “Shares of cryptocurrency play Longfin drop after short seller Citron calls it a ‘pure stock scheme.’” The article, published during the morning trading session, stated in relevant part:

Shares of Longfin, which have spiked astronomically on ties to blockchain technology, fell Monday after a tweet from noted short-selling firm Citron Research.

Longfin (Ticker: LFIN) shares closed 16.6 percent lower at \$59.28 a share. The tiny, little-known stock surged more than 1,200 percent over two trading days in mid-December after the financial technology company

said it is purchasing a firm focused on blockchain, the technology behind cryptocurrencies such as bitcoin.

“If you are fortunate enough to get a borrow, indeed \$LFIN is a pure stock scheme,” Andrew Left’s Citron Research said in a Monday morning tweet.

“@sec_enforcement should not be far behind. Filings and press releases are riddled with inaccuracies and fraud.”

38. At about the same time on March 26, 2018, *Bloomberg* published the article entitled, “Fintech-Turned-Crypto Firm Tumbles as Citron Alleges Fraud,” which stated, in relevant part:

Longfin Corp., a fintech company whose stock surged 2,600 percent after it touted ties to cryptocurrencies, has fallen victim to the naysayers.

Shares of the New York City-based company plummeted as much as 14 percent to \$61.50, the most intraday in more than a month, after short seller Citron Research alleged in a tweet that Longfin is a “pure stock scheme.”

“@sec_enforcement should not be far behind,” said Citron, which is run by Andrew Left, in the tweet Monday. “Filings and press releases are riddled with inaccuracies and fraud.”

39. As a result of these disclosures, the price of the Company’s stock declined from \$71.10 per share on March 23, 2018, to close at \$59.28 per share on March 26, 2018, the next trading day, a decline of 16.62%, damaging investors.

40. On March 26, 2018, after the market closed, Russell issued a statement entitled, “Longfin Corp (USA): Constituent Deletion Changes in Russell Global Index Series” that noted, 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 common 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 rank 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).

41. On March 27, 2018, during afternoon trading, *CNBC* published the article entitled, “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.*”

[Emphasis added].

42. Defendant Meenavalli's statement that Longfin was "reapplying" for inclusion in the Indices revealed that the Defendants were aware of Russell requirements and seemingly had *initially* applied for inclusion, despite not being qualified. Defendant Meenavalli's statement also attempted to minimize a negative price reaction by teasing an imminent annual report would show the Company was profitable.

43. As a result of these disclosures, the price of the Company stock declined from \$59.28 per share on March 26, 2018, to close at \$34.68 per share on March 28, 2018, a decline of 41.5%, damaging investors.

44. On March 30, 2018, the end date by which Defendant Meenavalli stated Longfin's annual report would be filed, no Longfin financial report on Form 10-K had been filed with the SEC. Further, as of the close of trading on April 2, 2018, the two days *after* Defendant Meenavalli stated the annual report would be filed, no Longfin financial report on Form 10-K had been filed with the SEC.

45. As a result of this misleading event, the price of the Company stock declined from \$17.26 per share on March 29, 2018 to close at \$14.31 per share on April 2, 2018, the next trading day, a decline of 17.1%, damaging investors.

POST-CLASS PERIOD EVENTS

46. On April 2, 2018, after the close of trading, Longfin filed its annual report for 2017 on Form 10-K with the SEC ("2017 Annual Report"). The 2017 Annual Report 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.

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[e] 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.

* * *

Results of Operations

For the period from February 1, 2017 (inception) through December 31, 2017

The following table presents our results of operations and as a percentage of our total revenues for the period from February 1, 2017 through December 31, 2017 (in thousands):

	For the period from February 1, 2017 (inception) through December 31, 2017
Revenue:	\$ 75,048
Operating expenses	100,686
Loss from operations	(25,638)
Other income, net	5
Loss before income taxes	(25,633)
Income tax expense	736
Net loss	\$ (26,369)

Revenue

Revenue during the period from February 1, 2017 through December 31, 2017 consists of the following (in thousands):

	For the period from February 1, 2017 (inception) through December 31, 2017
Sale of physical commodities	\$ 66,603
Technology revenue	8,413
Other revenue	32
	\$ 75,048

Revenue primarily consists of \$66.6 million related to the sale of physical commodities for sale to our customers. Technology revenue of \$8.4 million is comprised of fees paid by third parties for using our proprietary risk management and trading infrastructure technology. Other revenue consists of incentive income received from exchanges that is recognized when earned.

Operating Expenses

Operating expenses during the period from February 1, 2017 through December 31, 2017 consists of the following (in thousands):

	For the period from February 1, 2017 (inception) through December 31, 2017
Cost of physical commodities revenues	\$ 65,062
Cost of trading revenue	3,840
Stock-based compensation	25,986
Employee compensation and payroll taxes	409
Operations and administrative	786
Depreciation and amortization	1,308
Amortization of acquired intangible assets	3,295
Total operating expenses	<u>\$ 100,686</u>

Operating expenses primarily consists of \$65.1 million of expenses directly related to our sale of physical commodities, \$26 million of non-cash stock-based compensation expense due to Class A common shares issued to our Chief Executive Officer and former Chief Financial officer, \$3.8 million of costs related to our technology revenue, \$3.3 million of amortization expense related to the intangible assets acquired with the Longfin Tradex acquisition, \$1.3 million of depreciation and amortization related to the Company's computer equipment, \$0.8 million of other operations and administrative expenses including legal and professional fees and \$0.4 million of employee compensation and payroll taxes.

* * *

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.

* * *

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.

47. The 2017 Annual Report revealed that the Company, among other things: (i) had material weakness in its internal control over financial reporting; (ii) was not profitable and was not projected to be profitable; and (iii) was the subject of an SEC investigation concerning its IPO and the acquisition of Ziddu.com.

ADDITIONAL SCIENTER ALLEGATIONS

48. As alleged herein, Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

49. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Longfin, their control over, and/or receipt and/or modification of Longfin's allegedly materially misleading statements and/or their associations

with the Company which made them privy to confidential proprietary information concerning Longfin, participated in the fraudulent scheme alleged herein.

LOSS CAUSATION AND ECONOMIC LOSS

50. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the Company's stock price, and operated as a fraud or deceit on acquirers of the Company's common stock. As detailed above, when the truth about Longfin's misconduct was revealed, the value of the Company's common stock declined precipitously as the prior artificial inflation no longer propped up its stock price. The decline in Longfin's common stock price was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of the common stock price decline negates any inference that the loss suffered by Plaintiff and other members of the Class was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiff and other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the Company's stock price and the subsequent significant decline in the value of the Company's common stock price when Defendants' prior misrepresentations and other fraudulent conduct was revealed.

51. At all relevant times, Defendants' materially false and misleading statements or omissions alleged herein directly or proximately caused the damages suffered by Plaintiff and other Class members. Those statements were materially false and misleading through their failure to disclose a true and accurate picture of Longfin's business, operations, and financial condition, as alleged herein. Throughout the Class Period, Defendants publicly issued materially

false and misleading statements and omitted material facts necessary to make Defendants' statements not false or misleading, causing Longfin's common stock to be artificially inflated. Plaintiff and other Class members purchased Longfin's common stock at those artificially inflated prices, causing them to suffer the damages complained of herein.

PRESUMPTION OF RELIANCE; FRAUD-ON-THE-MARKET

52. At all relevant times, the market for Longfin common stock was an efficient market for the following reasons, among others:

- (a) Longfin's common stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient market;
- (b) during the Class Period, Longfin's common stock was actively traded, demonstrating a strong presumption of an efficient market;
- (c) as a regulated issuer, Longfin filed with the SEC public reports during the Class Period;
- (d) Longfin regularly communicated with public investors via established market communication mechanisms;
- (e) Longfin was followed by securities analysts who wrote reports about the Company during the Class Period. Each of these reports was publicly available and entered the public marketplace; and
- (f) unexpected material news about Longfin was rapidly reflected in and incorporated into the Company's stock price during the Class Period.

53. As a result of the foregoing, the market for Longfin common stock promptly digested current information regarding Longfin from all publicly available sources and reflected such information in Longfin's stock price. Under these circumstances, all purchasers of Longfin

common stock during the Class Period suffered similar injury through their purchase of Longfin common stock at artificially inflated prices, and a presumption of reliance applies.

54. Alternatively, reliance need not be proven in this action because the action involves omissions and deficient disclosures. Positive proof of reliance is not a prerequisite to recovery pursuant to the ruling of the United States Supreme Court in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered the omitted information important in deciding whether to buy or sell the subject security. Here, the facts withheld are material because an investor would have considered the Company's financials and adequacy of internal controls over financial reporting when deciding whether to purchase and/or sell stock in Longfin.

**NO SAFE HARBOR; INAPPLICABILITY OF
BESPEAKS CAUTION DOCTRINE**

55. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the material misrepresentations and omissions alleged in this Complaint.

56. To the extent certain of the statements alleged to be misleading or inaccurate may be characterized as forward-looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

57. Defendants are also liable for any false or misleading "forward-looking statements" pleaded because, at the time each "forward-looking statement" was made, the speaker knew the "forward-looking statement" was false or misleading and the "forward-looking

statement” was authorized and/or approved by an executive officer of Longfin who knew that the “forward-looking statement” was false. Alternatively, none of the historic or present-tense statements made by the Defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by the defendants expressly related to or stated to be dependent on those historic or present-tense statements when made.

CLASS ACTION ALLEGATIONS

58. Plaintiff brings this action on behalf of all individuals and entities who purchased or otherwise acquired Longfin common stock on the public market during the Class Period, and were damaged, excluding the Company, the Defendants and each of their immediate family members, legal representatives, heirs, successors or assigns, and any entity in which any of the Defendants have or had a controlling interest (the “Class”).

59. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Longfin common stock was actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Longfin or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions. Upon information and belief, the common stock is held by thousands

of individuals located geographically throughout the country and possibly the world. Joinder would be highly impracticable.

60. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by the Defendants' respective wrongful conduct in violation of the federal laws complained of herein.

61. Plaintiff has and will continue to fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

62. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether the federal securities laws were violated by the Defendants' respective acts as alleged herein;
- (b) whether the Defendants acted knowingly or with deliberate recklessness in issuing false and misleading financial statements;
- (c) whether the price of Longfin's common stock during the Class Period was artificially inflated because of the Defendants' conduct complained of herein; and
- (d) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

63. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and

burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

COUNT I

Violation of Section 10(b) and Rule 10b-5 Against All Defendants

64. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

65. During the Class Period, Defendants carried out a plan, scheme, and course of conduct which was intended to and, throughout the Class Period, did: (a) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (b) cause Plaintiff and other members of the Class to purchase Longfin's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan, and course of conduct, each of the Defendants took the actions set forth herein.

66. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for Longfin common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

67. Defendants, individually and in concert, directly and indirectly, by the use, means, or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a

continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Longfin as specified herein.

68. These Defendants employed devices, schemes, and artifices to defraud while in possession of material adverse non-public information, and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Longfin's value and performance and continued substantial growth, which included the making of, or participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Longfin and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business that operated as a fraud and deceit upon the purchasers of Longfin common stock during the Class Period.

69. Defendant Meenavalli's primary liability, and controlling person liability, arises from the following facts: (a) Defendant Meenavalli was a high-level executive and director at the Company during the Class Period; (b) Defendant Meenavalli, by virtue of his responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's financial condition; (c) Defendant Meenavalli enjoyed significant personal contact and familiarity with the other high-level executives and directors at the Company and was advised of and had access to other members of the Company's management team, internal reports, and other data and information about the Company's finances, operations, and sales at all relevant times; and (d) Defendant Meenavalli was aware of the Company's dissemination of information to the investing public which he knew or recklessly disregarded was materially false and misleading.

70. 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 Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Longfin's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by Defendants' overstatements and misstatements of the Company's financial condition throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

71. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Longfin's common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of Longfin's publicly traded common stock was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the common stock, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired Longfin's common stock during the Class Period at artificially high prices and were or will be damaged thereby.

72. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity and believed them to be true. Had Plaintiff and the

other members of the Class and the marketplace known the truth regarding Longfin's financial results, which was not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Longfin's common stock, or, if they had acquired such common stock during the Class Period, they would not have done so at the artificially inflated prices that they paid.

73. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

74. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

75. This action was filed within two years of discovery of the fraud and within five years of Plaintiff's purchases of common stock giving rise to the cause of action.

COUNT II

The Individual Defendant Violated Section 20(a) of the Exchange Act

76. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

77. Defendant Meenavalli acted as a controlling person of Longfin within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of his high-level position, agency, ownership, and contractual rights, and participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Defendant Meenavalli had the power to influence and control, and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements that Plaintiff contends are false and misleading. Defendant Meenavalli was provided with or had

unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to have been misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or to cause the statements to be corrected.

78. In particular, Defendant Meenavalli had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

79. As set forth above, Longfin and Defendant Meenavalli each violated Section 10(b), and Rule 10b-5 promulgated thereunder, by their acts and omissions as alleged in this Complaint.

80. By virtue of his position as a controlling person, Defendant Meenavalli is liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

81. This action was filed within two years of discovery of the fraud and within five years of Plaintiff's purchases of common stock giving rise to the cause of action.

PRAYER FOR RELIEF

82. WHEREFORE, Plaintiff prays for relief and judgment as follows:

- A. determining that this action is a proper class action, certifying Plaintiff as class representative under Federal Rule of Civil Procedure 23 and Plaintiff's counsel as class counsel;

- B. awarding compensatory damages in favor of Plaintiff and the other members of the Class against all Defendants, jointly and severally, for all damages sustained as a result of the Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;
- D. granting extraordinary equitable and/or injunctive relief as permitted by law; and
- E. such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

83. Plaintiff hereby demands a jury trial.

Dated: April 3, 2018

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