

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

LONGFIN CORP., et al.

Case No.: 18-cv-2977-DLC

**Notice of Motion and Motion for an
Order Directing a Second
Distribution**

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that, upon the accompanying Motion, Memorandum, Declaration, and Proposed Order, and all other related papers and proceedings, Plaintiff, the Securities and Exchange Commission (the “SEC”) will move this Court, at a date and time to be determined by the Court, for an Order Directing a Second Distribution so that the Court-appointed Distribution Agent can distribute amounts remaining in the Longfin Fair Fund to investors eligible for a distribution under the Court-approved plan.

MOTION

In accordance with the plan of distribution approved by this Court on June 30, 2020 (ECF No. 134, the “Plan”), Plaintiff, the SEC, respectfully submits this Motion for an Order: (1) directing the SEC, in accordance with directions to be provided by the Distribution Agent, to transfer \$183,605.29 to the escrow account established by the Distribution Agent at The Huntington National Bank, N.A., to be combined with the funds already in that escrow account; and (2) directing the Distribution Agent to distribute \$278,342.57 to investors eligible for a distribution, in accordance with the Plan.

The grounds for this Motion are set forth in the accompanying Memorandum and Declaration of the Distribution Agent.

WHEREFORE, the SEC respectfully requests that the Court enter an Order substantially in the form submitted with this Motion.

Dated: November 20, 2023

Respectfully submitted,

s/Catherine E. Pappas
Catherine E. Pappas
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*Attorney for Plaintiff Securities and
Exchange Commission*

CERTIFICATE OF SERVICE

I hereby certify that, on November 20, 2023, the foregoing Notice of Motion for an Order Directing a Second Disbursement and accompanying papers was served upon the parties to this matter through the CM/ECF system.

In addition, I will send the foregoing filing by:

- first-class mail to (i) Legalinc Corporate Services, Inc., 2035 Sunset Lake Road, Suite B-2, Newark, DE 19702 (Longfin's registered agent); and (ii) McManimon, Scotland & Baumann, LLC, 75 Livingston Avenue, Suite 201, Roseland, NJ 07068, Attn: Michele M. Dudas (Longfin's Assignee for the Benefit of Creditors in Monmouth County, New Jersey); and
- email transmission to Venkata S. Meenavalli at chairman@longfincorp.com and venkat@stampedecap.com.

s/Catherine E. Pappas
Catherine E. Pappas

**UNITED STATES DISTRICT COURT
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**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

LONGFIN CORP., et al.

Case No.: 18-cv-2977-DLC

(Proposed) Order Directing Second Distribution

The Court having reviewed the Securities and Exchange Commission's (the "SEC") Motion for an Order Directing Second Distribution, the accompanying Memorandum in Support, the Declaration of Jessie Mahn, Project Manager for the Distribution Agent, Epiq Class Action and Claims Solutions, Inc. (the "Distribution Agent"), and any related filings;

AND the Distribution Agent having provided to the SEC a Payee List and Reasonable Assurances Letter in accordance with the plan of distribution approved by this Court (the "Plan");

AND having considered all arguments presented and for good cause shown;

IT IS HEREBY ORDERED that:

1. In accordance with directions to be provided to the SEC staff by the Distribution Agent, the SEC shall transfer \$183,605.29 to the escrow account established by the Distribution Agent at The Huntington National Bank, N.A.; and

2. The Distribution Agent shall distribute \$278,342.57 to investors eligible for a distribution in accordance with the Plan.

Dated: _____, 2023

Denise L. Cote
U.S. District Judge

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**LONGFIN CORP.,
VENKATA S. MEENAVALLI,
ANDY ALTAHAWI,
SURESH TAMMINEEDI, and
DORABABU PENUMARTHI**

Case No.: 18-cv-2977-DLC

**Memorandum in Support of Entry of
an Order Directing a Second
Distribution**

I. Introduction

In accordance with ¶¶ 57 and 74 of the Court-approved distribution plan¹ (the “Plan”), the Plaintiff, the Securities and Exchange Commission (the “SEC”), respectfully submits this memorandum in support of its Motion for an Order: (1) directing the SEC to transfer \$183,605.29 to the Escrow Account² established by the Distribution Agent at The Huntington National Bank, N.A. (the “Bank”) pursuant to directions to be provided to the SEC by the Distribution Agent, to be combined with the funds remaining in the Escrow Account; and (2) directing the Distribution Agent to distribute \$278,342.57 to investors eligible for a distribution, in accordance with the Plan.

¹ ECF No. 134.

² Capitalized terms not defined herein are used as defined in the distribution plan approved by this Court, available at <https://www.sec.gov/divisions/enforce/claims/docs/longfin-proposed-distribution-plan.pdf>. See ECF No. 134.

II. Background

A. *The Captioned Action and the Plan*

By action instituted on April 4, 2018, unsealed on April 6, 2018, the SEC charged Longfin Corp. (“Longfin”), Venkata S. Meenavalli (“Meenavalli”), Amro Izzelden Altahwi, Suresh Tammineedi, and Dorababu Penumarthi with distributing over \$26 million in Longfin securities in violation of Section 5 of the Securities Act of 1933, 15 U.S.C. § 77(e). ECF Nos. 1-6. The Court entered final judgments against all the defendants, ordering them, in the aggregate, to pay disgorgement of \$22,862,377.23 and civil penalties of \$3,582,941.97, for a total monetary liability of \$26,445,319.20. *See* ECF Nos. 100-102, 117-18. Of this amount, the defendants paid, approximately, \$26.1 million, held in an interest-bearing account at the U.S. Department of Treasury’s Bureau of the Fiscal Service (“BFS”).

On April 15, 2020, the Court established a Fair Fund so that the collected civil penalties could be distributed to harmed investors (the “Longfin Fair Fund”); appointed Miller Kaplan Arase LLP as the tax administrator for the Longfin Fair Fund; and appointed Epiq Class Action & Claims Solutions, Inc. (“Epiq”) as distribution agent to oversee the administration of the Longfin Fair Fund pursuant to the terms of a court-approved distribution plan and related Court Orders. ECF No. 125.

By Order entered June 30, 2020, upon application by the SEC, and after completion of procedures set forth in an Order to Show Cause,³ the Court approved the Plan.⁴

³ ECF Nos. 129, 133.

⁴ ECF No. 134.

B. *The Related Civil Action*

On June 5, 2019, the SEC filed a related action, alleging, among other things, that defendants Longfin and Meenavalli engaged in a scheme to obtain a NASDAQ listing through a fraudulent public offering under Regulation A+ of the JOBS Act. *SEC v. Longfin Corp., et al.*, 19-cv-5296-DLC (S.D.N.Y.) (the “Related Action”). The Related Action was resolved by final judgments ordering, in relevant part, Longfin and Meenavalli, to pay combined disgorgement and prejudgment interest of \$3,532,235 and \$168,000, respectively; and civil penalties of \$3,243,613 and \$232,000, respectively.⁵ Upon application of the SEC,⁶ and upon the completion of procedures set forth in an Order to Show Cause,⁷ this Court established a Fair Fund for collections in the Related Action and ordered the Related Action Fair Fund combined with the Longfin Fair Fund for distribution in accordance with the Plan.⁸

C. *The Related Administrative Action*

On June 8, 2022, the SEC instituted settled administrative and cease-and-desist proceedings against CohnReznick LLP (the “Administrative Action”).⁹ Relevant to this Civil Action, the SEC found that deficiencies in CohnReznick’s system of quality controls led to auditing failures in CohnReznick’s 2017 annual audit of Longfin. The SEC ordered the respondent to pay a civil money penalty of \$1.9 million, established a Fair Fund, and directed the combination of the Fair Fund with the Longfin Fair Fund for distribution to harmed investors in accordance with the Plan.

⁵ Related Action, ECF Nos. 36, 46.

⁶ Related Action, ECF No. 53.

⁷ Related Action, ECF Nos. 55-56.

⁸ Related Action, ECF No. 57.

⁹ *In the Matter of CohnReznick LLP*, Admin. Proc. File No. 3-20891 (June 8, 2022).

D. The First Distribution

At the end of June 2022, the Longfin Fair Fund held \$28,437,966.57, comprised of the collections in the captioned action, the Related Action, the Administrative Action, and accrued interest. *See* ECF No. 150-2, ¶13. By Order entered August 25, 2022, this Court directed the SEC to transfer \$28,214,850.79 to the escrow account established by the Distribution Agent, and the Distribution Agent to distribute those funds to Eligible Claimants in accordance with the Plan. ECF No. 151.

Beginning on September 30, 2022, Epiq disbursed \$28,214,850.79 to 1,335 Eligible Claimants by check or wire (the “First Distribution”). Declaration of Jessie Mahn, Project Manager for the Distribution Agent, Epiq Class Action and Claims Solutions, Inc. (“Declaration”) at ¶ 5.¹⁰ Under the First Distribution, Eligible Claimants were compensated for approximately 35.52% of their Eligible Loss Amounts. *Id.*

Epiq monitored the status of all payments issued to maximize the number of checks cashed and payments received. *Id.* at ¶ 6. Among other things, with respect to Eligible Claimants who did not cash their checks, Epiq called Eligible Claimants for whom it could find a telephone number, or e-mailed Eligible Claimants for whom it had an e-mail address, encouraging check negotiation and offering reissues. *Id.* Epiq further researched new addresses for Eligible Claimants whose packages were returned as undeliverable. *Id.* Checks and wires valued at approximately \$32,000 were cashed and/or received after Epiq began these outreach efforts. *Id.*

¹⁰ The Declaration is being filed separately simultaneously with this Memorandum.

Ultimately, of the \$28,214,850.79 disbursed to 1,335 Eligible Claimants in the First Distribution, Epiq successfully distributed \$28,187,957.17, or 99.9% of the total amount disbursed, to 1,312 Eligible Claimants, 98.3% of the intended recipients. *Id.* at ¶ 7.

III. The Second Distribution and the Requested Relief

As of September 30, 2023, the Fair Fund held \$313,345.17, comprised of the Reserve, returned tax payments, and funds which, despite the outreach efforts of the Distribution Agent, could not be distributed. *Id.* at ¶ 8. The Fair Fund is held in two accounts: \$94,737.28 of the Fair Fund resides in the Escrow Account; the remainder is held in an interest-bearing account at the U.S. Treasury. *Id.* at ¶ 9.

Epiq, in consultation with the SEC staff and in accordance with ¶ 74 of the Plan, has determined it feasible to conduct a second distribution to (a) Eligible Claimants, if any, who filed claims with the Distribution Agent after the Claims Bar Date or who were late in curing a denied claim in accordance with the Plan; and on a *pro rata* basis to all Eligible Claimants that negotiated the checks issued in the immediately preceding distribution or that received electronic payments, up to their Eligible Loss Amount and subject to the De Minimis Amount. *Id.* at ¶ 8.

After offsetting a reserve of \$35,000 for Administrative Costs, the Net Available Fair Fund totals \$278,345.17. *Id.* at ¶ 10. After applying the \$10 *De Minimis* Amount, Epiq has determined 528 claims eligible to receive a Distribution Payment in this second distribution under the Plan: 5 late claims, 1 previously denied claim that has been cured, and 522 claims eligible to receive second Distribution Payment. *Id.* at ¶ 11.

In accordance with ¶¶ 56 and 74 of the Plan, Epiq has provided to SEC staff the Payee List, and a Reasonable Assurances Letter stating that the Payee List (a) was compiled in accordance with the Plan; (b) is accurate as to all information on the list, including Eligible

Claimants' names, address, and Eligible Loss Amount; and (c) provides all information necessary to make a payment equal to the amount of the applicable Distribution Payment for such Eligible Claimant. *Id.* at ¶ 12.

No tax withholding is required; Eligible Claimants will receive an aggregate payment of \$278,342.57. *Id.* at ¶ 13. After the second distribution, Eligible Claimants will have been compensated for approximately 36.26% of their Eligible Loss Amounts. *Id.* To execute the second distribution, the SEC must transfer \$183,605.29 to the Escrow Account, for combination with the existing funds in the Escrow Account. *Id.* at ¶ 14.

Epiq will use its best efforts to commence mailing Distribution Payment checks or effect wire transfers within fifteen (15) business days of the transfer of the funds to the Bank. *Id.* at ¶ 15. All funds shall remain in the Escrow Account, separate from Bank assets, until needed to satisfy a presented check or issue a wire. All checks presented for payment will be subject to "positive pay with payee verification" controls before being honored by the Bank. *Id.* at ¶¶ 15-16. In accordance with ¶¶ 67-72 of the Plan, Epiq will again endeavor to maximize the number of checks cashed and payments received. Epiq will reissue and/or re-mail checks to the updated addresses and will perform outreach on uncashed checks or returned wires. *Id.* at ¶ 17.

Upon completion of the distribution and any subsequent distribution(s), the SEC will move the Court for an Order, *inter alia*, approving a final accounting, discharging the Distribution Agent, and Terminating the Fair Fund.

IV. Conclusion

For all the foregoing reasons, the SEC respectfully requests that the Court issue an Order substantially in the form accompanying the Motion and grant such other relief as the Court deems appropriate.

Dated: November 20, 2023

Respectfully submitted,

s/Catherine E. Pappas
Catherine E. Pappas
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UNITED STATES DISTRICT COURT
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Case No.: 18-cv-2977-DLC

Declaration of Jessie Mahn, Project
Manager for the Distribution Agent,
Epiq Class Action and Claims
Solutions, Inc.

I, Jessie Mahn, pursuant to 28 U.S.C. § 1746, declare under penalty of perjury as follows:

1. I am a Project Manager for Epiq Class Action & Claims Solutions, Inc., the Court-appointed Distribution Agent for the Longfin Fair Fund (“Epiq” or “Distribution Agent”). I submit this Declaration in support of the Securities and Exchange Commission's (the "SEC") Motion for an Order Directing a Second Distribution.

2. The following statements are based on my personal knowledge and information provided to me by other experienced Epiq employees working under my supervision. If called to testify regarding the facts in this declaration, I could do so competently.

THE FIRST DISTRIBUTION

3. By Order entered August 25, 2022, the Court directed the SEC to transfer \$28,214,850.79 to the escrow account established by Epiq at The Huntington National Bank (the “Escrow Account”). ECF No. 151.

4. The Court further directed Epiq to distribute those funds to Eligible Claimants¹ in accordance with the Court-approved distribution plan (the “Plan”). *Id.*

5. Beginning on September 30, 2022, Epiq disbursed \$28,214,850.79 to 1,335 Eligible Claimants by check or wire (the “First Distribution”). Under the First Distribution, Eligible Claimants were compensated for approximately 35.52% of their Eligible Loss Amounts, which aggregated to \$79,443,541.06.

6. Epiq monitored the status of all payments issued in order to maximize the number of checks cashed and payments received. Among other things, with respect to Eligible Claimants who did not cash their checks, Epiq called Eligible Claimants for whom it could find a telephone number, or e-mailed Eligible Claimants for whom it had an e-mail address, encouraging check negotiation and offering reissues. Epiq further researched new addresses for Eligible Claimants whose packages were returned as undeliverable. Checks and wires valued at approximately \$32,000 were cashed and/or received after Epiq began these outreach efforts.

7. Ultimately, of the \$28,214,850.79 disbursed to 1,335 Eligible Claimants in the First Distribution, Epiq successfully distributed \$28,187,957.17, or 99.9% of the total amount disbursed, to 1,312 Eligible Claimants, or 98.3% of the intended recipients.

THE SECOND DISTRIBUTION

8. As of September 30, 2023, the Fair Fund holds \$313,345.17, comprised of the Reserve, returned tax payments, and funds which, despite the outreach efforts of the Distribution Agent, could not be distributed. Epiq, in consultation with the SEC staff and in accordance with ¶ 74 of the Plan, has determined it feasible to conduct a second distribution to (a) Eligible Claimants, if any, who filed claims with the Distribution Agent after the Claims Bar Date or who were late in

¹ Capitalized terms not defined in this declaration are used as defined in the Plan.

curing a denied claim in accordance with the Plan; and on a *pro rata* basis to all Eligible Claimants that negotiated the checks issued in the immediately preceding distribution or that received electronic payments, up to their Eligible Loss Amount and subject to the De Minimis Amount.

9. As of September 30, 2023, \$94,737.28 of the Fair Fund resides in the Escrow Account; the remainder is held in an interest-bearing account at the U.S. Treasury.

10. As of September 30, 2023, the Net Available Fair Fund totals \$278,345.17, after offsetting a reserve of \$35,000 for Administrative Costs.

11. After applying the \$10 De Minimis Amount, Epiq has determined 528 claims eligible to receive a Distribution Payment in this second distribution under the Plan: five late claims, one previously denied claim that has been cured, and 522 claims eligible to receive a second Distribution Payment.

12. In accordance with ¶¶56 and 74 of the Plan, Epiq has provided to SEC staff the Payee List, and a Reasonable Assurances Letter stating that the Payee List of 528 Eligible Claimants (a) was compiled in accordance with the Plan; (b) is accurate as to all information in the list, including Eligible Claimants' names, address, and Eligible Loss Amount; and (c) provides all information necessary to make a payment equal to the amount of the applicable Distribution Payment for such Eligible Claimant.

13. The Tax Administrator has reviewed the Payee List and determined that no claims require withholdings for taxes. After calculations in accordance with the Plan, Eligible Claimants will receive an aggregate payment of \$278,342.57. After the second distribution, Eligible Claimants eligible for a second distribution will have been compensated for 36.26% of their Eligible Loss Amounts.

14. In order to execute the second distribution, the SEC must transfer \$183,605.29 to the Escrow Account, for combination with the existing funds in the Escrow Account.

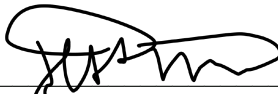
15. Epiq will use its best efforts to commence mailing Distribution Payment checks or effect wire transfers within fifteen (15) business days of the transfer of the funds to the Bank.

16. All funds shall remain in the Escrow Account, separate from Bank assets, until needed to satisfy a presented check or issue a wire. All checks presented for payment will be subject to “positive pay with payee verification” controls before being honored by the Bank.

17. In accordance with ¶¶ 67-72 of the Plan, Epiq will again endeavor to maximize the number of checks cashed and payments received. Epiq will reissue and/or re-mail checks to the updated addresses and will perform outreach on uncashed checks or returned wires.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on November 17, 2023



Jessie Mahn