SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

EROS INTERNATIONAL PLC, Plaintiff, - against - MANGROVE PARTNERS, NATHANIEL H. AUGUST, MANUEL P. ASENSIO, ASENSIO & COMPANY, INC., MILL ROCK ADVISORS, INC., GEOINVESTING, LLC, CHRISTOPHER IRONS, DANIEL E. DAVID, FG ALPHA MANAGEMENT, LLC, FG ALPHA ADVISORS, FG ALPHA, L.P., CLARITYSPRING INC., CLARITYSPRING SECURITIES LLC, NATHAN Z. ANDERSON AND JOHN DOES NOS. 1-30, Defendants.	Index No. 653096/2017 **COMPLAINT** **JURY TRIAL DEMANDED**

TABLE OF CONTENTS

Plaintiff Eros International Plc ("Eros" or the "Company"), by and through its attorneys Kasowitz Benson Torres LLP, brings this action against Mangrove Partners ("Mangrove"), Nathaniel H. August ("August"), Manuel P. Asensio ("Asensio"), Asensio & Company, Inc. ("Asensio & Company"), Mill Rock Advisors, Inc. ("Mill Rock") (together with Asensio and Asensio & Company, the "Asensio Defendants"), GeoInvesting, LLC ("GeoInvesting"), Christopher Irons ("Irons"), Daniel E. David ("David"), FG Alpha Management, LLC, FG Alpha Advisors, LLC, and FG Alpha, L.P. (collectively, "FG Alpha," and together with GeoInvesting, Irons and David, the "GeoInvesting Defendants"), ClaritySpring Inc. ("ClaritySpring"), ClaritySpring Securities LLC ("ClaritySpring Securities"), Nathan Z. Anderson ("Anderson") (together with ClaritySpring and ClaritySpring Securities, the "Clarity Spring Defendants") and John Does Nos. 1-30 (the "John Doe Defendants") (collectively, "Defendants").

Except as to allegations specifically pertaining to Eros, all of the other allegations herein are on information and belief, and are based on the investigation conducted by or at the direction of Eros' legal counsel. Counsel's investigation into the allegations herein is continuing, and many of the relevant facts are known only by Defendants or are exclusively within their custody and control. Eros believes that substantial additional evidentiary support will exist for the allegations herein after a reasonable opportunity to conduct discovery.

INTRODUCTION

1. This case arises from a relentless market manipulation scheme among a group of corrupt short-sellers who are trying to eviscerate Eros' reputation and business for their own financial gain. To decimate Eros' stock price and profit from their admitted short positions, Defendants – often shrouded in anonymous aliases – have trumpeted incriminating falsehoods about Eros, including that it made fraudulent misrepresentations in its public filings with the U.S. Securities and Exchange Commission ("SEC"), launders money through sham transactions and is

ensnared in a catastrophic liquidity crisis. Defendants' myriad lies have inflicted, and continue to inflict, substantial harm on Eros and its public shareholders.

2. Eros, a global entertainment company, has cemented itself as a preeminent co-producer and distributor of Bollywood films. In 2013, as a symbol of its success, Eros became the first Indian media company listed on the New York Stock Exchange ("NYSE"). To further grow its global footprint and establish prominence outside of India, Eros implemented modern, innovative strategies for distributing content to a wider audience, including by establishing its online streaming platform Eros Now. Underscoring the fruits of Eros' efforts, as of June 2017, Eros Now has secured over 68 million registered users and 2.9 million paying subscribers.

3. In Fall 2015, defendant Mangrove, a hedge fund with over $1.48 billion in assets under management, and its President, defendant August, assumed the anonymous persona "Alpha Exposure" to consummate the first stage of Defendants' multi-year conspiracy. Mangrove and August colluded with numerous accomplices in spearheading the scheme.

4. Among other ploys, Mangrove and its cabal of co-conspirators, in the span of a mere month, spread false accusations that Eros misstated its financials; engaged in secret related party transactions; and overstated the user count of Eros Now and the scope of Eros' film releases. These rumors, which reflected a deliberate attempt to misrepresent public information, were analyzed and invalidated by Eros' independent audit committee ("Audit Committee"), with the aid of global law firm Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), following a five-month forensic investigation ("Audit Committee Investigation").

5. Despite their plain and proven falsity, the attacks caused Eros' share price to decline by over 75% from mid-October to mid-November 2015, yielding an ample payday for

Mangrove and its accomplices. The attacks also bred baseless market skepticism about Eros, which Defendants exploited to carry out several subsequent waves of attacks.

6. Specifically, from June 2016 through August 2016, defendant Asensio launched a second wave of short attacks against Eros with a flurry of false and defamatory letters to Eros' auditor, financial regulators, Eros' Audit Committee and numerous others, which accused Eros of committing accounting and financial reporting fraud. Asensio also spotlighted the lies in these letters through self-styled "research reports" posted on his corporate website asensio.com and re-published on the investment website Seeking Alpha.

7. Tellingly, shortly before Asensio disseminated these lies, there was an abrupt and dramatic surge in the volume of "put" options purchased by short-sellers. In June 2016, short-sellers purchased 8,288 put options, allowing them to short over 820,000 shares of Eros stock, worth more than $11.43 million – an over 420% increase compared to a typical month. On June 2, 2016 alone, mere days before Asensio's first publications, short-sellers purchased a staggering 2,103 put options, worth more than $2.93 million.

8. Asensio did not operate as a lone wolf in executing the second wave of attacks against Eros. Chief among his cadre of co-conspirators was an anonymous short-seller named "Spotlight Research." Spotlight Research took a page from the short-sellers' playbook by packaging its lies into two seemingly neutral analyst reports, which were strategically timed to re-enforce and echo the falsehoods espoused by Asensio.

9. Further perpetuating the conspiracy was the person(s) behind the pseudonymous moniker "Orange Peel Investments," who also published a pair of "reports" about Eros in June and July 2016. Orange Peel Investments functioned as Asensio's and Spotlight Research's mouthpiece, re-broadcasting their disinformation and false innuendo.

10. Defendants, in a tactic they used repeatedly throughout their conspiracy, created an "echo chamber" for Asensio, Spotlight Research and Orange Peel Investment's lies using the social media site Twitter. Defendants exploited Twitter's ability to disperse attention-grabbing sound bites and buzzwords to a global Internet audience, and they created anonymous Twitter shell accounts to multiply and spread their false and misleading allegations even further.

11. Defendants' second wave of short attacks, which caused precipitous drops in Eros' stock price, emboldened them to initiate subsequent attacks beginning in March 2017 and continuing to the present. On March 8, 2017, the GeoInvesting Defendants commenced the third wave of attacks by rehashing many of the false accusations contained in the hit pieces that Mangrove and August published in November 2015 under the guise of "Alpha Exposure," including that Eros purportedly engaged in accounting fraud, self-dealing and overstating the user count of Eros Now. Over the three weeks following March 8, GeoInvesting spread an array of other falsehoods about Eros, including that Eros colluded with Bollywood money launderers.

12. GeoInvesting's baseless claims succeeded in driving down Eros' stock price. Eros' stock price fell by nearly 19.5% within the span of a mere 30 days, from the close of trading on March 7, 2017, one day before GeoInvesting's first short report, through the close of trading on April 6, 2017 as a direct result of Defendants' negative reports and tweets during that time period.

13. Once again, put options data lays bare Defendants' financial motives. Since March 2017, short-sellers, including Defendants, have bought an unusually high volume of put options on Eros' stock. For instance, short-sellers bought 3,175 put options on March 8, 2017 alone (reflecting 317,500 shares of Eros' stock valued at approximately $3.5 million) – the largest single-day purchase of put options on Eros stock in all of 2016 and the first half of 2017.

Short-sellers bought 14,179 put options on Eros' stock in March 2017 (reflecting 1,417,900 shares of Eros' stock valued at over $15.59 million) – nearly 800% more than in a month uncorrupted by stock distortion, and more than the sum of all Eros put options bought in the eight months prior.

14. Defendants attacked with renewed intensity in the days leading up to Eros' announcement of its fiscal year ("FY") 2017 and fourth quarter ("Q4") financial results on July 28, 2017. For example, GeoInvesting published two short reports on July 14 and 18, 2017, parroting prior false rumors.

15. Then, on the day Eros announced its financial results, Mangrove and August, as "Alpha Exposure," re-emerged with a torrent of 20 tweets, falsely alleging that Eros was a "complete fraud" and besieged by a catastrophic "liquidity crisis." Alpha Exposure and its co-conspirators' barrage of tweets caused Eros' shares to plunge by over 16% in two trading days.

16. The timing of Defendants' false and defamatory accusations underscore their efforts to attack at the most critical junctures. For instance, in addition to lobbing attacks in close proximity to announcements of the Company's financial results, Defendants tried to thwart current and prospective deals and deadlines that Eros had in the pipeline. Defendants' attacks also escalated when Eros' stock was recuperating, such as before Eros released its FY 2017 and FY 2016 annual results, as well as after rumors of a strategic investment that caused a 20% stock surge. In leveling their opportunistic attacks, Defendants intended to both sabotage Eros' business prospects and blunt the bullish impact of positive business developments, all with the specific goal of driving down Eros' stock price.

17. Defendants' short and distort scheme also coincided with a dramatic spike in the "short interest" in Eros' stock. The abnormally high amount of short interest in Eros' stock has

persisted during the entirety of Defendants' scheme, with short interest doubling in the last three months to nearly 13 million shares, its highest ever. For example, approximately 276,000 shares were shorted on August 8, 2017 alone – a staggering amount, considering that several independent prime brokers represented to the Company that virtually no shares were up for borrowing that day.

18. Defendants have inflicted, and continue to inflict, reputational and business harm on Eros. Eros has suffered damages in the form of (i) reputational damage per se, (ii) decreased credit worthiness, resulting in, among other things, the impairment of deals with potential lenders and an increased cost of capital, (iii) lost transactions, (iv) transactions completed on less desirable terms than would have been available but for Defendants' scheme, and (v) the sustained artificial depression of Eros' share price. Eros has also incurred substantial fees and expenses in responding to, counteracting and remediating the harm Defendants' conspiracy has caused, including the costs of this litigation. Eros estimates that Defendants' misconduct has caused hundreds of millions of dollars in damages, as alleged herein.

PARTIES

19. Plaintiff Eros International Plc is a leading international media company that co-produces, acquires and distributes Indian films through a variety of theatrical, television and digital forums. Eros is incorporated in the Isle of Man, with global headquarters in Mumbai and London and U.S. headquarters in Secaucus, New Jersey.

20. Defendant Mangrove Partners is a limited liability company incorporated in the Cayman Islands that has its principal place of business at 645 Madison Avenue, 14th Floor, New York, NY. Mangrove, a hedge fund headed by defendant August, is executing a long-running smear campaign against Eros on Seeking Alpha, Twitter and a public blog under the alias "Alpha Exposure," which admits that it owns a short position in Eros' stock.

21. Defendant Nathaniel H. August is an individual residing at 49 E. 86th St., Apt. 11A, New York, New York. August serves as Mangrove's President and Portfolio Manager and is the primary driver of Mangrove's coordinated attacks against Eros as Alpha Exposure.

22. Defendant Manuel P. Asensio is an individual residing at 400 East 54th St. Apt. 29B, New York, New York. Asensio, who had a short position in Eros' stock at the time of Defendants' short and distort scheme, is a notorious short-seller sanctioned by FINRA and found civilly liable for similar schemes in at least two instances. A self-proclaimed "pioneer" of activist short-selling, Asensio is the founder and owner of asensio.com, a corporate website on which he disseminates his short reports and other distortions of fact for his self-serving ends. Asensio is also the founder of Asensio & Company and the sole managing member of Mill Rock.

23. Defendant Asensio & Company is a short-biased investment firm incorporated in the State of New York, with its principal place of business at 747 Third Avenue, 25th Floor, New York, New York. Defendant Asensio serves as the founder, Chairman, President and Chief Executive Officer ("CEO") of Asensio & Company.

24. Defendant Mill Rock Advisors, Inc. is a purported investment management and advisory firm incorporated in the State of Delaware, with its principal place of business at 747 Third Avenue, 25th Floor, New York, New York, the same address as Asensio & Company. Defendant Asensio serves as the sole managing member of Mill Rock and is the only employee noted on Mill Rock's website.

25. Defendant GeoInvesting, LLC is a limited liability company incorporated in the State of Pennsylvania with its principal place of business at 4440 Township Line Road, Skippack, Pennsylvania.

26. Defendant Christopher Irons is an individual residing in Harleysville, Pennsylvania. Irons is the Senior Business Writer and Equity Analyst at GeoInvesting, and maintains a website and Twitter account under the pseudonym "Quoth the Raven."

27. Defendant Daniel E. David is an individual residing in Hatfield, Pennsylvania. David is the Co-Founder and Vice President of GeoInvesting. David also heads defendants FG Alpha Management, LLC, FG Alpha Advisors, LLC and FG Alpha, L.P. David maintains multiple Twitter accounts, one under the pen name "FG Alpha Management."

28. Defendant FG Alpha Management, LLC, a limited liability company incorporated in Florida, bills itself as a "short-biased activist fund" headed by defendant David. FG Alpha's website reflects that it is located at 4440 Township Line Road, Skippack, Pennsylvania, the same address as defendant GeoInvesting's principal place of business.

29. Defendant FG Alpha Advisors, LLC is a limited liability company incorporated in Florida. Defendant David is the Managing Member of FG Alpha Advisors, LLC. FG Alpha's website reflects that it is located at 4440 Township Line Road, Skippack, Pennsylvania, the same address as GeoInvesting's principal place of business.

30. Defendant FG Alpha, L.P. is a limited partnership incorporated in Delaware. GeoInvesting's website claims that defendant David serves as the Chief Investment Officer of FG Alpha, L.P. FG Alpha, L.P.'s website reflects that it is located at 4440 Township Line Road, Skippack, Pennsylvania, the same address as GeoInvesting's principal place of business.

31. Defendant ClaritySpring Inc. is a purported research firm incorporated in the State of Delaware, with its principal place of business at 545 Fifth Avenue, Suite 813, New York, New York. ClaritySpring, co-founded and headed by defendant Anderson, professes to provide its investor clients with "news, research and detailed due-diligence" on hedge funds.

32. Defendant ClaritySpring Securities LLC is a registered brokerage firm incorporated in the State of Delaware, with its principal place of business at 545 Fifth Avenue, Suite 813, New York, New York. ClaritySpring Securities is a wholly-owned subsidiary of defendant ClaritySpring and is headed by defendant Anderson.

33. Defendant Nathan Z. Anderson is an individual residing at 631 West 207th St., Apt. 11, New York, New York. Anderson serves as co-founder and CEO for defendant ClaritySpring, and as CEO and Chief Compliance Officer for ClaritySpring Securities. Anderson also operates ClaritySpring's Twitter account.

34. Defendant John Doe No. 1 refers to the individual or entity, whose identity is presently unknown to Eros, behind the pseudonym "Spotlight Research."

35. Defendant John Doe No. 2 refers to the individual or entity, whose identity is presently unknown to Eros, behind the pseudonym "Orange Peel Investments." Orange Peel Investments purports to be a "family office" (or "family fund") based in New York, New York.

36. Defendant John Doe No. 3 refers to refers to the individual or entity, whose identity is presently unknown to Eros, behind the pseudonym "Parke Shall," a purported employee in the retail and consumer goods division of Orange Peel Investments and an "anonymous contributor" for Orange Peel Investments' two Seeking Alpha articles on Eros.

37. Defendant John Doe No. 4 refers to the individual or entity, whose identity is presently unknown to Eros, behind the pseudonym "Thom Lachenmann," a purported employee in the technology division of Orange Peel Investments and an "anonymous contributor" for one of Orange Peel Investments' Seeking Alpha articles on Eros.

38. Defendant John Doe No. 5 refers to the individual or entity, whose identity is presently unknown to Eros, behind the pseudonym "Unemon."

39. Defendant John Doe No. 6 refers to the individual or entity, whose identity is presently unknown to Eros, behind the pseudonym "Hindenburg Research."

40. Defendants John Does Nos. 7-9 refer to Mangrove's or August's affiliate(s), or any related investment fund(s) owned in whole or in part by Mangrove or August, that Mangrove or August used between January 1, 2015 and the present to short Eros' stock, whose identities are presently unknown to Eros.

41. Defendants John Does Nos. 10-12 refer to the Asensio Defendants' affiliate(s), or any related investment fund(s) owned in whole or in part by the Asensio Defendants, that the Asensio Defendants used between January 1, 2016 and the present to short Eros' stock, whose identities are presently unknown to Eros.

42. Defendants John Does Nos. 13-15 refer to the GeoInvesting Defendants' affiliate(s), or any related investment fund(s) owned or in whole or in part by the GeoInvesting Defendants, that the GeoInvesting Defendants used between 2013 and the present to short Eros' stock, including but not limited to F.G. Alpha Management, LLC, FG Alpha Advisors, LLC and FG Alpha, L.P., whose identities are presently unknown to Eros.

43. Defendants John Does Nos. 16-18 refer to the ClaritySpring Defendants' affiliate(s), or any related investment fund(s) owned in whole or in part by the ClaritySpring Defendants, that the ClaritySpring Defendants used between January 1, 2017 and the present to short Eros' stock, whose identities are presently unknown to Eros.

44. Defendants John Does Nos. 19-30 refer to other individuals or entities, whose identities are presently unknown to Eros, who work with or at the direction of Defendants.

JURISDICTION AND VENUE

45. This Court has jurisdiction over Defendants pursuant to C.P.L.R. § 301. August, Asensio and Anderson reside in the State of New York, and Mangrove, Asensio & Company,

Mill Rock, ClaritySpring, ClaritySpring Securities and Orange Peel Investments (John Doe No. 2) have their principal places of business in the State of New York.

46. This Court has also jurisdiction over Defendants pursuant to C.P.L.R. § 302(a)(1) because Defendants transacted business in the State of New York, which the acts and occurrences that underlie this action arise from.

47. In addition, this Court has jurisdiction over Defendants pursuant to C.P.L.R. § 302(a)(2) because Defendants committed trade libel, tortious interference and other misconduct in the State of New York. For instance, Mangrove, August, Asensio, Spotlight Research (John Doe No. 1), Orange Peel Investments (John Doe No. 2), Parke Shall (John Doe No. 3), Thom Lachenmann (John Doe No. 4), Unemon (John Doe No. 5) and Hindenburg Research (John Doe No. 6) all published false and misleading reports about Eros on the investor website Seeking Alpha, which has its principal place of business in the State of New York. Jurisdiction over each defendant is also proper pursuant to C.P.L.R. § 302(a)(2) because the facts set forth herein establish a *prima facie* case of a conspiracy among Defendants; compel the conclusion that each defendant was a member of the conspiracy; and demonstrate that at least one – indeed, all – of the Defendant conspirators committed an overt act in the State of New York to further the conspiracy.

48. Moreover, this Court has jurisdiction over Defendants pursuant to C.P.L.R. § 302(a)(4), because Defendants own, use and/or possess real property in the State of New York.

49. Venue in New York County is proper pursuant to C.P.L.R. §§ 503(a), 503(c) and 509 because Mangrove, August, the Asensio Defendants and the ClaritySpring Defendants reside in New York County, and Eros designates New York County as the place for trial.

FACTUAL ALLEGATIONS

A. Blueprint Of A Short And Distort Scheme

50. This action arises from a classic "short and distort" scheme. In such a scheme, short-sellers borrow securities, sell them and then drive the price of their target company's stock down by spreading materially false, misleading, defamatory and disparaging disinformation about the company. Once the company's stock drops to an artificially low price, ideally zero, the short-sellers repurchase and return the borrowed securities, pocketing the difference.

51. A short-seller can also purchase a "put option" on a security, allowing him the option to sell a security in the future at a predetermined price. He can then manipulate this trading strategy by illegally spreading falsehoods about the company to devalue its stock price, allowing him to purchase the stock at the deflated price and resell the security at the predetermined higher price.

52. Typically, in executing a short and distort scheme, short-sellers: (i) disseminate materially false and misleading information to the market; (ii) orchestrate negative analyst reports and articles; (iii) commission, dictate or otherwise influence unwarranted, false and exaggerated negative reports from biased, corrupted or bogus stock analysts; and (iv) use such manufactured disinformation to engender investor suspicion and legal and regulatory scrutiny. This is precisely what Defendants have done and continue to do against Eros.

53. Former hedge fund manager and current high-profile stock market commentator Jim Cramer explained in detail how short-selling hedge funds, such as Defendants here, regularly "foment a [false] impression . . . as if there is something wrong" with a target company by spreading false rumors to the media and market participants in order to drive its stock down. According to Cramer, among these short-sellers, truth is the enemy: "What's important

when you're in that hedge fund mode, is to not do anything remotely truthful. Because the truth is so against your view . . . that it's important to create a new truth to develop a fiction." *Id.* at 6.

54. Short and distort schemes have targeted dozens, more likely hundreds, of publicly-traded companies, including Eros. The players behind these nefarious schemes – certain hedge funds, industry insiders, and purportedly legitimate, but actually corrupt, research outlets – have refined their skills in identifying the type of public companies whose securities have the volatility, trading volume and carrying cost to facilitate swift and severe fluctuations of trading price. Once a target company is identified, these hostile short-sellers begin spreading disinformation and false innuendo to a vast audience, using e-mail, social media, online posts and other electronic forums.

55. Targeted companies such as Eros suffer harm caused by these schemes, which directly and materially interfere with each company's ability to conduct business, implement strategic plans, secure necessary capital and maintain employee morale, productivity and recruiting. In addition, and equally severe, the schemes inflict financial harm on the targeted company's shareholders, and correspondingly enrich the perpetrators, who reap substantial profits from the share price declines.

56. To further their scheme, Defendants used Twitter, which has a number of features that make it the ideal platform for Defendants' disinformation. Twitter allows its users to post anonymously, and thus escape repercussions for false content. Twitter also allows its users to publish posts, called "tweets," that are public to any Internet user (not just those registered with Twitter). Other users can then republish those tweets, called "re-tweeting." Further, Twitter allows users to "like" a tweet; the total number of "likes" and identities of the users who "liked" a tweet are displayed at the bottom of each tweet. Users can thus take advantage of these

features, as Defendants have done, to create the appearance of more interest in a particular story than there actually is, thus constructing an echo chamber.

57. Twitter also allows users to tag their tweets with particular identifiers so that they can easily be located through public searches or automatically show up in specific feeds created by Twitter users. The dollar symbol is commonly used in posts that concern investments or are directed at the investment community, with the symbol placed in front of the stock or company discussed. Defendants here frequently tagged their posts with "$EROS," so that the public at large, and more importantly the investment community, could easily find their false posts about Eros, including through searches on Google and similar online services.

58. Defendants thus exploited Twitter to aggressively hype, echo, exaggerate and amplify their false, misleading allegations about Eros by reinforcing and spreading them, thus clouding the market with more false smoke and skepticism.

B. The Perpetrators Of The Instant Short And Distort Scheme And Their Target

59. As detailed herein, over a multi-year period, Defendants conspired to carry out a short and distort scheme against Eros. The below explains Defendants' roles in the scheme and provides an overview of Eros' business, which has continued to thrive despite Defendants' pervasive attacks.

1. The Perpetrators And Their Roles

60. The primary conspirators who hatched, coordinated and executed Defendants' short and distort scheme against Eros consist of Mangrove and August, posing as "Alpha Exposure"; the Asensio Defendants; the GeoInvesting Defendants; the ClaritySpring Defendants; and a cadre of anonymous confederates, chief among them Spotlight Research (John Doe No. 1), Orange Peel Investments (John Doe No. 2), Parke Shall (John Doe No. 3), Thom Lachenmann

(John Doe No. 4), Unemon (John Doe No. 5), Hindenburg Research (John Doe No. 6), and numerous individuals and/or entities who worked with or at the direction of Defendants, but whose identities are presently unknown to Eros (John Doe Nos. 19-30).

a) <u>Mangrove And August</u>

61. Hedge fund Mangrove – with over $1.48 billion under management as of March 29, 2017 – and its President Nathaniel H. August, hiding under cover of the pseudonym "Alpha Exposure," orchestrated a coordinated smear campaign against Eros that began in Fall 2015 and continues through the present.

62. As detailed herein, in three separate articles between October and November 2015, Mangrove leveraged its anonymity as "Alpha Exposure" to falsely accuse Eros of committing fraud in its financial reports and other public disclosures, including baseless allegations that Eros misstated its United Arab Emirates ("UAE") revenue, engaged in self-dealing through related party transactions and overstated Eros' film library and Eros Now's registered user counts.

63. As a result of corrupt short attacks by Mangrove as Alpha Exposure and its accomplices, Eros' stock price plummeted by over 75% within a mere month, from the close of trading on October 13, 2015 to the close of trading on November 13, 2015. As discussed in ¶¶ 106-119, none of Alpha Exposure's falsehoods ever materialized, and moreover, they were scrutinized and rejected over the course of a five-month forensic investigation by Eros' independent Audit Committee, aided by Skadden.

64. After their ruinous attacks in Fall 2015, Mangrove and August laid dormant for nearly two years before re-surfacing in mid-2017, attacking with renewed intensity when Eros released its FY 2017 annual and Q4 financial results and announced the closing of several landmark business deals.

65. Alpha Exposure consummated its attacks using an array of online platforms, including the social media site Twitter and Seeking Alpha, an online content provider of investment research headquartered in New York, New York with 3.5 million subscribers, 8 million unique viewers a month and a "crowd-sourced contributor network of over 10,000 analysts, buysiders and industry experts." Seeking Alpha admits that articles published on its website "frequently move stocks, due to a large and influential readership which includes money managers, business leaders, journalists and bloggers." Seeking Alpha is the forum of choice for short-sellers, whose reports on the website are often picked up by the mainstream media.[1]

66. Though Mangrove and August attempted to hide behind the mask of a pseudonymous identity, they unintentionally revealed their hand through their own careless acts. Public metadata for a Freedom of Information Act ("FOIA") request from Alpha Exposure to the SEC confirms that Mangrove and August are the true identities of Alpha Exposure.

67. Specifically, Alpha Exposure disclosed in a June 21, 2013 Seeking Alpha article that it submitted a FOIA request letter to the SEC concerning Uni-Pixel, Inc. ("Uni-Pixel"). Alpha Exposure's article hyperlinked to a partially redacted response letter from the SEC, which redacted its true identity, but did not redact the fact that the SEC received Alpha Exposure's request on June 10, 2013 and denied it in full.

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[1] Notably, Seeking Alpha was recently at the heart of an SEC enforcement action against 27 entities that engaged in fraudulent pump and dump schemes, whereby such entities lied about their identities and posted misinformation about a public company in order to profit from the resulting effect on the company's stock price. *See* Press Release, *Payments for Bullish Articles on Stocks Must Be Disclosed to Investors: 27 Firms and Individuals Charged With Fraudulent Promotion of Stocks*, Sec. & Exch. Comm'n (Apr. 10, 2017), *available at* https://www.sec.gov/news/press-release/2017-79. Defendants' short and distort scheme is substantially the same, except Defendants profited by moving the stock price down instead of up.

68. The SEC, in turn, keeps public FOIA "logs" that record metadata for the FOIA requests that it receives. FOIA logs are public and available on the SEC's website.[2] The metadata recorded by FOIA logs reflect information such as the requestor's name, the subject of the request (*e.g.*, company name), the date the SEC receives a request, the date it closes a request and its final disposition.

69. Here, the SEC's public FOIA records could not be clearer about the identity of "Alpha Exposure." The log dated FY 2013 reveals that the SEC received a FOIA request concerning Uni-Pixel on June 10, 2013, the same date that the SEC received Alpha Exposure's request, and that the request was made by someone named "August, Nathaniel" of "Mangrove Partners." The log further reveals that August's request was "[d]enied in full" and closed on June 21, 2013, which again conforms to the SEC letter that Alpha Exposure hyperlinked in its June 21, 2013 Seeking Alpha article.

70. Moreover, the same SEC log shows that the only FOIA request concerning Uni-Pixel ***in all of FY 2013*** was from "August, Nathaniel" of "Mangrove Partners." This irrefutable fact, coupled with Alpha Exposure's June 21, 2013 article, amount to conclusive proof that August and Mangrove are, in fact, "Alpha Exposure."

71. "Alpha Exposure" again leaked its identity through a slipshod admission in a November 19, 2015 post on its blog (https://alphaexposure.wordpress.com/). In that post, Alpha Exposure, after publicizing a FOIA letter it had sent the SEC demanding information on Eros, divulged that its "last" FOIA request to the SEC concerned Uni-Pixel – which, as the SEC's FOIA log reveals, was made by none other than August himself.

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2 *See* https://www.sec.gov/foia/docs/foia-logs.htm.

72. Further confirming Alpha Exposure's true identity, at least three employees of Mangrove, including August and his co-workers Lorrie Funtleyder and Cameron Ross, had attempted to disrupt Eros' presentation at a Wells Fargo investor conference in New York, New York on November 11, 2015. August and the other Mangrove investors caused such a scene that the conference hotel's security had to escort them out. For instance, August brusquely stood up and heckled Eros' chief financial officer ("CFO") in front of dozens of investors, shouting defamatory questions about Eros' film count. Not coincidentally, Mangrove's jeers echoed the false claims in Alpha Exposure's hit piece published on Seeking Alpha that same day. Also that day, Mangrove published multiple tweets as Alpha Exposure that defended Mangrove's disruptive tactics and cast it in a falsely positive light, such as carping that the "questioner" (*i.e.*, August) was "thrown out" for asking innocuous questions.

b) <u>The Asensio Defendants</u>

73. Asensio, the lead mouthpiece for Defendants' second wave of short attacks, purports to be an "investment professional," glorifying himself as a "pioneer" of "activist short-selling," an "arbitrageur" and a "seminal" catalyst for "major regulatory developments." In reality, Asensio, contrary to his self-praise, is a notorious short-seller with a proven track record of issuing negative short-biased reports designed to drive down the stock price of companies in which he has accumulated a short interest. Indeed, since 1998, Asensio has been the subject of extensive regulatory scrutiny and numerous civil lawsuits.

74. In 2003, the National Association of Securities Dealers ("NASD," n/k/a "Financial Industry Regulatory Authority" or "FINRA") began investigating Asensio as a result of his misleading claims in six "investment research reports" about a medical supply company published on asensio.com. *See In the Matter of the Application of Manuel P. Asensio c/o Mill Rock Inv. Advisors 747 Third Ave., 25th Floor N.Y., Ny 10017 for Review of Disciplinary Action*

Taken by Finra, Release No. 62315 (June 17, 2010). Following a disciplinary hearing, a NASD panel found Asensio liable on all counts, and further barred Asensio from associating with any member firm in any capacity for his willful failure to provide information requested by NASD. *See id.*; *see also Asensio v. S.E.C.*, 447 F. App'x 984 (11th Cir. 2011) (affirming NASD/FINRA's sanction against Asensio).

75. In addition, Asensio has been named as a defendant in multiple civil lawsuits sounding in federal securities fraud, defamation and disparagement, which accused Asensio of publishing false, defamatory and disparaging statements as part of fraudulent short-selling schemes to drive down the price of the target companies' shares, and profiting off his investments in those companies. In one such case, *Miller v. Asensio*, No. 2:99-1861-18 (D.S.C. Mar. 28, 2002), a jury found Asensio liable for federal securities fraud under § 10(b) of the Securities Exchange Act and SEC Rule 10b-5.

76. Undeterred, Asensio has struck again and his new target is Eros. Mirroring his prior misconduct, Asensio and a cabal of short-sellers worked in tandem to publish a slew of false and misleading reports on Eros designed to drive down the Company's stock price and enable them to reap a windfall from their short positions.

77. Asensio promulgated his attacks on Eros through the internet, which he has deemed an "empowering tool" for corporate "outsiders" such as himself. Asensio's main megaphone was asensio.com, a corporate website Asensio founded and boasts as "undoubtedly the only . . . organization publicly devoted to identify[ing] short selling investment candidates and drilling down on their business and the character of management to form an opinion about its future value and then advocate this view." Asensio often doubled down on his asensio.com articles by re-publishing them on Seeking Alpha.

78. Through asensio.com, Seeking Alpha, Twitter and other internet platforms, Asensio dispersed his falsehoods to as broad an audience as possible. Indeed, Asensio has boasted about the breadth of his readership, purporting that he "field[s] hundreds of calls a month from an international array of short sellers" and that "every short seller in the game [seemed to be] calling me." His reports, he has claimed, have "set off a [] selling binge," were "picked up" by "the major wire services" and have been downloaded hundreds of times within a single day.

79. To promulgate his short and distort tactics, Asensio has created a host of corporate entities, many of which employ only Asensio and became defunct several years after their formation due to regulatory sanction or inactivity. Asensio has had two active alter ego companies in the last five years. One company is defendant Asensio & Company, a purported "investment firm," which was dissolved due to inactivity in July 2015. Asensio was founder, chairman, president and CEO of Asensio & Company. Asensio lauds Asensio & Company as a "dedicated short selling organization."

80. Asensio also serves as the managing member of defendant Mill Rock, which on information and belief, is an active company. Mill Rock holds itself out as an "investment management and advisory firm serving institutional clients," and its sole managing member is, not surprisingly, Asensio.

c) <u>The GeoInvesting Defendants</u>

81. Founded in 2008 by Daniel E. David and Maj Soueidan, GeoInvesting markets itself as an independent research firm designed to gather, analyze and disseminate information on public companies trading on the U.S. financial markets. GeoInvesting purports to "provide quick, concise and efficient research" and "high quality insights" on mid- and micro-cap equities. According to GeoInvesting's website, the company's objective is to "provid[e] investors with the tools to make informed decisions."

82. In truth, however, GeoInvesting has a proven track record of issuing negative short-biased reports designed to drive down the stock price of companies, such as Eros, which GeoInvesting or its related funds hold a short position in.

83. Since 2011, GeoInvesting has been named as a defendant in at least two defamation suits accusing it of publishing false statements as part of short and distort schemes. *See Sino Clean Energy Inc. v. Alfred Little, et al.*, No. 651248/2011 (Sup. Ct., N.Y. Cty. 2011); *Longwei Petroleum Investment Holding Limited v. GeoInvesting LLC*, No. 2:13-cv-01442 (E.D. Pa. 2013). On information and belief, GeoInvesting paid to settle both lawsuits confidentially.

84. Consistent with its modus operandi, beginning in March 2017, GeoInvesting published five short reports about Eros that made a litany of false and misleading accusations.

85. Defendant Irons joined GeoInvesting as a Senior Business Writer and Equity Analyst in August 2014. For at least two years prior to that point, Irons had been publishing anonymous "market analysis" under the then-pseudonymous brand name Quoth the Raven Research, only revealing his true identity in April 2015. Irons continues to maintain and publish posts on his Quoth the Raven Research website and "@QTRResearch" Twitter account. He does not affirmatively disclose on the face of his "@QTRResearch" Twitter page, or in his Quoth the Raven investment "analysis," that he works for GeoInvesting.

86. Irons, using his "Quoth the Raven" alias, defamed and disparaged Eros, including by redistributing false information about Eros on Twitter.

87. Defendant David is GeoInvesting's co-founder and purported executive officer, and he also runs FG Alpha Management, FG Alpha Advisors and FG Alpha, L.P.

88. David publishes short reports and maintains a Twitter account under the pen name "FG Alpha Management," the purported author behind each of GeoInvesting's short reports

against Eros and numerous false tweets about Eros. Thus, "FG Alpha Management," which admits that it has a short position in Eros' stock, serves as yet another mouthpiece for Defendants' slanderous accusations and helps craft the illusion that it is a neutral analyst, independent from GeoInvesting or "Quoth the Raven."

d) <u>The ClaritySpring Defendants</u>

89. Founded in 2012, ClaritySpring holds itself out as a research and consulting firm that collects and disseminates "news, research and detailed due-diligence" on hedge funds to lend "transparency" to the hedge fund market. ClaritySpring wholly-owns a brokerage firm, ClaritySpring Securities, which had a net capital of just $25,377 as of December 31, 2016.

90. Defendant Anderson, head of ClaritySpring and ClaritySpring Securities and the individual behind ClaritySpring's Twitter account, formerly "@Clarityspring" and now "@ClarityToast," touts himself as an aficionado of "hedge fund due-diligence." In reality, Anderson is an opportunistic short-seller who falsely debases companies such as Eros for his self-serving ends.

91. Anderson and ClaritySpring used Twitter as a platform for broadcasting falsehoods about Eros, first in March 2017 and then with renewed intensity starting in mid-July 2017. For instance, on an aggressive day of attacks precisely one week before Eros released its FY 2017 annual and Q4 results, ClaritySpring and its co-conspirators' attacks plunged Eros' stock price by nearly 21% in just three and a half hours.

e) <u>The Anonymous Co-Conspirators</u>

92. Mangrove, Asensio and other known defendants conspired with the John Doe Defendants, shrouded in pseudonyms, who spurred and facilitated Defendants' scheme.

93. Among the anonymous co-conspirators is the admitted short-seller "Spotlight Research" (John Doe No. 1), who attacked Eros through two false and misleading articles on

Seeking Alpha. In addition, the anonymous "Orange Peel Investments" (John Doe No. 2) colluded with Asensio and Spotlight Research to perpetuate Defendants' scheme by publishing another pair of false and misleading articles on Seeking Alpha. Orange Peel Investments claimed to have published its articles through two "anonymous contributors" and purported employees writing under the aliases "Parke Shall" and "Thom Lachenmann" (John Doe Nos. 3 and 4, respectively).

94. Yet another anonymous culprit is the self-proclaimed short-seller "Unemon," who has attacked Eros with particular frequency through blog posts on Seeking Alpha and articles on his website, unemon.com. Unemon re-broadcasts, spreads and intensifies his short attacks through Twitter. Unemon, spurred on by the ability to hide behind an anonymous identity, has attacked on Twitter with even greater frequency than the GeoInvesting Defendants.

95. Notably, Unemon has sought to exploit the possible prejudices of those who consume his slanderous reports, such as denigrating Eros as a "shady Indian company" and accusing Eros of making loans to "[second] rate Indian lenders" "of last resort." Unemon has repeatedly disclosed his true motives for attacking Eros, including by flaunting that he "like[s] it" when Eros' stock price decreases.

96. The newest accessory to Defendants' relentless scheme is an anonymous persona named "Hindenburg Research." Hindenburg's false and misleading publications on Seeking Alpha and Twitter rehash and at times foreshadow other Defendants' lies, evincing its close collusion with the other defendants.

2. Eros – The Target Of Defendants' Short Attacks

97. Eros is a leading global media company that co-produces, acquires and distributes Hindi and regional Indian language films through theatrical, television syndicate, digital and

ancillary channels. On November 13, 2013, Eros completed its initial public offering ("IPO") and became the first Indian media company listed on the NYSE.

98. In 2012, Eros introduced an innovative service named Eros Now, an on-demand platform that allows users to access Eros' film, television, music and other media through the internet. Since its inception, Eros Now has burgeoned from a nascent startup initiative, with a limited number of films and music videos, to a successful platform with over 68 million registered users and 2.9 million paid subscribers as of June 2017. As Eros consistently disclosed to the public, prospective customers of Eros Now can become "registered users" simply by creating a user account. Registered users can access Eros Now through a smart phone's mobile Internet browser ("WAP"), by desktop computer or, less frequently, by downloading Eros Now's "app" to their smart phones.

99. Eros, along with growing its novel Eros Now service, has continued to cultivate the more traditional facets of its business, such as releasing an annual portfolio of co-produced and acquired Bollywood films in an array of Indian languages, including Hindi, Tamil, Telegu and other regional languages, and spanning different genres and budgets. Eros' films have garnered top spots in the box office consistently, and its films were among the highest-grossing in India for all reported calendar years since the Company's IPO. In total, Eros has accrued a massive library of over 3,000 films, representing all films that Eros owns licensing rights to.

100. Because Eros' films attract global audiences, the Company distributes them to Indian consumers in India and the South Asian diaspora worldwide, as well as to non-Indian consumers who view subtitled or dubbed versions of its Indian-language films. Eros' distribution network extends to over 50 countries, including the U.S., the U.K. and the Middle East, where Eros distributes films to the South Asian diaspora; as well as to Germany, Poland,

Russia, Romania, Indonesia, Malaysia, Taiwan, Japan, South Korea, China and Arabic speaking countries, where Eros releases versions of its films subtitled or dubbed in local languages.

101. According to Eros' audited consolidated financial statements in its FY 2017 annual report (*i.e.*, in its Form 20-F filed with the SEC), Eros' net revenue in FY 2017 was over $252 million. Its net revenue in FY 2016 was similarly robust, at over $274 million. Further, Eros had over $112 million in cash and cash equivalents in the year ended March 2017 and generated nearly $100 million in cash from operating activities. Eros' cash position was similarly strong in prior years, with cash and cash equivalents of over $182 million, and cash flow from operating activities of over $234 million, for the year ended March 2016.

C. <u>Defendants' Initial Wave Of Attacks</u>

1. <u>Mangrove And August Spearhead The Attacks In Fall 2015</u>

102. In Fall 2015, a cadre of short-sellers and corrupt research firms led by Mangrove and August, under the guise of the anonymous short-seller Alpha Exposure, instigated a series of ploys to manipulate Eros' stock price.

103. To carry out their machinations, Mangrove, August and their confederates published a series of unfounded, self-serving falsehoods that attacked Eros' financial and other disclosures, accounting practices, and the fundamental integrity of Eros' products, services and business. The baseless accusations that Mangrove, August and their co-conspirators spread hinged on gross distortions of public information from Eros' SEC filings, earnings calls, investor conferences and company website; other information in the public domain; and erroneous data that the short-sellers and their confederates claimed to be legitimate but in reality was fabricated.

104. In October 2015, defendants Mangrove and August, as "Alpha Exposure," catalyzed the short attacks against Eros by publishing three articles on Seeking Alpha that contained a cascade of false, misleading accusations. Alpha Exposure lashed out at Eros'

accounting practices, financials, related party transactions, film distribution counts, theatrical revenue and the competitive advantage of Eros Now.

105. As a result of Mangrove, August and their co-conspirators' concerted attacks, Eros' stock price plummeted by over 75%. Moreover, Eros suffered a downgrade by two notches to its main Indian subsidiary's credit rating.

2. <u>The Fall 2015 Accusations Were False And Misleading</u>

106. The short-sellers' accusations were false on their face. They were countered by public information available to the short-sellers at the time they disseminated their falsehoods, including through Eros' quarterly and annual SEC filings and earnings call statements.

107. For instance, Alpha Exposure castigated Eros for "burn[ing] cash" and for having a "non-existent cash flow." These accusations were flatly wrong. Eros was not "burning cash." To the contrary, the Company was accruing cash. According to Eros' FY 2015 annual report filed with the SEC in mid-2015, Eros had over $153 million in cash and cash equivalents on hand in the year ended March 2015, and over $145 million in cash and cash equivalents on hand in the year ended March 2014. Neither did Eros have a "non-existent cash flow." Eros' same annual report also affirmed that Eros' net increase in cash and cash equivalents was over $16.26 million for the year ended March 2015, and over $40.90 million for the year ended March 2014.

108. Moreover, Alpha Exposure's fiction that Eros self-dealt through related party transactions could not have been further from truth. Eros has disclosed all related party transactions in every single SEC filing since its IPO in 2013. Eros has also explained, in every filing, that certain related party transactions allow it to achieve more favorable terms than would otherwise be available and confer material benefits on Eros' business.

109. Equally baseless were accusations that Eros overstated its Eros Now registered user counts. For instance, the anonymous "Market Farce" disseminated this accusation based on

its observation that Eros Now's number of registered users does not correlate with "app download verifications on App Annie or Alexa."

110. To the contrary, "download verifications" did not provide anything close to an accurate reflection of Eros Now's registered users. A prospective customer can become a registered user of Eros Now through the simple act of registering through the website without downloading anything (a fact that can easily be discerned by visiting the webpage). Further, as reflected in public earnings call transcripts, Eros had repeatedly disclosed to its investors that registered users can access Eros Now in multiple ways, including through their mobile phone WAP browsers or desktop, or by downloading the Eros Now app. WAP, not app downloads, has always been the most popular means for using Eros Now. Finally, Alexa does not even measure the number of times an app is downloaded, but rather, the number of times a website is visited.

111. The short-sellers' claims of "irrefutable evidence" that Eros materially overstated the scope of its film releases also had no legs. Specifically, Alpha Exposure claimed that Eros overstated the number of films in its annual portfolio by twenty and fifteen films in FYs 2014 and 2015, respectively, and it based this accusation on public information (*e.g.*, IMDb.com) intended to capture the date of a film's initial theatrical release.

112. Again, Alpha Exposure distorted the truth. Eros' SEC filings consistently disclosed that the Company's annual film release slate contains films that it co-produced and acquired the distribution rights to after their initial theatrical releases. Thus, Eros grows its film library in part by acquiring the distribution rights to films that may have first hit the theaters in prior years. Accordingly, Alpha Exposure's reliance on theatrical release dates to attack the scope of Eros' total film portfolio missed the mark entirely. Further, on November 12, 2015, the Company published a full and complete list of all films released during the prior two fiscal years,

which yet again confirmed that Alpha Exposure's false claims about Eros' film counts disregarded that Eros had counted both acquired and co-produced films in its reported metrics.

113. The sheer falsity of the short-sellers' self-serving theories was further confirmed by Eros' diligent and thorough refutation of the specific accusations contained in Alpha Exposure's ruinous short reports. On November 2, 2015, Eros announced that its Audit Committee engaged the global law firm Skadden to assist it with an independent internal review of the issues raised in the fall 2015 short reports.

114. Both members of the Audit Committee were independent, non-executive directors. One, the late Naresh Chandra – former Ambassador of India to the U.S. from 1996 to 2001 and Cabinet Secretary of India from 1990 to 1992, among other esteemed positions – has served as a director for at least 20 other companies besides Eros.

115. The other, Dilip Thakkar – a practicing chartered accountant since 1961 and member of the Indian Advisory Board for HSBC Bank and the British Bank of the Middle East – has also served as a director for at least 20 other companies besides Eros.

116. The extensive Audit Committee Investigation, which spanned over five months, scrutinized the short-sellers' allegations by reviewing five categories of Eros' financial reporting: (i) UAE sales and revenue recognition, (ii) amortization policy of intangibles, (iii) related party transactions, (iv) Eros Now's registered user count and (v) Eros' film library.

117. In March 2016, the Audit Committee, with Skadden's aid, finished its thorough review; concluded that it "remains satisfied" with Eros' accounting policies, practices and disclosures in its financial statements as filed; and thus affirmed that Eros maintains the highest standards of integrity and transparency in financial reporting.

118. The meticulous investigation and decisive conclusions reinforced that Alpha Exposure's and their confederates' allegations were baseless.

119. To date, no write-down of Eros' financial metrics has occurred; no restatement was made; and not a single fact whatsoever remotely suggests, much less demonstrates, that Eros' historic financials were fraudulent.

D. Defendants' Second Wave Of Attacks

120. Despite the plain and proven falsity of Mangrove's accusations, another wave of attacks – commenced by defendant Asensio, in collusion with anonymous confederates such as Spotlight Research and Orange Peel Investments – persisted during Summer 2016.

121. Not coincidentally, an unusual and dramatic surge in the volume of put options purchased by short-sellers occurred right before Defendants resuscitated their false attacks. A single put option gives the buyer of the put option the right to sell 100 shares of a particular stock in the future at a fixed price. For instance, a short-seller may pay $1 for the right to sell 100 shares of its target's stock at $20 per share at any time within the next 60 days. A short-seller executing an illegal stock manipulation scheme would then try to devalue that stock as much as possible over the next 60 days. If the short-seller drives the price down to $10, even temporarily, he can then exercise his option and require his counterparty to pay $20 per share, which he can simultaneously purchase on the open market for $10, allowing him to pocket the difference.

122. The use of put options to short stocks is a useful hedging tool for short-sellers engaged in such illegal schemes, by allowing them to make riskier bets with higher potential profits from a decrease in the stock's price. To use a simplified example, a short-seller with $100 could borrow 5 shares of a $20 stock, sell the stock and be obligated to buy it back later at a hopefully lower price. If the stock goes down $10, the short-seller makes $50 (5 shares of stock and $10 per share). If the stock goes up $10, the short-seller loses $50 (because he has to pay

$30 to buy back the 5 shares he sold for $20). Using put options, the same short-seller could purchase 100 put options at $1 each, which would allow him to sell 10,000 shares of stock in the future at a fixed price. If the stock goes up (by even a penny), the short-seller loses his entire investment. But if the stock goes down, he has turned his $100 into thousands of dollars. As such, a short-seller using put options is facing heightened risk and is even more motivated than a typical short-seller to try to drive the price of the stock to as close to zero as possible.

123. During a typical month uncorrupted by stock manipulation, the average number of put options purchased on Eros stock across all 15 U.S. options exchanges is 1,591. By contrast, in June 2016, a staggering 8,288 put options were purchased – an increase of more than 420% over the average volume. In fact, 2,103 put options were purchased on June 2, 2016 alone, five days before Asensio launched his initial attacks. On information and belief, Defendants purchased most or all of these 8,288 put options, which gave Defendants the ability to sell more than 820,000 shares of Eros stock (then worth approximately $14 per share) at pre-set prices. This gigantic short position allowed Defendants to profit massively from any downward movement in Eros' stock position over the following weeks and months.

1. Asensio Catalyzes The Second Wave Of False Accusations

124. Asensio continued Defendants' short and distort scheme against Eros with a string of four publications on a single day, June 7, 2016:

a. A letter to a corporate affiliate of Eros' outside auditor (the "Outside Auditor Affiliate"), which attacked the integrity and efficacy of Eros' longstanding outside auditor, one of the world's leading independent auditing firms (the "Outside Auditor"). Asensio also republished this letter to the public on asensio.com and Seeking Alpha.

b. A letter to the Public Company Accounting Oversight Board (the "PCAOB"), the regulator of the Outside Auditor, which also attacked the integrity of the Outside Auditor's audit of Eros. Asensio also republished this letter to the public on asensio.com and Seeking Alpha.

c. A self-styled "research report" rehashing the baseless attack on the Outside Auditor, published on asensio.com and republished on Seeking Alpha.

d. A second "research report" accusing Eros of lying about Skadden's role in the Audit Committee Investigation, published on asensio.com and republished on Seeking Alpha.

125. After creating smoke through his quartet of publications on June 7, 2016, Asensio escalated his strikes against Eros by disseminating letters to the SEC; a second letter to the PCAOB; a letter to the Outside Auditor's outside legal counsel; and a letter to the Audit Committee's outside legal counsel. Asensio republished each letter on his corporate website, asensio.com.

126. In addition, throughout June to August 2016, Asensio continued to publish self-styled "research reports" attacking Eros on asensio.com, sporadically republishing them on Seeking Alpha. These reports rehashed Asensio's lies about the Outside Auditor's audit and Skadden's role in the Audit Committee Investigation and spread additional lies, which echoed Spotlight Research's baseless accusations, alleged that Eros Now is overvalued, attacked the integrity and honesty of Eros' current and former CFOs, and claimed that Eros misrepresented its financial condition in its FY 2016 annual report.

127. Asensio bolstered his disinformation campaign through back-to-back interviews in July 2016, both of which were intended to spur investors into selling Eros' stock: one with Activist Insight, a publication that services the short-selling community, ***a mere day before Eros' put options were set to expire that month***; and another with the discontinued Oxford Club Radio "podcast" series, a weekly audio program that listeners can download from the internet (including through iTunes.com) that broadcasted investment tips. Asensio's interviews evidenced his intent to disseminate his lies to as broad of an investor base as possible.

128. As discussed below, each of these publications contained false and misleading statements designed to plunge the price of Eros' stock.

a) <u>The June 7 Letter to the Outside Auditor Affiliate</u>

129. On June 7, 2016, Asensio sent a letter to the Outside Auditor Affiliate (the "June 7 Letter"), republishing it on asensio.com that same day and Seeking Alpha the next.

130. In the June 7 Letter, Asensio falsely claimed that the Outside Auditor "divided" its audit of Eros by outsourcing its audit to at least five more obscure firms, an "extraordinarily questionable" procedure that Asensio accused Eros of "endors[ing]," "accept[ing]" and "defend[ing]."

131. These allegations were baseless. In reality, Eros' auditor for its U.S. financial reports audited the consolidated financial statements of Eros and all of Eros' subsidiaries. Eros disclosed this plain fact in its November 2, 2015 press release, explaining bluntly that the Outside Auditor "is the auditor of Eros International Plc" and "performs the audit of the company's consolidated financial statements, which includes its subsidiaries, in accordance with the standards of Public Company Accounting Oversight Board (US)." Eros repeated this explanation in its March 21, 2016 press release reporting the Audit Committee Investigation's clean findings (and again in its June 8, 2016 press release addressing Asensio's lies). Eliminating any room for confusion, Eros disclosed in every single annual report it has filed with the SEC since its IPO has plainly disclosed that Eros has only ***one*** outside auditor.

132. To buttress his specious accusations, Asensio also claimed that the Outside Auditor does not audit Eros International Media Limited ("EIML") – Eros' largest Indian subsidiary, traded on the National Stock Exchange of India and regulated by the Securities and

Exchange Board of India ("SEBI") – because EIML is audited by Walker Chandiok & Co., LLP ("Chandiok").[3]

133. This, too, is false. Again, without exception, the Outside Auditor audited Eros and its subsidiaries, including EIML, for Eros' U.S. financial reports, which Eros filed with the SEC. Chandiok, a PCAOB-regulated auditor, performed a separate audit of EIML for EIML's distinct filings with the SEBI in India. Thus, the mere fact that Chandiok audited EIML for EIML's filings with the SEBI in India does not mean that the Outside Auditor did not also audit EIML for Eros' filings with the SEC in the U.S. Asensio's conflation of these separate sets of audits performed by separate auditors for separate financial statements filed in separate countries was a deliberate attempt to distort the truth for his and his co-conspirators' gain.

134. Asensio magnified the drama of his falsehoods, asserting that the Outside Auditor's "decision to divide up its auditing responsibility is not inconsequential" because "the subsidiaries [of the Outside Auditor] does not audit reported US[]$13.1 million of net income, while EROS reported US[]$12.3 million [of net income] for the nine month period ended December 31, 2015."

135. However, the purported "$13.1 million" metric is a complete fabrication nowhere to be found in Eros' relevant financial statement (*i.e.*, the FY 2016 third quarter report filed with the SEC). Further, even assuming Asensio's metrics are correct (they are not), there are multiple reasons why Eros reported a lower net income than its subsidiaries. For one, a subset of Eros' subsidiaries generate a substantial share of the Company's revenues. Further, Eros incurred high

[3] EIML's financial reports filed with the SEBI disclose that the subsidiary is audited by Chandiok for the purpose of its SEBI filings.

overhead, share-based compensation, capital investment and other costs that reduced its net income at the aggregate parent level.

136. Based on such false assumptions, Asensio inferred that the Outside Auditor was either "grossly incompetent" or that "someone [] deliberately designed EROS's audit process to distance themselves from what its public critics believe to be illegal activity" – in other words, that Eros and the Outside Auditor created a "divided" audit process to disguise Eros' alleged reporting errors. That claim, which hinged solely on assumptions that lacked even a scintilla of truth, was false, outrageous and a bald attempt to defame and disparage Eros.

137. Asensio concluded his letter by goading the Outside Auditor Affiliate to "take [] action" against the Outside Auditor to discern whether it participated in or concealed the false red flags that prior short-sellers had disseminated for their own financial gain.

b) <u>The June 7 Letter to the PCAOB</u>

138. On June 7, 2016, Asensio published a second letter to the PCAOB (the "June 7 PCAOB Letter"), the Outside Auditor's regulator, which enclosed and escalated the false and misleading accusations in the June 7 Letter. Asensio republished this second letter on asensio.com that same day and Seeking Alpha the next.

139. The June 7 PCAOB Letter regurgitated Asensio's false assertions that Eros' audit was divided and designed to conceal accounting errors, introducing subtly varied but equally baseless rationales for that demonstrated fiction.

140. For instance, Asensio posited the misleading claim that Eros' financial reports disclosed only the consolidated financial data of Eros (at the parent-level) without itemizing its subsidiaries' financial data, falsely implying that this enabled Eros to conceal the Outside Auditor's alleged "divided" audit. This accusation was false and misleading. First, the scope and granularity of Eros' disclosures complied fully with all applicable SEC and PCAOB

regulations and standards. Second, the Outside Auditor audited Eros' subsidiaries as appropriate, and thus, Asensio's claim that Eros tried to conceal the Outside Auditor's "divided" audit by omitting its subsidiaries' data from its SEC filings was devoid of any logic.

c) <u>The First June 7 Article On Asensio.com</u>

141. Asensio rehashed the false allegations in his June 7 Letter to the Outside Auditor Affiliate and the June 7 PCAOB Letter in a self-styled research report, published on asensio.com on June 7, 2016 (the "First June 7 Article"), republished on Seeking Alpha the next day.

142. In the First June 7 Article, Asensio amplified his false claim that the Outside Auditor divided its audit for Eros, by introducing another baseless detail that Eros failed to disclose whether the Outside Auditor audits its "23 subsidiaries and step-down subsidiaries," which precluded investors from knowing "the scale of EROS assets that [the Outside Auditor] actually reviews." These assertions were, yet again, false, as Eros disclosed on multiple occasions, including in public press releases dated November 2, 2015 and March 21, 2016, that the Outside Auditor audited the financial reports of Eros and all of its subsidiaries.

143. Asensio also claimed that EIML had formerly featured its SEBI filings on its investor relations page, but removed those statements in November 2015, which "rais[es] yet more concerns around the increasing opacity of EIML's financials and the integrity of EROS's audit itself." This, too, was false. Again, Asensio conflated EIML's filings with the SEBI in India with Eros' filings with the SEC in the U.S.

d) <u>The Second June 7 Article On Asensio.com</u>

144. On June 7, 2016, Asensio published yet another false "research" report, titled "Eros backs away from Skadden's independent review" (the "Second June 7 Article").

145. In the Second June 7 Article, Asensio falsely accused Eros of shifting Skadden's role in the Audit Committee Investigation in a deliberate attempt to "whitewash" the Company's

purported reporting errors. Asensio castigated Eros because it said that Skadden was "conducting" an "independent internal review" in Eros' November 2, 2015 press release, but subsequently used the word "assisting" in its February 17, 2016 and March 21, 2016 press releases. Asensio styled this minor semantic variation as a deliberate "shift" by Eros to "change the scope of Skadden's engagement" and "abandon[]" Skadden's lead role after its "brand had [acquired] the desired halo effect." According to Asensio, Eros took over the Audit Committee Investigation and "relegated [Skadden] to a passive role on the side-lines."

146. These accusations were false and misleading. First, Eros did not shift the scope of Skadden's role. Each of the November 2, 2015, February 17, 2016 and March 21, 2016 press releases were accurate. Skadden "conducted" a review that was both "independent" and "internal." It did so at the Audit Committee's direction and therefore "assisted" the Audit Committee. There was no basis whatsoever to suggest that Skadden or the Audit Committee failed to fulfill their independent duties. The Audit Committee consisted solely of independent non-executive directors, one of whom was a former ambassador to the U.S., and the other, a senior auditor with over 65 years of experience as a registered chartered accountant. Further, Asensio falsely suggested that Skadden, a prestigious law firm, perched idly on the sidelines while Eros "exploited" the law firm's brand, hijacked the Audit Committee Investigation and "whitewashed" its alleged accounting errors. In stark contrast, Skadden had an active role in assisting the Audit Committee with its investigation from beginning to end.

147. Indeed, Asensio's intent was that his wild fictions would bury the key fact at hand, a fact that threatened his and his co-conspirators' short positions: the Audit Committee, supported by Skadden, following a five-month forensic investigation, affirmed that Eros' financials and disclosures were adequate and need not be restated.

e) <u>The June 9 Article On Asensio.com</u>

148. On June 9, 2016 Asensio published yet another "research report" on asensio.com, titled "ErosNow's 'Fullerton Deal' brings 'New Round of Questions'" (the "June 9 Asensio Article"), republished on Seeking Alpha that same day.

149. This latest short report disparaged Eros Now. Asensio began by attacking Eros for disclosing only the registered users count of Eros Now, contrary to the alleged "market convention" of reporting on "monthly active users." Without any basis, Asensio equated the term "monthly active users" with *paying* users.

150. This was false. The most common market definition of "monthly active users" refers not to the number of paying users, but rather the number of unique people who access an online service each month – which encompasses even cursory or fleeting uses such as logging in, liking a post or sharing a link just once. Asensio's claim that "monthly active users" means paying users, and that thus Eros' "registered users" count subverted "market convention," was entirely unsubstantiated and lacked any objective basis.

151. The June 9 Asensio Article then took aim at the value of Eros Now. Asensio noted that a potential deal rumored in the press in July 2015 – the sale of a stake in Eros Now to Fullerton Fund Management Co. ("Fullerton"), a Singapore-based private investment fund that held (and has since sold) a stake in Eros – would value Eros Now at approximately $700 million to $1 billion. Asensio, after musing that the deal had not yet materialized, proceeded to falsely suggest that the delay should foment investor concerns that the market overvalued Eros Now.

152. Asensio's assertions were utterly false and rooted in pure speculation. The Company had not entered into a transaction with Fullerton, nor had any announcement or statement regarding a potential transaction ever been made by either the Company or Fullerton.

f) The June 9 Letter To The SEC

153. On June 9, 2016, Asensio escalated Defendants' disinformation campaign on Eros by writing a letter to the SEC, which copied the PCAOB (the "June 9 SEC Letter"), timing his letter to coincide with Spotlight Research's 42-page magnum opus published on Seeking Alpha. (*see* ¶¶ 193-201 below). The next day, Asensio republished his letter on asensio.com.

154. The June 9 SEC Letter rehashed Asensio's and the prior short-sellers' disinformation, falsely alleging "serious concerns with EROS's recent communications around [sic] the best interests of investors that need to be addressed in an open, deliberate and purposeful manner." "At issue," Asensio claimed, "is understanding the creditability [sic] of the public controversy that surrounds the value of EROS's [film] library and account receivables appearing on its balance sheet, which are the principal issue in the public controversy and a belief statement [sic] published by Alpha Exposure that these assets are overstated to a level that makes EROS's bonds and equity 'worthless.'"

155. Asensio then repeated his unfounded accusations on Eros' "divided" audit and the scope of Skadden's role in the Audit Committee Investigation, which were plainly false as detailed in ¶¶ 129-147, above.

g) The June 10 Letter To The PCAOB

156. On June 10, 2016, Asensio wrote yet another letter to the PCAOB (the "June 10 PCAOB Letter"). Asensio republished the June 10 PCAOB Letter on asensio.com that same day. By writing, and then re-broadcasting, lies to the PCAOB a second time, Asensio sought to reinforce through repetition the baseless disinformation he fabricated about Eros' audits.

157. In the June 10 PCAOB Letter, Asensio rehashed the false and easily refutable allegations disseminated in his prior letters and "research" reports that Eros employed an improper audit structure and distorted Skadden's role in the Audit Committee Investigation.

Asensio also added a misleading allegation that the Outside Auditor Affiliate, according to an alleged response letter from its general counsel,[4] "does not [] accept responsibility" for the Outside Auditor's actions. The false innuendo that Asensio's assertions conveyed was that the lack of "supervision or authority" by the Outside Auditor Affiliate raised a red flag regarding the Outside Auditor's independent audit of Eros.

158. But this was baseless. The Outside Auditor Affiliate is a not-for-profit, non-practicing entity that does not provide services to clients. It is not the job of the Outside Auditor Affiliate to oversee or "accept responsibility for" the Outside Auditor's independent audits. Indeed, the Outside Auditor is overseen by the SEC and PCAOB – not the Outside Auditor Affiliate as Asensio falsely claims – and is responsible for its own, entirely proper conduct.

159. Asensio's baseless June 10 PCAOB Letter constituted, yet again, a corrupt attempt to create smoke where there was none.

h) The June 16 Letter To The Outside Auditor's Legal Counsel

160. Asensio continued his onslaught against Eros with a June 16, 2016 letter to the Outside Auditor's outside legal counsel, which copied both the SEC and PCAOB (the "June 16 Letter"), republished on asensio.com on June 28, 2016.

161. In the June 16 Letter, Asensio regurgitated Mangrove's prior accusations that Eros' UAE revenues were overstated.

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4 Tellingly, Asensio did not enclose a copy of the Outside Auditor Affiliate's response letter he purports to have received. Instead, Asensio excerpted a single, out-of-context quote from the purported response, which states that the Outside Auditor affiliate "is the coordinating entity of a network of independently owned and managed accounting and consulting firms. [The Outside Auditor Affiliate] ***does not provide any services to clients and cannot comment on individual engagements performed by its member firms***. Furthermore, [the Outside Auditor Affiliate] does not have the ability to get involved in an engagement or change it."

162. These UAE revenue allegations were false, and indeed, the Audit Committee Investigation's conclusive findings debunked them in full. As Eros explained in its November 2, 2015 press release, some of Eros' customers are sub-distributors, who exploit (*e.g.*, license or sell) Indian content in international territories, have companies domiciled in the UAE and other tax-friendly jurisdictions. Eros, in turn, reports its geographic revenue by company or customer domicile, which does not always correspond to the "end market" where Eros' content is consumed. In addition, each time Eros' Indian subsidiaries license film or other content rights to Eros, and Eros' UAE subsidiary then exploits those rights with any third-party, Eros would report revenues arising from that exploitation as UAE, rather than Indian, revenue. Thus, Asensio's clamors about Eros' "overstated" UAE revenues were false and resulted from a fundamental misunderstanding of Eros' accounting and reporting practices.

163. Asensio attempted to justify his false narrative with the claim that "asensio.com obtained information on the purchasing policies of the five largest buyers . . . for Indian films and [t]elevision entertainment content," which "indicat[ed] that these companies do not use UAE subsidiaries to purchase content rights." This was false, misleading and speculative. Asensio gave no details on who these supposed buyers or their subsidiaries were, or whether Eros even did business with them.

164. Asensio went on to claim that "asensio.com found no evidence to support EROS's income tax related explanation for its UAE revenues," again positing no bases for his false, misleading and speculative assertion.

165. Asensio concluded the June 16 Letter by demanding that the Outside Auditor disclose information on its audit of Eros for "this urgent matter in the interest of the investment public."

i) <u>The June 17 Letter To Skadden</u>

166. Immediately on the heels of the June 16 Letter, Asensio followed with yet another letter to Skadden (the "June 17 Skadden Letter"). Asensio republished the June 17 Skadden Letter on asensio.com on June 28, 2016.

167. In the June 17 Skadden Letter, Asensio rehashed the false and meaningless refrain that Eros "represented Skadden's appointment on Day 1 [November 2, 2015] way differently than on Day 2 [February 17, 2016] or Day 3 [March 21, 2016]." Asensio next claimed that Eros "exploited" Skadden's "work product . . . in unanticipated ways," attacking Eros' truthful description of the Audit Committee Investigation's findings by stating that "a reasonable person could interpret [Eros'] statement to mean, 'Skadden confirms no [re]statement was necessary and that EROS's investor representations are totally correct.'" Asensio, yet again, nitpicked Eros' language to bolster his false accusations about the Audit Committee Investigation – accusations that the PCAOB, SEC, the Audit Committee's outside legal counsel, and the Outside Auditor's outside legal counsel paid no attention to, in spite of Asensio's flurry of letters earlier that month. In reality, the Audit Committee, with Skadden's aid, had firmly concluded after an independent investigation that Eros did not need to restate any of its financials or disclosures, which complied with regulations and standards.

j) <u>The June 28 Article On Asensio.com</u>

168. On June 28, 2016, Asensio published an article on asensio.com, titled "EROS: Suggested Investor Questions on UAE Financial Reporting" (the "June 28 Asensio Article").

169. The June 28 Article recited (with almost no detail) the defamatory, disparaging themes littered throughout Asensio's prior short reports, such as the Outside Auditor's auditing procedures, the scope of Skadden's role in the internal review and Eros' UAE revenues. The article also echoed (again with almost no detail) the false and misleading short theses in

Spotlight Research's June 9, 2016 manifesto, including baseless allegations about Eros' alleged related parties (*see* below, at ¶¶ 193-201).

k) The July 14 Interview With Activist Insight

170. Asensio intensified his attacks in mid-July and August 2016 with a new string of publications against Eros that largely recycled the false and misleading allegations in prior publications by him and other short-sellers.

171. On July 14, 2016, Asensio gave an interview to Activist Insight (the "July 14 Activist Insight Interview"), a subscription-based online and print resource for investment research. Activist Insight published a summary of the interview, titled "Asensio says Eros' UAE figures are 'preposterous,'" which was republished to the public that same day on ValueWalk.com, a website based in New York, New York that purports to be a "global leader in breaking financial industry news," and republished again on asensio.com on July 20, 2016.

172. Not coincidentally, Asensio gave this interview just one day before 1,422 put options on Eros stock were set to expire, in a desperate gasp to try to drive down the price of Eros stock after it recovered from Defendants' relentless attacks and began to climb upward.

173. In the July 14 Activist Insight Interview, Asensio rehashed his unfounded attacks on Eros' UAE revenues, falsely casting Eros' UAE revenues as overstated and attacking them as "preposterous, absurd [and] inexplicable." Again, Asensio's claims were false and relied on a fundamental misunderstanding of Eros' accounting practices.

174. To mask his nefarious motives for attacking Eros, Asensio proclaimed that he "does not hold a short position in Eros and his campaign is not a case of activist short-selling." This was false and highly misleading. Indeed, Asensio had only weeks earlier admitted that he was shorting Eros stock in three separate articles on Seeking Alpha from June 8 to 9, 2016. Further, in another interview a mere four days later on July 18, 2016 (see below), Asensio

glorified himself as a "pioneer" of activist short-selling while discussing his attacks on Eros. Asensio thus crafted such assertions to sugarcoat his true motives for spreading lies about Eros.

175. Crucially, Asensio also mentioned that the Company's $125 million revolving credit facility was set to mature in January 2017. Referencing this loan, Asensio admonished that "[e]quity holders should not give Eros the benefit of the doubt only because the SEC does not get involved." Asensio intended for this false accusation to fuel his strategy of interfering with Eros' extension and/or refinancing of its credit facility, in an effort to further damage Eros and torpedo its stock price.

l) <u>The July 18 Article On Asensio.com</u>

176. On July 18, 2016, Asensio published yet another short report about Eros on asensio.com, titled "EROS: Prem's Dilemma" (the "July 18 Asensio Article"). Asensio republished this article on Seeking Alpha that day.

177. In the July 18 Asensio Article, Asensio attacked Eros' current CFO Prem Parameswaran ("Parameswaran") for acting as Eros' "rubber stamp" and for failing to conduct due diligence before he certified Eros' amended annual reports. Asensio spun the leave of absence by Eros' former CFO Andrew Heffernan ("Heffernan") as "convenient," speculating that Heffernan made a "conveniently timed exit" in July 2015 because "[t]here is reason to suspect that Heffernan could have concerns about making a personal certification." Echoing Spotlight Research (*see* below, at ¶¶ 196-199), Asensio accused Heffernan of conducting improper related party transactions. Thus Parameswaran, Asensio claimed, fits Eros' ideal mold of "an individual with plausible deniability willing to provide the required certification."

178. To bolster his specious claims, Asensio baselessly impugned Parameswaran's diligence and judgment. The July 18 Asensio Article argued that "Prem had only been CFO for 2 months and 11 days," and therefore that it would be impossible for him to "respond[] with

a letter to the SEC and file[] two amended Form 20-F's containing both his and [Jyoti] Deshpande's certifications." Asensio mused, "[e]ither Prem was the wunderkind CFO he was touted to be or he was the rubber stamp that EROS needed after Heffernan's failure."

179. Asensio's accusations were baseless and highly misleading, representing nothing more than false speculation. Heffernan did not quit in shame because of his purported related party transactions, or because he feared making a personal certification. Further, Asensio's false claim that Parameswaran acted as a mere hired gun for Eros was pure conjecture designed to defame Eros and its management's intentions.

180. Asensio concluded his short report by reciting a laundry list of accusations that he and Spotlight Research have hurled at Eros, such as the tired, patently false claims related to the Outside Auditor, Skadden and Eros' UAE revenues. Asensio again betrayed his fixation on the expiration date of Eros' credit facility agreement, further demonstrating that he calibrated his attacks to try to derail that important event.

m) <u>The July 18 Interview With Oxford Club Radio</u>

181. On July 18, 2016, Asensio gave a subsequent interview to Oxford Club Radio in a segment titled, "Everything you always wanted to know about shorting stocks w/ Manuel Asensio, author of "Sold Short: Uncovering Deception in the Markets" (the "July 18 Oxford Club Radio Interview"). An audio recording of this interview, taped live as part of the Oxford Club Radio "podcast" series, can be downloaded from the internet, including iTunes.com. Asensio republished the audio recording to the public on asensio.com on July 28, 2016, and a written transcript of the interview was also published on Oxford Club Radio's website.

182. In the July 18 Oxford Club Radio Interview, Asensio hyped his prior claims, accusing Eros of having "an extremely unique and irregular relationship" with the Outside Auditor Affiliate. This was pure fiction. Eros had no such relationship with the Outside Auditor

Affiliate, in part because the Outside Auditor Affiliate was not, and has never been, Eros' independent outside auditor. Indeed, the Outside Auditor Affiliate does not provide auditing services to anyone.

183. Asensio, purporting that he called the Outside Auditor Affiliate to inquire into Eros' audits, proceeded to distort his own account of its response by claiming that it "told [him] it wasn't responsible for the behavior and conduct" of the Outside Auditor, which "really raised a red flag. . . . Unlike McDonald's it appears it really has no interest in how its hamburgers taste." Again, this rehashed claim was false for the same reason it was false when Asensio first asserted it in the June 10 PCAOB Letter. In fact, the Outside Auditor Affiliate's alleged response raised zero "red flags." It was entirely normal for the Outside Auditor Affiliate to not inject itself in the Outside Auditor's independent audit of Eros, because the Outside Auditor Affiliate is not a licensed auditor; it is merely a non-profit, non-practicing membership entity that provides no services to clients. Asensio's "hamburger" analogy compared apples to oranges and was utterly off-base and affirmatively misleading.

n) <u>The First August 12 Article On Asensio.com</u>

184. On August 12, 2016, Asensio forged ahead with Defendants' mission to debilitate Eros by publishing, yet again, a pair of baseless articles on asensio.com. In his earlier article, titled "EROS's Latest Form 20-F Release Confirms Worst-Case Scenario" (the "First August 12 Article"), Asensio shifted the focus of his false attacks to Eros' FY 2016 annual report filed on July 27, 2016. Accompanying Asensio's report was a series of spreadsheets showing the simplistic math that Asensio performed to support his false conclusions.

185. Asensio falsely attacked Eros' reduction in trade receivables – meaning the amounts Eros' customers owe but have yet to pay – from "$198,066 million to $169,413

million,"[5] again alleging that Eros fudged its accounting and was only able to report this metric because it "factored" $39.026 million of its receivables – meaning that it sold $39.026 million in receivables to a third party at a discount (reporting cash earned from the "factoring" as revenue). In other words, Asensio purported that but-for Eros' improper "factoring," Eros' trade receivables would have ballooned to $208.439 million.

186. This accusation was a complete falsehood. Eros accounted for its FY 2016 receivables and revenues properly and in compliance with PCAOB rules. Further, undercutting Asensio's alarmist message, Eros not only disclosed in its FY 2016 annual report the exact amount that it factored, but also explained that any costs that the Company incurs due to the factoring would be immaterial and that the factoring transaction was completely non-recourse to the Company.

187. Asensio proceeded to falsely attack Eros' reduction in net debt by 19.8% from $161.0 million to $129.1 million, alleging that this reduction "isn't the entire story." Instead, Asensio purported, Eros' trade payables increased by $31.9 million, effectively "negat[ing]" the Company's debt reduction.

188. This false assertion hinged on Asensio's baseless conflation of two distinct accounting concepts, net debt versus trade payables. Eros' net debt refers to its liabilities, or money owed to others. Eros' trade payables, on the other hand, refer to its deferred payments to third-parties from presales and accrued overages to co-producers for hit films. That Eros reported its debt and payables as separate metrics in its FY 2016 annual report was proper and in compliance with PCAOB rules. In fact, and as Asensio's own spreadsheet plainly reflects, Eros reported its debt and payables as separate metrics in its FY 2015 annual report as well.

[5] We assume Asensio intended to write "$198.066 million to $169.413 million."

189. Thus, Asensio's accusation that Eros overstated its net debt reduction through an accounting gimmick, like the other accusations in his First August 12 Article, was a fiction that Asensio spun to blunt the bullish impact of Eros' positive FY 2016 metrics.

o) The Second August 12 Article On Asensio.com

190. Revealing his desperate attempt to salvage his short position, Asensio published a second short report on asensio.com on August 12, 2016, titled "EROS's Mysterious UAE Sales Compound Worst-Case Scenario" (the "Second August 12 Article"). While Asensio regurgitated the false and misleading theme that Eros was in a dire financial state, he turned his target on Eros' UAE revenue figures, which decreased by 40.69% to $62 million, as reported in Eros' FY 2016 annual report. Asensio falsely casted this decrease as "mysterious" and "unexplained" by Eros. "All these questions," Asensio claimed, "add weight to EROS [sic] worst-case scenario."

191. Asensio was wrong. Eros accounted for its UAE revenues properly and in compliance with PCAOB rules. In fact, Eros explained in its FY 2016 annual report the reason for the UAE revenue fluctuation. Namely, Eros' entire "rest of the world" revenue – which includes revenue not just from the UAE, but from anywhere in the world except India, North America and Europe – decreased by 51.2% to $65.7 million due to lower catalogue sales. The decrease in catalogue sales resulted directly from Eros' decision to forgo a portion of its potential catalogue revenues that have longer payments cycles, in order to improve day sales outstanding.

2. Spotlight Research Expands On Asensio's False Attacks

192. Chief among Asensio's co-conspirators was anonymous short-seller Spotlight Research, who both hyped Asensio's false attacks and fabricated its own lies. Like its co-conspirator Asensio, Spotlight Research packaged its lies into two seemingly neutral analyst reports. Spotlight Research timed the publication of those reports in a conniving manner,

publishing both reports on or mere days after the dates of Asensio's short reports, and publishing its second report a day before Eros' August 2016 put options were set to expire.

a) The June 9 Article On Seeking Alpha

193. On June 9, 2016, defendant Spotlight Research published a 42-page manifesto on Seeking Alpha titled "EROS's Secret: Undisclosed Related Party Links In The UAE?" (the "June 9 Spotlight Research Article"). This article echoed Mangrove's (as "Alpha Exposure") and Asensio's prior short reports on Eros Now by claiming, among other falsehoods, that Eros' Audit Committee Investigation lacked validity; Spotlight Research had "uncovered" undisclosed related parties; and Eros' overstated its UAE revenue growth and Eros Now's user counts. Each of Spotlight Research's specious accusations were utterly false.

i. False Allegations About The Audit Committee Investigation

194. Spotlight Research's first hit piece, echoing Asensio's short report published just days before, opened by attacking the validity of the Audit Committee Investigation.

195. Spotlight Research rehashed Asensio's meaningless semantic quibble between an "internal review" and an "internal investigation." Spotlight Research attempted to buttress its investigation-versus-review dichotomy by identifying five purported "red flags" with the Audit Committee Investigation "indicating that [it] may have not been a serious investigation." However, each "red flag" was a red herring. As discussed above, the Audit Committee Investigation was thorough and independent. Spotlight Research's blunderbuss assault on the Audit Committee Investigation was thus false and misleading.

ii. False Allegations About Related Parties

196. The June 9 Spotlight Research Article then alleged that Eros' "inconceivabl[e]" UAE revenue growth stemmed from Eros' undisclosed related parties. Spotlight Research

asserted that it had "uncovered **eleven** undisclosed potential related party entities" that are potentially "linked" to an Eros customer in the UAE named Globus ENT FZE ("Globus"), claiming that Globus "may be a key missing piece in the UAE revenue recognition puzzle."

197. Spotlight Research's accusations were factually unfounded and based on manipulation of facts and data to fit its false narrative. To "link" Globus to Eros, Spotlight Research initially relied on the fact that Globus was formed in 2007, "just after" the formation of certain Eros subsidiaries in June 2006. Spotlight Research also leaned on the claims that Eros was the first licensing partner listed on Globus' website; and Globus' founder served on the boards of eleven companies that also contained current or former Eros board members. Contrary to Spotlight Research's assertions, these purported "coincidences" do not show that Globus and Eros were undisclosed related parties (they were not).

198. Spotlight Research also focused its attention on a purported relationship between Eros and Rana Productions Limited ("Rana"), a British company whose shares are allegedly owned by an Eros customer. Spotlight Research, asserting that Rana is another unreported related party of Eros, claimed that "Rana [] recognizes material amounts of UAE revenue from Globus, but never collects much of the accounts receivable." Spotlight Research then dove into Rana's financials in order to try to "link" it to Globus with the goal of "linking" both Rana and Globus to Eros, asserting that Eros' UAE revenue in 2012-2013 is almost the same as the total revenue Rana generated in that same period from uncollected UAE receivables. Spotlight Research's conclusion, however, was pure speculation. Indeed, there was no evidence tying Rana's uncollected receivables to Eros. Spotlight Research simply twisted raw numbers into a conclusion that fit its narrative.

199. Spotlight Research's related party accusations thus comprise nothing more than a series of tenuously linked allegations with zero indicia of reliability from a self-interested investor with an admitted short position in Eros.

iii. <u>False Allegations About Eros Now</u>

200. Continuing with its kitchen sink strategy, Spotlight Research took aim at the number of Eros Now registered users by parroting false allegations previously published by Mangrove and August, as "Alpha Exposure," and their co-conspirators. Spotlight Research asserted that data from App Annie and other websites shows that Eros inflated the number of registered users accessing and interacting with Eros Now. Spotlight Research further posited that the term "Registered User" is "meaningless and misleading" because it has "no meaningful correlation with users that can actually be monetized through subscriptions or advertising since the vast majority of them related to the unrelated Techzone acquisition and cannot be easily migrate [sic] to Eros Now."

201. Spotlight Research's recycled refrain that Eros overstated the Eros Now user counts were false when "Alpha Exposure" first promulgated them; remained false when the Audit Committee, with Skadden's aid, flatly debunked them after a five-month investigation; and continue to be false and misleading for the same reasons as before.

b) <u>The August 18 Article On Seeking Alpha</u>

202. On August 18, 2016, Spotlight Research published another patently false article on Seeking Alpha, titled "Globus: EROS's Elephant In The Room" (the "August 18 Article"), one day before Eros' put options were set to expire that month. The August 18 Article, which rehashed the supposed issues identified in its June 9 Article, was another blatant attempt to demean Eros to depress its stock price. Spotlight Research's transparent motive was obvious from its conceded "surprise[] that EROS's stock is up 45%" since its June 9 Article.

203. With its short position in serious jeopardy, Spotlight Research was forced to once again spread misinformation and untruths about Eros. In addition to regurgitating the fabricated allegations set forth in the June 9 Article, Spotlight Research also attacked respected "sell side" analysts that were optimistic about Eros' future.

204. The August 18 Article began by purporting to present "strong evidence" that Globus and Rana Productions are undisclosed related parties of Eros that likely account for Eros' "ballooning" UAE revenue. Spotlight Research then walked through the supposed "evidence" that purports to link Eros to Globus and Rana Productions. Once again, Spotlight Research's specious allegations were unsupported by fact and are based on mere speculation. The August 18 Article did not present additional or new support for its preposterous theory.

205. Spotlight Research next turned to its so-called "evidence" that Rana Productions' uncollected accounts receivable from Globus account for Eros' UAE revenue. As before, Spotlight Research simply restated its conclusory and unsupported allegations originally set out in the June 9 Article. The August 18 Article added no color to its baseless attacks, and for the reasons stated above, such allegations were wholly false.

3. <u>Orange Peel Investments Echoes Asensio's And Spotlight's Lies</u>

206. Further perpetuating Defendants' concerted short and distort scheme, the anonymous "Orange Peel Investments" published a pair of reports on Eros in June and July 2016, which amplified the disinformation and false innuendo that Asensio and Spotlight Research spewed. In addition, it attempted to corral investors into taking a short position in Eros, which further exposed the manipulative motives that drove Defendants' smear campaign.

a) <u>The June 9 Article On Seeking Alpha</u>

207. On June 9, 2016, Orange Peel Investments, in unison with Asensio's and Spotlight Research's articles published that same day, disseminated its own short report against

Eros (the "June 9 Orange Peel Investments Article"). Orange Peel Investments' debut article, titled "New Flags About Eros Raised," identified "Parke Shall" as the author.

208. The June 9 Orange Peel Investments Article, styled as a neutral analyst report, hyped and aimed to lend credence to the specious accusations that short-sellers had spread in prior publications and to dissuade investors from buying Eros' stock. Orange Peel Investments first invoked and linked to Alpha Exposure's Seeking Alpha articles, and then pivoted to more recent allegations, broadcasting that "[t]oday we're going to reiterate our previous stance of avoiding the company based on new allegations made by well known short-seller, asensio.com. . . . [W]e don't think anytime is a good time to own Eros."

209. To bolster its baseless conclusion, Orange Peel Investments parroted the false claims that Asensio spewed about Eros' audit and the scope of Skadden's role in the Audit Committee Investigation, deeming them "serious questions." It also attempted to explain away Eros' stock appreciation, falsely claiming that Eros "is still not valued appropriately." But Orange Peel Investments did not offer any factual support for its disinformation that Eros was overvalued, instead basing its false claims on vague speculation surrounding Eros' receivables that Orange Peel Investments itself struggled to articulate, much less defend.

210. Orange Peel Investments further claimed that Eros "cannot generate cash consistently." This was false. According to Eros' consolidated statement of cash flow in its FY 2016 annual report, Eros generated net cash from operating activities of $234.6 million, $118.0 million and $132.5 million for the years ending March 2016, 2015 and 2014, respectively.

b) <u>The July 4 Article On Seeking Alpha</u>

211. On July 4, 2016, Orange Peel Investments published yet another short thesis disguised as a neutral analyst report, titled "Eros Stock Bump With Lack of Cash Generation

Makes It Attractive Short" (the "July 4 Article") and identifying "Parke Shall" and "Thom Lachenmann" as the authors.

212. The July 4 Article, once again, attempted to lend credence to both Asensio's and Spotlight Research's false accusations. For instance, after reciting each of the false "red flags" Spotlight Research had fabricated, Orange Peel Investments used those false allegations as a springboard for its claim that "[w]hen a company like EROS starts to see its stock tick higher, despite there being no tangible refutation of serious allegations, we start to look at it as a potential longer-term short. . . . [W]ith the company's current valuation, we believe the case for holding short over the course of the long term makes sense." Such false and misleading assertions revealed more about Orange Peel Investments – namely, its role as a hyper in Defendants' conspiracy – than it did about Eros.

4. Defendants Amplify Their Lies On Twitter

213. Defendants, in close coordination, amplified the baseless concerns they touted in articles and blog posts using Twitter, in an effort to further their concerted, collusive scheme to defame, disparage and thwart the prospective and ongoing business relationships of Eros. Continuing their practice of employing anonymous aliases, Defendants published a series of negative posts about Eros on Twitter to showcase their lies, and to draw the attention of a wide swath of investors and regulators to Defendants' falsified smoke.

214. For instance, Asensio spouted false and misleading accusations on Twitter, including the following:

- June 22, 2016: "$eros refuses to provide ANY details of deal with [entertainment company] Zee. Sources desperate sell out to gain credibility; still nada on UAE counter parties"
- August 12, 2016: "Investors should not read things into the SEC at $EROS. The SEC has its enforcement agenda and DISCRETION."

- August 12, 2016: "There something about $EROS again!"
- August 18, 2016: "Investors in $EROS should question themselves. 'Who is REAL on OUR side and protecting OUR interest here?'"

215. Moreover, the Asensio Defendants fabricated Twitter aliases to further reverberate their false, misleading and highly offensive themes. One such alias, "Forest Gump," joined Twitter in June 2016, at the precise time period Defendants re-commenced their short and distort scheme. Forest Gump has only ever published 12 tweets. All of his tweets except for one were negative commentary on Eros; in his standalone non-Eros tweet, Forest Gump reached out to anonymous short-seller "Unemon" with the cryptic request, "Can you follow please." A sample of Forest Gump's 11 Eros-related tweets, which all respond to pro-Eros tweets, reveals that he attempted to spread salacious falsehoods about Eros' management and to defend Asensio under the guise of an independent twitter user.

216. Further, an anonymous user acting under the guise of the alias "Market Farce" re-surfaced on Twitter to hype Asensio's and other conspirators' lies, including during phases when those defendants laid dormant. Market Farce's false and defamatory tweets include, among other fictions, the baseless assertion that Eros' accounting practices warrant SEC scrutiny:

- June 24, 2016: "Let's continue this discussion once $EROS [financial] results come out, if they ever come out with . . . the [Outside] [A]uditor"
- June 24, 2016: "@SEC_News @SEC_Enforcement will soon uncover whats [sic] wrong at $EROS... you should reach out to them... Good luck!"
- June 24, 2016: "you dope. $EROS has fallen from 30+ to low teens... on it's [sic] way to #ZERO... enjoy this movie..."
- November 11, 2016: "So the only ethical individual on the board of $EROS has quietly left the building. This is big. Also receivables balloon to $241mm!"

- November 11, 2016: "Have the employees of $EROS in India been paid for the past 2 months? Why is the Indian listed sub trading at all time lows?"
- November 11, 2016: "I still believe that the reported cash on $EROS balance sheet is non-existent @SEC_Enforcement"
- December 1, 2016: "When is @SEC_Enforcement going to investigate $EROS? Receivables have never been higher at $241mm & the cash is probably non-existent..."

E. Mangrove And GeoInvesting Spur A Third And Ongoing Wave Of Attacks

217. Defendants' second wave of short attacks in 2016 bred baseless skepticism about Eros and thus paved the way for yet another bout of attacks that began in March 2017 and continues to this day.

218. This newest stage of Defendants' conspiracy sees the re-emergence of Mangrove and August, under the guise of "Alpha Exposure," in collusion with their new mouthpieces: the GeoInvesting Defendants, the ClaritySpring Defendants and a cadre of anonymous accessories, such as "Unemon" (John Doe No. 5) and "Hindenburg Research" (John Doe No. 6).

219. In their current attacks, Defendants repackage Asensio's false and incendiary lies, including the tired refrain that Eros' financial condition was on the verge of catastrophe, made fraudulent disclosures, engaged in or had close ties to those who engaged in accounting fraud and money laundering, misrepresented the user counts for one of Eros' products (an on-demand online entertainment service called Eros Now) and carried out sham and illegal transactions.

220. Not coincidentally, an unusual and dramatic uptick in the volume of put options purchased by short-sellers occurred right as Defendants instigated their newest wave of attacks against Eros in March 2017. That month, a staggering 14,319 put options were purchased – a nearly 800% increase over the typical volume, 1,591. On information and belief, Defendants purchased most or all of these 14,319 put options, which enabled Defendants to sell more than

1,431,900 shares of Eros stock (which had an opening price of $11 per share) at pre-set prices.

221. Subsequent months yielded similarly large put options purchases. In April, May and June 2017, respectively, 4,770, 7,902 and 8,640 put options on Eros' stock were purchased by short-sellers – nearly 300%, 500% and 550% the normal average volume bought per month.

222. These substantial short positions enabled Defendants to procure massive profits from any downward movement in Eros' stock over the period of their short and distort scheme.

1. The GeoInvesting Defendants Instigate The Newest Wave Of False Accusations

223. In March 2017, the GeoInvesting Defendants, seizing on the vulnerability that its co-conspirators manufactured, commenced a third wave of false, misleading and highly offensive accusations against Eros. Through a series of three initial articles, the GeoInvesting Defendants hurled a host of false, misleading allegations against Eros, including accusations that Eros was on the verge of financial catastrophe, itself engaged or had close ties to those who engaged in accounting fraud and money laundering, misstated Eros Now's user counts and executed sham and illegal transactions. These false accusations damaged Eros' reputation, disparaged its services and products and tortiously interfered with its existing and prospective business deals, including a significant U.S. Dollar Reg-S bond offering that Defendants impeded and then sought to derail even further.

224. The GeoInvesting Defendants drove traffic to their March 2017 articles, all of which were published on GeoInvesting's website (https://geoinvesting.com) and "[c]ontributed" by "FG Alpha Management," by featuring summaries or linking to full versions of each on their Seeking Alpha blog (https://seekingalpha.com/author/the-geoteam/instablogs) and by publishing false tweets that hyped the articles.

a) <u>The March 8 Article On Geoinvesting.com</u>

225. On March 8, 2017, the GeoInvesting Defendants incited the current spate of attacks with an article titled, "Former Eros Co-Producer Accuses Company of "Channeling Money to Family Members" (the "March 8 Article"). It is no coincidence that March 8, 2017 also saw the largest number of put options purchased on a single day in all of 2016 and the first half of 2017: 3,175 options, nearly 200% of the normal average volume for an entire *month*.

226. In the March 8 Article, GeoInvesting categorizes the false, misleading and highly offensive accusations in the March 8 Article into three purported "red flags" that accuse Eros of funneling money to the founding family through related party transactions; making false statements to investors on the Company's February 21, 2017 earnings call; and improperly surging its Eros Now user count through, then deceptively concealing the termination of, its partnership with a Chinese cell phone company, LeEco.

i. <u>False Allegations About Related Party Transactions</u>

227. First, GeoInvesting falsely claims that it unearthed "stunning" and "explosive evidence" from a "former Eros [] co-producer and Indian filmmaking expert." GeoInvesting claims that such "evidence" "validate[s] numerous outstanding allegations of potential fraud and misrepresentation made by short-sellers over the course of the last two years."

228. To support this false accusation, the March 8 Article first regurgitates Alpha Exposure's (*i.e.*, Mangrove's) erroneous claims of self-dealing and boasts that GeoInvesting has "uncovered" facts that comprise "yet another, even more powerful echo of self-dealing allegations coming from an insider in the industry." The March 8 Article – echoing prior short-sellers' false and debunked claims – alleges that "NextGen is simply being used as a conduit to siphon money from company shareholders into the coffers of the Lulla family."

229. Piggybacking on these rehashed claims, the March 8 Article proceeds to lodge related, and equally groundless, accusations that Eros "can't seem to decide exactly how [much] money they've paid themselves through NextGen" and a "$10 million swing in the amount of disclosed self-dealing raises serious questions about the accounting protocols surrounding these transactions and what the true numbers look like." GeoInvesting, insinuating both that the "criticisms" have legs and the Company is turning a blind eye to them, also alleges that the Company has been "ramping back up" its related party transactions with NextGen.

230. In reality, GeoInvesting's allegations that Eros is channeling money to insiders through related party transactions is – as it always has been – false. Eros has disclosed all related party transactions in every single SEC filing since its IPO in 2013. Eros has also explained, in every filing, that certain related party transactions allow it to achieve more favorable terms than would otherwise be available and confer material benefits on Eros' business. Finally, the "evidence" GeoInvesting falsely deems as "explosive" hinge entirely on unsubstantiated allegations made by the plaintiffs in a putative securities class action as early as July 2016. That GeoInvesting sat on this stale information for over eight months – only to raise it on the same day that shorts buy a record number of put options – lays bare Defendants' intent to distort Eros' stock price through the calculated dissemination of falsehoods.

ii. <u>False Allegations About Eros' Earnings Call Statements</u>

231. Second, the March 8 Article attacks Eros' statements on a February 21, 2017 earnings call, falsely claiming that Eros raised numerous "red flags" that erode its financial viability and accounting integrity.

232. The March 8 Article purports that Eros has misstated its revenue growth and Eros Now user growth. To bolster this false hypothesis, the March 8 Article attempts to poke holes in Eros' reported revenue with a myriad of conclusory critiques against Eros' non-Indian/Europe/

North America ("Rest of the World" or "RoW") revenue data, including that they contain "flagrant anomalies," are "highly dubious" and "like many of Eros' numbers, simply don't make sense to us." From these alleged gaps in Eros' RoW data, the March 8 Article leaps to the farfetched conclusion that "[a]t the end of the day, it simply doesn't seem like Eros is showing any signs of refuting any short seller allegations made over the last year, nor do they show signs of a fundamental turn around in their business. The most recent quarter leaves us with far more questions than answers."

233. These accusations are false and hinge on a fundamental misunderstanding of Eros' business. In Eros' FY 2017 Q3 filing, on the same page where GeoInvesting's "revenue by customer" data is derived, Eros explains point-blank that "[w]e distribute our film content to the Indian population in India, the South Asian diaspora worldwide and to non-Indian consumers who view Indian films that are subtitled or dubbed in local languages." Thus, it is not only credible, but entirely expected, that Eros has a high RoW revenue, because its films are enjoyed by consumers in countries all across the non-Western world, including in other South Asian countries such as Bangladesh, Sri Lanka or Pakistan, and in non-South Asian countries that are increasingly consuming a higher number of Bollywood film content in local languages.

iii. <u>False Allegations About Eros' LeEco Partnership</u>

234. Third, the March 8 Article falsely accuses the Company of "sweep[ing] under the rug" supposedly "extremely important questions about the details of the company's pre-paid ErosNow bundle on LeEco phones." GeoInvesting proclaims that it "call[s] into question [data] provided by the company" on the number of Eros Now's paid subscribers, and speculates that Eros was improperly "surging" the number of Eros Now paid subscribers by counting the number of LeEco subscribers. In self-contradictory fashion, GeoInvesting bases its allegations of Eros' dishonest reporting on Eros' own disclosures, relying on a "footnote" in Eros' press

release to bolster its baseless inference. The March 8 Article also claims, falsely, that Eros purposefully misled its investors about the alleged termination of its partnership with LeEco.

235. Both accusations related to LeEco are false. As to the accusation that Eros was "surging" its Eros Now paid subscribers counts, Eros disclosed in its FY 2016 annual report that Eros Now is integrated on LeEco smart phones for the Indian market with a one-year Eros Now subscription pre-bundled on LeEco handsets, while LeEco was running an aggressive Eros Now marketing campaign in India. Thus, Eros cannot be improperly "surging" its Eros Now subscriber numbers by including those LeEco customers who are, in fact, subscribers of Eros Now. Also, the footnote from Eros' press release that GeoInvesting relies on only confirms Eros' transparency, as it expressly defines a "pa[id] subscriber" to include consumers who gained access to Eros Now as part of a prepaid bundle.

236. As to the accusation that Eros concealed its termination of the LeEco partnership, if any such termination did occur, it would have been immaterial to Eros' business. The Company's partnership with LeEco only pertained to Eros Now and thus did not qualify as a major contributor to Eros' revenue. Further, as Eros disclosed in its FY 2016 annual report, Eros' partnership with LeEco was not singular or unique, as Eros also collaborated with Micromax to pre-bundle Eros Now on smart phones.

237. Both LeEco-related accusations underscore the desperation of GeoInvesting in its smear campaign against Eros, as it often nit-picks insignificant minutiae and casts them as serious problems. Here, Eros disclosed that Eros Now's subscribers comprise less than one million people, which is a fraction of Eros Now's total user count of 44 million; and that Eros Now is still in the infant stages of monetization.

238. In its "conclusion" section, the May 8 Article promulgates a hyped-up, exaggerated and false prognosis. These three, isolated "red flags," the March 8 Article proclaims, are "critical questions" that prove the short-sellers' allegations; that Eros is experiencing "sharp deterioration when it comes to its financial fundamentals"; that "looming questions" remain on whether Eros can collect on its accounts receivable and where Eros is deriving its revenue"; and that Eros "may not be able to ever achieve a cash flow positive state." Eros' financial statements flatly contradict these ominous accusations regarding Eros' financial condition. For instance, Eros' FY 2016 annual report shows that the Company had over $274 million in total revenue and a net increase in cash and cash equivalents of over $30.8 million for the year ending March 2016.

b) <u>The March 16 Article On Geoinvesting.com</u>

239. On March 16, 2017 – one day before many put options on Eros' stock, including 2,989 of the put options purchased on March 8, were set to expire – the GeoInvesting Defendants followed up on its defamatory, disparaging March 8 Article with a second and even more inflammatory short report titled, "Eros' Failed Bond Offering, S&P Downgrade, Could Signal a Very Real Liquidity Crisis" (the "March 16 Article"). GeoInvesting published the March 16 Article to deflate Eros' reputation and financial condition and to enrich themselves and their short-selling confederates.

240. The March 16 Article falsely claims that the "wheels are falling off" in "a stunning way" at Eros – namely, Eros is "approaching a catastrophic liquidity crunch" and may become insolvent. In an alarmist tone, a common thread among GeoInvesting's short reports, the March 16 Article makes a slippery slope allegation that because Eros postponed its bond offering, it cannot possibly "deal with [its] revolving credit line." Specifically, the March 16 Article makes unfounded assertions that Eros "can't seem to consistently generate cash on its

own" and "[s]hort of a hasty dilutive equity offering that would theoretically have to dilute shares by high double digit percentages and destroy the stock price to just meet this year's obligations, we think [Eros] is quickly running out of options."

241. This is baseless. Again, as of the date of Eros' FY 2016 annual report (the most recent annual report at the time of the March 16 Article), Eros had over $274 million in total revenue and a net increase in cash and cash equivalents of over $30.8 million over the prior year for the period ending March 2016, for a total of over $182.7 million in cash and cash equivalents – which hardly signifies that Eros "cannot . . . generate cash" and is "running out of options."

242. The March 16 Article proceeds to attack Eros for purportedly letting the date of its revolving credit facility lapse, deeming it "remarkable" that Eros "would simply let the termination date of its credit agreement pass without making a disclosure about how they would deal with it." Such fear-mongering is unfounded. As the March 16 Article concedes later in the report, the market learned that Eros' maturity date was extended until the end of March: "S&P analysts [] shared that the company had paid $20m of its revolving facility, with **the balance of approximately $95 million extended until the end of March.**" (emphasis in original).

243. The March 16 Article then attacks Eros' postponed bond offering, which the GeoInvesting Defendants had spurred and now seek to exploit. To suggest that Eros' delayed offering means doomsday for the Company, the March 16 Article misleadingly questions Eros' stated reasons for its delayed bond offering as "highly dubious," because Eros has an "[un]healthy relationship with the provider of their revolving credit facility."

244. GeoInvesting has no basis for these specious accusations. To the contrary, nothing demonstrates that Eros had an "unhealthy relationship" with the providers of its credit facility, who on April 1, 2017 extended that agreement's maturity date by six months.

c) <u>The March 29 Article On Geoinvesting.com</u>

245. On March 29, 2017, the GeoInvesting Defendants, continuing their flurry of false and misleading accusations, published an incendiary article on Eros, titled "Eros Associated Execs Admit on Hidden Camera They Will Launder Money Through Films" (the "March 29 Article"). The March 29 Article proclaimed that Eros has "close ties" with money launderers caught on hidden camera in an alleged exposé from 2012; should be investigated by regulators; and is beleaguered with a credit crisis driving Eros toward a "toxic financing death spiral." The GeoInvesting Defendants, who sought to, in their own words, "elevate" their accusations against Eros, published this third article to further deflate Eros' reputation and financial condition and to enrich themselves, the other defendants and their short-seller confederates.

246. The March 29 Article sets forth the fiction that "[a] CNN India exposé [sic] catches four Eros International [] associated director/producer/writers on hidden camera discussing methods for laundering money through their films." The March 29 Article then accuses Eros of "work[ing] closely" with and having "close links" and "direct ties" to all five individuals, and of "[buying] a 50% interest in one film producer's company in 2016, claiming to have a 'special association' with him and his company."

247. GeoInvesting's sensationalist claim that Eros was closely associating itself with money launderers twists reality. First, this alleged media "exposé" – ***aired five years ago*** – had nothing to do with Eros. Not once did it even vaguely suggest that Eros was involved, or that Eros' particular collaborations with the individuals featured in the CNN India report were in any way tainted by alleged money laundering. Further, these stale allegations against individuals who consist of some of the most high-profile players in the Indian entertainment industry have never been substantiated. The individuals were never charged, nor have they been subject to any publicly known investigations.

248. Deploying the slippery slope scare tactics that coursed through prior short reports, the March 29 Article goes on to falsely claim that the "details of this type of money laundering could go a long way in explaining many of the critical questions raised about EROS over the last few years." The March 29 Article even falsely claims that unspecified "others" have been "alleging outright that EROS is involved with money laundering," and that even though the GeoInvesting Defendants, purportedly, are not making such allegations (at least not "outright"), they "want to present a slate of circumstantial evidence spanning the course of the last five years that we think should continue to give EROS investors perhaps their most significant cause for concern yet."

249. Among these unfounded "cause[s] for concern," the March 29 Article claims that the purported CNN India report somehow "raises serious questions about Eros'[] use of numerous offshore asset havens and its byzantine entity structure" to promote tax efficiency. In an effort to rehash and weave in prior short-sellers' tired accusations, the March 29 Article also alleges that the purported CNN India report raises "[a]dditional questions" about Eros' "tumultuous financial controls," including "(a) the use of at least 9 different auditors (b) 12 auditor resignations over the past 4 years and (c) insider allegations of the use of dummy production deals to channel assets to company family members."

250. These allegations are false for many reasons. For one, the CNN India report never mentions Eros and has nothing to do with Eros. In any case, the accusations in the March 29 Article are also substantively false and are refuted by Eros' financials. For instance, Eros' Outside Auditor has been its only independent outside auditor since it IPO in 2013. Further, while an international affiliate of the Outside Auditor resigned before Eros' IPO, Eros made crystal clear in its Prospectus filed with the SEC at the time of its IPO that its resignation was not

a result of any disagreements with Eros on any matter concerning accounting principles or practices, financial statement disclosure, or auditing scope and procedure. Finally, the Audit Committee, supported by Skadden's investigation, had rejected the bald fiction that Eros was using supposed "dummy" deals to siphon money to insiders.

251. The March 29 Article also promulgates the outrageous assertion that "[i]n order to protect U.S. investors, today we are calling for a full and thorough investigation of [Eros]." It concludes with a self-serving "short thesis" that "[g]iven the weight of its upcoming obligations we estimate that the company would have to dilute current shareholders by over 40% to sustain its operations for the next year. These equity issuances, if they occur, could be the beginning stages of what we believe to be a toxic financing death spiral for the company. We believe these concerns continue to make EROS a fantastic short if regulators don't wind up getting to the company and asking far more pointed questions then [sic] we have, first."

252. To this day, however, Eros has neither "dilute[d] current shareholders by over 40% to sustain its operations for the next year," nor plunged into any "toxic financing death spiral." In addition, GeoInvesting's urging for "a full and thorough investigation" is nothing more than a transparent attempt to create hysteria and instigate shareholder uncertainty.

* * *

253. The GeoInvesting Defendants – which admittedly owned a short position in Eros stock – profited from the share price declines that were caused by the false, misleading and highly defamatory accusations contained in their March 8, March 16, and March 29 articles.

2. Anonymous Short-Seller "Unemon" <u>Doubles Down On GeoInvesting's Short Reports</u>

254. Following GeoInvesting's initial short reports in March 2017, Unemon (John Doe No. 5), an admitted short-seller, published his own slew of four false, misleading, defamatory

and disparaging reports on Eros, all of which Unemon disseminated through his Seeking Alpha blog in either full or excerpted form.

a) <u>The March 30 Article On Seeking Alpha</u>

255. On March 30, 2017, just one day after the GeoInvesting Defendants published their outrageous accusations about Eros' alleged ties to money launderers, Unemon debuted a false, misleading and highly offensive short report titled, "EROS Is Everything But The Netflix Of India. I Honestly Believe This Company Is Going Down!" (the "March 30 Article"). In the March 30 Article, Unemon repackages the groundless and debunked allegations that short-sellers had lodged against Eros in Fall 2015.

256. Citing a six-month old statement on an earnings call by Eros' management, Unemon claims that while management seemed "optimistic" about Eros Now, "Netflix is the real winner in India." Unemon continues, "Simply by comparing Appannie Data for *NETFLIX* in the U.S. and *EROS NOW* in India makes it clear how EROS had been unable to compete with Netflix even at Home. **DATA SEEM TO CONFIRM THAT NETFLIX IS EATING EROS ALIVE IN ITS OWN HOME MARKET (INDIA)"** (emphasis in original).

257. Unemon hangs his dramatic claims by the thin and feeble thread of App Annie data, echoing Mangrove's unfounded accusations about Eros Now's user counts in Fall 2015 (*see* above, at ¶¶ 109-110). But App Annie can only capture a small sliver of Eros Now's total user count. App Annie measures the number of times a certain "app" is downloaded. By contrast, a prospective customer of Eros Now can become a registered user and thereafter access and use the platform without ever having to download the Eros Now "app."

258. Indeed, Unemon's falsehoods about Eros Now turn a deaf ear to Eros' numerous disclosures that its users do not need to download the Eros Now "app" to register for, access or view Eros Now's content. Thus, Unemon's decision to republish such plainly false accusations

reveals that he will say anything to erode Eros' reputation and financial condition, to perpetrate Defendants' corrupt scheme.

b) The April 6 Article On Seeking Alpha

259. On April 6, 2017, a mere eight days after his initial post, Unemon attacked again by publishing a blog post on Seeking Alpha titled "Eros Worldwide Pledged Shares In Eros Intl Media As Collateral Last Week: Liquidity Problems And Lack Of Alternatives Never Seemed So Real To Me." (the "April 6 Article"), which, parroted GeoInvesting's March 2017 attacks by falsely accusing Eros of being saddled with a liquidity crisis.

260. The April 6 Article asserts that Eros' Dubai subsidiary, Eros Worldwide FZ LLC ("EWW") "pledged as much as 4.67% of Eros International Media Limited" (Eros' Indian subsidiary, or "EIML") "to three (3) lenders between Mar 27, 2017 and Mar 31, 2017," falsely casting these transactions as proof of Eros' non-existent "liquidity crisis." This is highly misleading and demonstrates Unemon's desperate attempt to create smoke where none exists. Eros is not engulfed in a "liquidity crisis," and its sale of a minority stake in EIML was a temporary measure to raise money while it refinanced its debt.

261. Unemon also notes misleadingly that Eros pledged shares of EIML as collateral for loans to three companies that "seem[] 'lender[s] of last resort to me'. [sic]" Unemon relies on this false and misleading statement to bolster his prognosis that Eros' financial status is "SIMPLY PUT … SCARY! (at least to me)." True to form, Unemon does not offer a single rationale for his false and conclusory accusation that Eros' lenders are "of last resort," second-rate or shoddy.

c) The May 10 Article On Unemon.com

262. Unemon followed on the heels of his two blog posts by publishing an article titled, "Liquidity Crisis at Eros International Is Real: Here Comes the Proof!" (the "May 10

Article"). A total of 1,451 put options were purchased within the prior three days (*i.e.*, from May 8 to 10, 2017), representing over 91% of the normal average volume for an entire month and reflecting approximately $1.58 million in Eros' stock.

263. Unemon opens his May 10 Article by tipping his hat to fellow conspirators, Mangrove and August (as Alpha Exposure) and Asensio, for reporting "widespread fraud" at Eros. He then swerves sharply into the bald, unfounded assertion that "RECENT DEVELOPMENTS LEAD ME TO BELIEVE WE ARE NOW AT THE LAST CHAPTER OF EROS JOURNEY: <u>EROS SEEMS TO BE RUNING [sic] OUT OF MONEY</u>!" Unemon's hype is false. As Eros disclosed in its April 3, 2017 press release, in addition to extending its credit facility agreement by six months to September 30, 2017, Eros is in advanced stages of executing multiple long-term financing agreements to eventually replace the credit facility.

264. Among a string of false, misleading and alarmist assertions, Unemon claims that in late-March 2017, Eros had to postpone the release of its high-profile film, *Sarkar 3*, due to alleged "liquidity problems." This was plainly false. Eros postposed *Sarkar 3* due to unforeseen delays in post-production work – which, as Eros has disclosed repeatedly in its financial reports, can occur due to the uncertainties involved in film development and production.

265. In the same vein, Unemon also purports to have "reached out to 2 contacts active in the entertainment industry in India. They both expressed their belief that EROS is experiencing liquidity problems at the moment." Unemon does not name or otherwise describe these two supposed contacts. Nor does he indicate when he supposedly "reached out" to them; or even attempt to adduce any basis for their erroneous "belief[s]."

266. Unemon also bases his hollow cries of "liquidity problems" on the claim that Eros is liquidating its investment in EIML, which would leave the Company's shareholders with the

"inferior" Eros Now. Denigrating Eros Now, Unemon falsely claims that – according to his alleged sources and a crude comparison of Eros Now with Netflix, Amazon Prime and Hotstar – Eros Now has "failed to gain any meaningful traction in India [as] young generations are simply not using it" and "seems to be in a down-trend."

267. Unemon further alleges, falsely, that Eros is obscuring the alleged "recent changed [sic] in the ownership structure" involving EWW's sale and pledge of shares in Eros International Media, by hiding the transaction from its U.S. investors. Again, Unemon's accusation is highly misleading. Unemon himself relies on Eros' public disclosures in India, which any U.S. investor interested in the transactions at issue has access to.

d) The June 28 Article On Seeking Alpha

268. Unemon, in clockwork fashion, published his fourth monthly hit piece on Eros on June 28, 2017 titled, "EROS: Desperately Raising Cash And At The Same Time Buying Assets From Insiders. How Messed Up Is That? IMO: A LOT!" (the "June 28 Unemon Article"). On June 27, 2017, one day before Unemon's June 28 Article, the largest put options trading position in June 2017 (encompassing 1,030 options) was made. Not coincidentally, a total of 2,411 put options were purchased by short-sellers that day, representing nearly 152% of the normal average volume for an entire month and reflecting over $2.86 million in Eros' stock.

269. In addition to rehashing his prior allegations that Eros is saddled with a liquidity crisis because EWW sold and pledged more shares in EIML, Unemon takes a page out of Mangrove and GeoInvesting's playbook by accusing Eros of self-dealing through related party transactions. Specifically, Unemon claims that "EROS INTERNATIONAL FILMS PRIVATE LIMITED (a Subsidiary of EROS) is now buying a property that belongs to Mr. Sunil Lulla and

his Relative Mr. Kishore Lula for approximately $8.49m - $8.80m (Rs. 53 crores to Rs 55. crores)," and he taunts, "EROS insiders in need of liquidity too?"

270. Unemon's insinuation that Eros is self-dealing to the Lulla family is false. As Eros has disclosed, these related party transactions allow the Company, including its subsidiaries, to achieve in many cases more favorable terms and confer material benefits on the Company – disclosures that the Audit Committee Investigation confirmed as proper.

3. The GeoInvesting Defendants Resume Their Attacks To Disrupt Eros' Annual Report Filing

271. After a 14-week hiatus, GeoInvesting re-emerged in July 2017, precisely two weeks before Eros was scheduled to release its FY 2017 annual and Q4 financial results. GeoInvesting published a pair of short reports seeking to breed investor doubt about Eros ahead of the Company's FY 2017 annual report filing. Both reports were published on GeoInvesting.com and "[c]ontributed" by "FG Alpha Mgmt."

a) The July 14 Article On Geoinvesting.com

272. On July 14, 2017, GeoInvesting published a short report titled, "EROS: Critical Warning Signs Ahead of Upcoming Annual Report?" (the "July 14 Article"). The July 14 Article propagates false claims that: (i) Eros was surreptitiously "unwinding" its primary Indian subsidiary, EIML; (ii) Eros' "silence" on its refinancing options is "troublesome" and "ominous"; (iii) Eros squandered its cash assets through an undisclosed related party transaction; (iv) recent changes to EIML's auditor suggests that the Outside Auditor will not remain as Eros' independent outside auditor; and (v) Eros' FY 2017 annual report is late. Each of GeoInvesting's claims in the July 14 Article are false and were spread for the sole purpose of harming Eros' reputation and business.

i. False Allegations That Eros Is "Unwinding" Its Main Indian Subsidiary

273. First, GeoInvesting – echoing Unemon's allegations in the May 10 Article – asserts that Eros had its Dubai subsidiary, EWW, "slowly" and "quietly" sell off stakes in EIML in a desperate attempt to mitigate Eros' "undisclosed liquidity crisis." GeoInvesting alarmingly flags the sales as "likely to have a material impact on both future revenue and cash flow," and indicative of a continual, "ever-dwindling solution" to Eros' "ongoing liquidity needs."

274. GeoInvesting's assertions are false. For one, its familiar refrain that Eros is embroiled in a liquidity crisis ignores the plain fact that, as of the date of Eros' FY 2016 annual report, Eros had net increase in cash and cash equivalents of over $30.8 million over the prior year, for a total of over $182.7 million in cash and cash equivalents.

275. Further, GeoInvesting's assertions that Eros' "unwinding" of EIML will continue for an indefinite time and have a "material impact" on Eros' future revenue and cash flow amount to rank speculation. In reality, Eros was not and is not "unwinding" EIML. Rather, Eros' limited sale of a minority stake in EIML was merely a temporary measure to raise cash while it refinanced its debt. As Eros' management affirmed on its July 28, 2017 conference call with investors, Eros has, and intends to retain, a controlling stake in EIML.

276. In addition, GeoInvesting's claim that Eros was "quietly" and thus underhandedly selling off EIML is false, highly misleading and internally contradictory. In fact, Eros was transparent in disclosing the existence, degree and purpose of its sale in EIML when it released its FY 2017 annual and Q4 earnings. The sale was also disclosed in Eros' subsidiaries public filings, which GeoInvesting itself relies on in a futile attempt to justify its falsehoods.

ii. False Allegations About Eros' Refinancing Negotiations

277. Second, GeoInvesting attacks Eros for going "silent" after announcing in April that it was in the middle of negotiating options to refinance its revolving credit facility, casting Eros' purported "silen[ce]" as "troublesome" and a "potentially ominous signal."

278. These claims are baseless. As even GeoInvesting acknowledges, Eros' credit facility maturity date was extended to September 30, 2017. Eros has no obligation to disclose the details of its refinancing alternatives ten weeks ahead of that date.

iii. False Allegations About Eros' Related Party Transactions

279. Third, GeoInvesting accuses Eros of squandering its cash by purchasing just shy of $8 million in real estate from "key insiders" through a subsidiary of EIML, Eros International Pvt. Ltd. GeoInvesting proceeds to attack Eros for allegedly neglecting to disclose this transaction to its investors, and for "drain[ing] cash out of the company."

280. Again, GeoInvesting's allegations are false and unfounded. First, as evinced by GeoInvesting's own report, Eros had disclosed the existence of, consideration for, and counterparties involved in this related party transaction through a filing with India's Ministry of Corporate Affairs. Second, Eros' transaction hardly "drains" cash out of the Company, considering that Eros had cash and cash equivalents of over $182.7 million as of March 2016. In any event, Eros purchased the property for a business purpose and at a discount compared to what it would have had to pay if it purchased comparable property from a non-related party. Thus, Eros was not depleting cash through its garden-variety transaction.

iv. False Allegations About Eros' Relationship With Its Auditor

281. Fourth, GeoInvesting spreads the false red flag that Eros' Outside Auditor may no longer remain on board, given the recent switch in EIML's auditor and resignations by the auditors of Eros' subsidiaries.

282. GeoInvesting's allegations are plainly false and fabricated to provoke market doubt about Eros. The shifts in auditors of Eros' subsidiaries, which audited EIML's filings with the SEBI, had nothing to do with Eros' relationship with its Outside Auditor, which audited Eros' separate and distinct filings with the SEC. In fact, as Eros' FY 2017 annual report reveals, the Outside Auditor continued serving as Eros' independent outside auditor in flat contradiction to GeoInvesting's false claim.

v. False Allegations About A "Delay" In Eros' Annual Report Filing

283. GeoInvesting concludes its July 14 Article by asserting that Eros' FY 2017 annual report filing was delayed compared to previous years' annual report filings.

284. This, too, is wrong. In reality, there was no "delay" in Eros' FY 2017 annual report filing. Eros filed its FY 2017 annual report on July 31, 2017, on time under SEC rules. Further, Eros was not abnormally late in filing its FY 2017 annual report compared to previous years. The timing of Eros' FY 2017 annual report filing conforms almost exactly to its FY 2016 annual report filing on July 27, 2016 and its FY 2015 annual report filing on July 8, 2015.

b) The July 18 Article On Geoinvesting.com

285. On July 18, 2017, just four days after publishing the July 14 Article, GeoInvesting followed up with yet another short report titled "Eros: Continued Subsidiary Sales and Expensive

Debt Further Our Reasons for Concern" (the "July 18 GeoInvesting Article"), which recycles recent claims by itself and its co-conspirator Unemon concerning Eros' sale of a stake in EIML.

286. More specifically, the July 18 GeoInvesting Article asserts that EWW made a block sale on July 14 representing 1.32% of EIML, and then speculates that Eros may have made a larger total sale that day that was not reported. The 1.32% sale is "significant," GeoInvesting claims, because Eros may have lost majority voting control in EIML. GeoInvesting proceeds to find fault with new share pledges in EIML, which it asserts reflects an influx in senior debt borrowings and hence Eros' desperate "need for new borrowings." GeoInvesting concludes its article by repeating its dire refrain that Eros is ensnared in a "liquidity crisis."

287. GeoInvesting's rehashed claims in its July 18 GeoInvesting Article continue to be false. Once again, Eros had ample cash on hand, and its limited sale of an additional 1.32% stake in EIML hardly signifies any loss of a controlling stake in EIML. Rather, Eros continues to own over 60% of EIML through EWW and other subsidiaries. Further, Eros is not, and was not ever, spiraling down a catastrophic "liquidity crisis," despite GeoInvesting and its co-conspirators' relentless attempts to re-broadcast this false claim.

4. <u>Defendants Exploit Twitter To Spread Their Renewed Lies</u>

288. Defendants, in coordinated fashion, again amplified the baseless concerns they touted in articles and blog posts using Twitter, including through new anonymous aliases such as "Lolwut02" and "mboom1991."

289. For instance, GeoInvesting promulgated its defamatory, disparaging articles to the broader Twitter audience:

- March 8, 2017: "@fgalphamgmt contributes to @GeoInvesting showing former co-producer alleges $EROS of channeling money to family."

- March 8, 2017: "$EROS yesterday failed to price its new 9% bond due to lack of demand from high yield mkt. Could there be a liquidity crunch at $EROS?"

- March 8, 2017: "The $EROS & LeEco prepaid phone bundling partnership has come and gone without any explanation from management, says @fgalphamgmt" [sic]

- March 8, 2017: "@fgalphamgmt believes that $EROS has far too many red flags to be considered investable & is are currently short, as is @GeoInvesting."

- March 16, 2017: "@fgalphamgmt to @GeoInvesting on $EROS, claiming co. may be out of options for cash aside from an equity raise[.]"

- March 16, 2017: "@fgalphamgmt: As of Dec, $EROS had current liabilities of due within 1yr of $434M with just $135M cash on hand"

- March 29, 2017: "@fgalphamgmt contributes its latest to GeoInvesting on $EROS"

290. In lockstep with GeoInvesting, defendant David, using his pen name "FG Alpha Management," intensified GeoInvesting's attacks by repeating and expanding on GeoInvesting's allegations:

- March 8, 2017: "Today we plan on providing what can only be described as explosive evidence from a former $EROS co-producer & Indian filmmaking expert."

- March 8, 2017: "Court documents seem to validate outstanding allegations of potential fraud at $EROS made by short-sellers over the last two years."

- March 16, 2017: "We believe $EROS to be in a serious liquidity crunch that may soon force the company into issuing equity at very dilutive prices."

- March 22, 2017: "$EROS Credit and finance issues continue. Now they are not paying producers."

- March 27, 2017: Link to positive article on Eros' new partnership with a leading U.S.-based event cinema distributor as part of the "Best of Bollywood Event Series," the first-ever classic Bollywood film series presented in North American theaters, with the tweet, "$EROS think this

BS PR [. . .] is going to solve their liqiudity [sic] issues? No I don't think so. Not to mentnion [sic] whats [sic] coming"

- March 29, 2017: "A CNN India exposé catches 4 $EROS associated execs on hidden camera discussing methods for laundering money through their films"

- March 29, 2017: "$EROS worked closely with all of the individuals and even acquired a 50% interest in one of their production companies in 2016"

- March 29, 2017: "Apparent ties to money launderers raises serious questions about $EROS use of offshore asset havens & its byzantine entity structure"

- March 30, 2017: "Did $EROS lose their [] President [in] Jan 2017 & not disclose it? [. . .] No way since they are most transparent company ever!"

- March 31, 2017: "Lol you can't even make this shit up! $EROS & a few pumper morons calling them most ethical company ever. Please sueeze [sic] so I can short more."

- July 14, 2017: "Our latest critical report on $EROS is available exclusively at @GeoInvesting"

- July 14, 2017: "Read our latest report on $EROS contributed to @GeoInvesting"

- July 14, 2017: "In our latest report on $EROS we examine how the company has sold off or pledged over 23% of its stake in its Indian subsidiary"

- July 14, 2017: "$EROS is historically late in disclosing its annual report by over a month now. A sign of caution?"

- July 14, 2017: "$EROS Indian subsidiary, meanwhile, accounts for over 58% of 2016 revenue. The company has also switched auditors (again)."

- July 15, 2017: "$EROS ... short report out there from @GeoInvesting ...Clock is ticking ... just 15 days left to file annual Report! $EROS the ZERO"

- July 18, 2017: "$EROS continues to sell off its main subsidiary. New findings today add to findings we reported in an article on @GeoInvesting yesterday."

- July 28, 2017: "$EROS Thank u to Jefferies & Macquarie analysts who thru ineptitude created the opportunity for us & others to actually publish the truth."

291. Furthermore, Irons, under the pseudonym "Quoth the Raven," aggressively rebroadcasted the falsehoods spread by other defendants through a slew of tweets, which include the following:

- March 8, 2017: "QTR believes $EROS is in a massive liquidity crunch and can't generate cash. With a bond offering failing, very scary for equity investors."
- March 8, 2017: "$EROS equity worth $0 IMO [. . .]"
- March 9, 2017: Graph depicting Eros' stock prices with the taunting tweet, "Everything's fine here...$EROS"
- March 13, 2017: "$EROS about to go red after being green all day"
- March 14, 2017: "$EROS continues to fall apart"
- March 14, 2017: "$EROS wants to head back into single digits no doubt"
- March 16, 2017: "Honestly, QTR believes $EROS equity is worth 0"
- March 22, 2017: "Meanwhile, still waiting on the S&P downgrade of $EROS that should be coming any second. But yeah, appears they're broke."
- March 29, 2017: "In my opinion, for $EROS, now just a question of whether dilutive financing or regulators take them out first. #GameOver"
- March 31, 2017: [Responding to another Twitter user who defended users with the tweet] "He's right that somebody sounds desperate. It's not shorts, though. $EROS"
- July 28, 2017: "Don't say you weren't warned on $EROS: @fgalphamgmt @unemon1 @Clarityspring @ChazzCapital @asensiocom have had this joke nailed for years."
- July 28, 2017: "Also credit to @alpha_exposure - one of the first to blow the whistle on $EROS some time back."

292. In addition, the anonymous short-seller "Unemon" (John Doe No. 5), disseminated strident tweets about Eros starting in March 2017 and continuing in a steady downpour to this day. Unemon's tweets not only pounced on and echoed his and his co-conspirators' disinformation, but spread additional rumors. Unemon's torrent of false and defamatory tweets about Eros includes the following, which represents a mere subset of his total tweets about Eros:

- March 8, 2017: "$EROS Remember it is planing [sic] to invest 220m in Content each year till 2018 (possibly beyond).Now they failed to place BOND. Strategy is dead"
- March 8, 2017: "$EROS ... bond placement was key for their growth strategy. Huge red flag that they failed to place it. Looks like creditors have concerns"
- March 16, 2017: "$EROS .. best case .. they announce a dilutive offering Next week. Worst Case ... liquidity crunch. = 20% drop or more in any case"
- March 17, 2017: "$EROS unable to complete bond offering, unable to renegotiate credit facility in Jan16. Either 20% dilution or liquidity crunch in 2 weeks"
- March 30, 2017: "$EROS and then you call the Company Phone number in Dubai ... +97143902825 ... ha ha ha ha"
- April 4, 2017: "$EROS of course this Indian shady company has not yet filed a 6-K disclosing the Terms of the CF extension. Credibility 0.0"
- April 4, 2017: "SOS SOS .... $EROS looks like a 10th world movie producer judging from Box Office India Data"
- April 5, 2017: "$EROS .. trending lower and lower today .... Guess market is finally waking up!"
- May 10, 2017: "Looks like $EROS is liquidating its investment in EROS INDIA as well as pledging shares to Creditor. Final Chapter of this Fraudulent Co."
- May 13, 2017: "$EROS Sloppy Analysts have been made aware of what I believe to be a liquidity Crisis at EROS. yet they keep $18 PT? they r geniuses!"

- May 26, 2017: "$EROS ... also changed the AUDITOR ... what a surprise!"

- May 26, 2017: "$EROS ... Dubai Office ... less than approx 400sqft ... HILARIOUS COMPANY."

- June 7, 2017: "$EROS continues to trend lower and lower .... just as predicted!"

- June 8, 2017: "$EROS lower and lower ... just the way I like it"

- June 9, 2017: "$EROS new partner moving into electric scooters. lol ... watching ERO-NOW when riding a schooter? [sic] Paramedics be ready!"

- June 20, 2017: "$EROS everybody in is right state of mind would dismiss such a rumor ($AAPL invesitng [sic] in $EROS) IMMEDIATELY!! True is $EROS needs Cash!"

- June 23, 2017: "$EROS .. would not be surprised ... to see a ... 'NOTIFICATION OF LATE FILING' next week .. since Co has not announced a date yet!"

- June 28, 2017: "$EROS . [sic] buying offices from LULLA and paiung [sic] $8.8m? when at the same time it is liquidating investments without informing U.S. shareholders?"

- July 6, 2017: "$EROS ... Wondering if auditor making problem to sign on annual reports? or what is going on? Company never waited till July. No date yet!"

- July 11, 2017: "$EROS .. touting the [LeEco] partnership last year ... Looks like another FAILURE!"

- July 20, 2017: "Needless to say... all past 3 Movies released by $EROS have been labeled as "DISASTER" BY BOXOFFICEINDIA!"

- July 25, 2017: "question submitted to Jefferies and $EROS management: Hoping for a hones and comprehensive answer! I know I know .. I am a dreamer!"

- July 18, 2017: "[Fullerton] deal did not happen. another failure to perform. JUST do a simple google search trend to see virtually noboy [sic] is interested in $EROS NOW"

- July 27, 2017: "Looks like $EROS ... is not adding many titles released in 2017 to EROS now. Looks at this Chart? Falling off a cliff? wonder why."

- July 27, 2017: "$EROS should be transparent and take questions 'live' over the phone from Investors. Jefferies working as a de-facto PR agent is collusion!"
- July 27, 2017: "Nice ... They all also used to ask questions during the ENRON CCs ... turned out extremely well for blind Shareholders $EROS"
- July 28, 2017: "$EROS did a Bollywood producer help management to SCRIPT this $EROS quarterly Call. Sounds like Fiction, rather than reality!"
- July 28, 2017: "$EROS admitted today in PR intention to raise Equity. Guess Long Short Sqeeze [sic] Thesis just got invalidated: New issuance to allow covering"
- July 28, 2017: "$EROS .. when will the downgrades start to come in? Colluded Jefferies aside ... I still think the others does have some dignity left."
- July 28, 2017: "$EROS ... eager to see who is so brave to keep this Shares Long overnight? I would not rule out Going Concern language in 20-F"
- July 28, 2017: "EROS falling apart? ... well ... what do u expect. This recent PRESS Release was so hilarious .. hard not to think Books are cooked!"
- July 28, 2017: "$EROS fraud falling apart? lol ... down -30% ... will pumpers blame short sellers? Ahah"
- July 28, 2017: "$EROS everybody knows the 'catalog revenue' with 'longer payment cycles'... JUST a way to inflate revenue that will never get collected!"
- July 28, 2017: "After reading today Earnings PR ... If u still believe $EROS is not a fraud ... u are just an Idiot!"
- July 28, 2017: "$EROS revenue in Q4 2017 was $52.6m, down from $65.1m in 2016. That's a 20% Drop! ... Amazing Growth story ... lol"
- July 28, 2017: "$Eros Now holds rights to more than 10,000 films[]? yet on Eros Now platform less than 5000 movies? ahah get ur lies straight $EROS, pls!"
- July 31, 2017: "$EROS .. run the numbers and u will realize that EROD [sic] outside India generated 30sh m in Reve and had a 25m increase in Receivebles [sic] = Fake!"

293. Moreover, Defendants fabricated Twitter aliases to further reverberate their false, misleading and highly offensive themes. One such alias, "Lolwut02," joined Twitter in May 2017. Lolwut02 has only ever published six tweets, all on May 23, 2017 and related to Eros. In one tweet, Lolwut02 responds to Unemon's derisive tweet concerning a securities filing by Eros International Media with the mocking question, "[t]hey do this every year?" In another tweet, Lolwut02, purports that it is "getting kind of nervous" at the baseless prognosis of the Company's looming liquidity crisis. Another alias, "mboom1991," joined Twitter in June 2017. Since then, mboom1991 has published zero tweets of his own but consistently rubber-stamps Unemon's negative tweets about Eros by "liking" them.

5. <u>ClaritySpring Foments Further Disinformation And Doubt</u>

294. Defendant ClaritySpring first surfaced in March 2017 and, along with Alpha Exposure (Mangrove), re-emerged with far greater intensity in July 2017 – right before Eros was set to report its FY 2017 annual and Q4 results, and in tandem with GeoInvesting's July 14 and 18 Articles discussed in ¶¶ 271-287. ClaritySpring has published approximately 30 tweets on Eros, timing its tweets to align with its co-conspirators' falsehoods.

295. For instance, on March 9, 2017, just one day after GeoInvesting's first short report against Eros, ClaritySpring tweeted at "Quoth the Raven," "seems perfectly normal, perfectly healthy." On March 17, again one day after GeoInvesting's second short report against Eros, ClaritySpring re-tweeted a link to that article. Similarly, on March 31, 2017, at the heels of GeoInvesting's and Unemon's March 29 and 30, 2017 articles, respectively, ClaritySpring tweeted the following "reply" to an alias of GeoInvesting's officer, Christopher Irons, "Quoth the Raven": "I'm just impressed that [investors with a long position in Eros are] catching a bid anywhere right now."

296. On June 26, 2017, foreshadowing Unemon's June 28 Article, ClaritySpring tweeted falsely that "$EROS up big on air. No word on annl [sic] report release date. Prior annual report dates: 2013: 5/30 2014: 6/12 2015: 6/10 2016: 6/28 2017: ???"

297. ClaritySpring intensified its attacks against Eros starting in late-July, in concert with GeoInvesting's renewed short reports and in the ten days before Eros was set to report its FY 2017 annual and Q4 results on July 28, 2017. ClaritySpring and its co-conspirators escalated their attacks to delay Eros' filing and preempt positive market reaction to Eros' latest financials.

298. The centerpiece of ClaritySpring's attacks was a series of tweets on July 21, 2017, the day Eros' put options were set to expire that month. The tweets fabricated false, misleading allegations concerning an alleged Eros subsidiary, Emerging Power Singapore Pvt. Ltd., formerly known as "Eros Energy Singapore Pvt. Ltd" ("Emerging Power" or "Eros Energy"). Purporting to rely on FY 2016 financial results, ClaritySpring claimed that Emerging Power owns a 99% stake in another Eros subsidiary, Eros Television India Private Limited ("Eros TV"), and that Emerging Power "sits outside the $EROS corporate structure." These accusations were false and misleading. As Eros' SEC filings make clear, Emerging Power is not a subsidiary of Eros and not part of Eros' corporate structure. Thus that the company "sit[s] outside [Eros'] corporate structure" is not at all surprising or salacious, contrary to ClaritySpring's false rumors.

299. ClaritySpring went on to falsely claim that Emerging Power "records little financial activity w/ the exception of cash transfers through a series of borrowings and advances" and that, "[d]espite being a subsidiary to an apparent energy company, the advances described in its audits are 'Advances given for film." ClaritySpring capped off its false and misleading tweets by claiming that this alleged Eros subsidiary "received a qualified audit opinion, adverse

opinion, then NO AUDIT. $EROS," and then mocked, "It makes me happy when pumpers get mad. The truth stings $EROS."

300. These accusations could not have been further from truth. Once again, Emerging Power is not in fact a subsidiary of Eros or otherwise part of Eros' corporate family. Thus, it was neither necessary nor appropriate for Eros to oversee this unaffiliated entity's financial reports or audit results. The plain falsity of these fictions highlight ClaritySpring's corrupt motive to distort market perception of Eros just before Eros' most critical SEC filing of the year.

301. ClaritySpring and its co-conspirators succeeded in overwhelming the market with their self-constructed falsehoods. On July 21, 2017, as a result of ClaritySpring's and its co-conspirators' false attacks on Eros' accounting, Eros' stock price dropped by nearly 21% within three and a half hours of the start of trading that day.

302. ClaritySpring continued to aggressively attack Eros on Twitter from its July 21, 2017 string of tweets until Eros reported its FY 2017 annual and Q4 results. ClaritySpring's tweets regurgitated the accusations that its co-conspirators peddled in recent months, but also promulgated the incendiary lie that Eros colluded with an independent analyst at Jefferies Group to sugarcoat the Company's financial results and drive up its stock price. Its flurry of false tweets during this brief period, several of which responded to tweets by its co-conspirator Unemon, included the following:

- July 27, 2017: "FWIW, my predictions on $EROS's annual results being reported tomorrow morning*

  1. Continued issues with collection of accounts receivables

  2. Large and inexplicable 'Rest of World' and UAE sales despite y/y sales declines in India

  3. Slightly negative to slightly positive net income driven by 'high margin catalogue sales'

4. Negative cash flow and significantly lower balance

5. Large headline ErosNow user growth but little insight on revenue or cash flow. Possible announcement of an LOI or unfinalized 'deal' that seeks to peg ErosNow at a valuation

6. Worse terms on revolving credit line

7. Non-definitive statements about late-stage negotiations with new creditors

8. Jefferies to re-iterate 'Buy' rating following the call no matter what. If the CEO executes herself in front of everyone on the call, Jefferies: "optimistic about new talent brought in to refresh management team'

9. New auditor.

10. Lastly, that this will be Eros's last annual report as an NYSE-listed company."

6. Mangrove Reignites Its Onslaught Through Seeking Alpha And Twitter

303. In tandem with GeoInvesting and ClaritySpring's attacks, Mangrove and August, posing as "Alpha Exposure," resurfaced with multiple targeted strikes, starting with a trickle of four tweets on May 26, 2017, then a downpour of 20 tweets on July 28, 2017, followed by yet another defamatory short report on Seeking Alpha.

a) Mangrove's False And Misleading Tweets

304. On May 26, 2017, the day EIML released its FY 2017 annual and Q4 financial results, Mangrove and August, posing as "Alpha Exposure," took to Twitter to defame and disparage the subsidiary and by extension Eros. Within a span of less than 15 minutes, Alpha Exposure tweeted the following false allegations that:

- "$EROS - oldie but goodie - Indian subsidiary reported results this morning. Massive cash burn. Target price still $0"
- "$EROS Indian subsidiary cash on balance sheet only 131 Rs Lacs vs 1,719 Rs Lacs last year (-92% year over year). Looks like liquidity crisis"

- "$EROS Indian subsidiary borrowings more than double in last fiscal year but sales down. Looks dire to me."

- "$EROS Indian subsidiary almost all cash comes through consolidation and not in the standalone accounts. We think this is a huge red flag."

305. Alpha Exposure's tweets echoed GeoInvesting's and Unemon's baseless claims that Eros was embroiled in a "liquidity crisis" and "burning cash."

306. In line with its strategy of attacking during critical earnings announcements, Mangrove and August attacked again as Alpha Exposure on July 28, 2017, the date Eros released its FY 2017 annual and Q4 financial results. This time, Alpha Exposure escalated the frequency and virulence of its attacks, publishing 20 tweets within the span of less than two hours. Alpha Exposure's deluge of tweets promulgated false allegations that:

- "$EROS $58.5m in receivables more than 1 year old but the reserve for doubtful accounts is just $163k. Fraudulent revenues."

- "$EROS spent only $5 million on film production in the quarter. Company clearly in liquidity crisis."

- "$EROS admitting it will decrease number of films being produced. Why? LIQUIDITY CRISIS. #liquiditycrisis"

- "$EROS under SEC investigation. No way a registration statement gets approved. This is fraud [sic] going to $0."

- "$EROS claims will get DSOs under 250 yet they just keep growing... now 366. Complete fraud."

- "$EROS first says it will only take questions from Jefferies analyst and then... takes questions from other people. Clown show."

- "$EROS still does not disclose revenue from EROS NOW. They pump it and refuse to disclose. Huge red flag."

- "$EROS revenues -19% in Q4 and EBITDA -35% in Q4 despite booking fake content/rest of world sales"

- "Lets [sic] be clear. Today's $EROS results should prove that the company is a fraud. There's no doubt any longer. 1/n"

- "EROS Days Sales Outstanding increased to 350 days based on current Accounts Receivable. Total A/R (including LT) gives 366 DSOs!!"
- "$EROS EBITDA "slightly down" per CFO ... yet Q4 was -35% YOY. Blaming demonetization yet effects should be fading with time not intensifying"
- "$EROS cash generated from operations before income and interest only $9mm in Q - not collecting any cash to pay for films. #liquiditycrisis"
- "$EROS massive increase in days payable shows they are having trouble paying their suppliers in timely way. Company in distress / cash crunch"
- "$EROS wants to raise equity but reassuring everyone its [sic] "well capitalized." Lies on top of lies."
- "$EROS would have been better off never reporting and late filing than coming out with the fiction and fumbled questions they presented today"
- "$EROS says EROS NOW revenue only $14 million. Complete joke."
- "$EROS reveals that the company is filing a shelf. Only reason to do that is to dilute current shareholders by issuing equity"
- "$EROS press #1 and register for a question. Me: why do you have almost no reserves for receivables when you have so many over a year old?"
- "$EROS ends with another lie "no further questions" - what about me?"
- "$EROS increase in trade and other receivables used $72 million in cash despite sales decline. Fraudulent sales being booked & not collected"

307. Subsequently, on August 1, 2017, a day after Eros filed its FY 2017 annual report with the SEC, Mangrove and August struck once again with the false and threatening tweet, "$EROS 20-F indicates significant liquidity risks. Almost begging for another article. Just wait for next week..."

308. Mangrove and August's most recent tweets about Eros parrot and mockingly create a "hashtag" for the unfounded claims that Eros has spiraled into a "liquidity crisis." Their assertions, evoking Asensio's in Summer 2016, also falsely denigrate Eros as a "fraud."

309. Moreover, Mangrove and August's assertions mirror ClaritySpring's so-called "predictions" from the previous day, by attacking Eros' accounts receivables and "Rest of World" revenue. Finally, Mangrove and August's assertions contradict one another. For instance, in one tweet they assert that "$EROS still does not disclose revenue from EROS NOW. They pump it and refuse to disclose. Huge red flag." In another tweet published just one hour later, they renege on this claim entirely, asserting that "$EROS says EROS NOW revenue only $14 million. Complete joke."

310. Mangrove, Clarity Spring and their co-conspirators' false tweets accomplished their goal, causing Eros' share price to drop by over 16% on July 31, 2017, compared to the opening price on July 28, 2017.

b) <u>The August 14 Article On Seeking Alpha</u>

311. On top of flooding the market with false tweets, another centerpiece of Mangrove and August's newest round of attacks on Eros as "Alpha Exposure" is an incendiary article on Seeking Alpha dated August 14, 2017, titled "Eros: Roll the Credits" (the "August 14 Article"), re-published on Alpha Exposure's blog that day.

312. In its latest hit piece, Mangrove repackages the same false themes in GeoInvesting's and Unemon's (John Doe No. 5) short reports, including that Eros is submerged in an alleged "liquidity crisis." Mangrove's baseless claims, made solely to malign Eros' business and reputation, are false for the same reason they have always been false. Eros, contrary to Defendants' relentless refrain, has over $112 million in cash and cash equivalents as of March 2017. Further, as Eros announced, it is in the advanced stages of executing options to refinance its credit facility, which has an extended maturity date of September 30, 2017.

313. Next, Mangrove attempts to bolster its attacks on Eros' liquidity by falsely asserting that Eros is "pulling back on its investments in content to preserve liquidity," a "sign of

financial distress." But Mangrove's falsehoods bypass Eros' FY 2017 third quarter ("Q3") earnings release, which reflect that the change was not due to "financial distress," but a conscious business decision to enact a hold-back as a back-stop to India's decision to demonetize the rupee. Further, in that same earnings release, Eros reported it will shift its business strategy by focusing more on in-house productions, as Eros had established an in-house franchise studio, Trinity Pictures, last year. Likewise, in January this year, EIML also announced a strong film pipeline with a greater focus on in-house productions.

314. Mangrove, continuing its baseless attacks on Eros' liquidity, falsely accuses Eros' "growing payables balances" as a "telltale sign of financial distress" and claims that this increase signals Eros has "drastically" slowed its pace of paying suppliers and is caught in a "precarious liquidity situation." Mangrove gets its facts wrong. As Eros reported, it recently acquired rights to approximately 5,000 titles for Eros Now. Thus, Eros' increase in payables is a direct result of this extraordinary, one-time transaction – which, contradicting Mangrove's fear-mongering claims of a crisis, evinces Eros Now's momentum and potential for robust future growth.

315. Mangrove also pounces on national newswire rumors that Eros was in early talks to sell Eros Now's film library to Apple, Netflix or Amazon for approximately $1 billion. Recognizing the market's favorable reaction to the rumors, Mangrove claims that they are "not credible" and "just a distraction made necessary by a liquidity crisis at Eros." That Mangrove even purports to have knowledge about a rumored transaction to which it is not a counter-party demonstrates that its charges have no basis. Mangrove's motivation for doing so is transparent: its highly disparaging remarks were specifically calculated to counter the market's enthusiasm about Eros and thwart the rumored deal that it paints as a sham.

316. Moreover, Mangrove impugns Eros' increase in receivables. But Mangrove's fabricated concerns are baseless. The Company disclosed in its FY 2017 annual, Q4 and Q3 earnings releases that it has been steadily increasing its high margin catalogue revenues. It further communicated in its FY 2017 earnings release that its receivables had increased due to higher catalogue revenues with payment terms that last up to a year. In addition, Eros has collected over $25 million in receivables post balance sheet.

317. Mangrove goes on to falsely assert that, "at worst," a looming SEC probe or enforcement proceeding would preclude Eros' shelf from getting approved, forcing Eros into "bankruptcy." Mangrove's fear-mongering is utterly unfounded and, like its "liquidity crisis" claims, rooted in no facts or data. Mangrove concludes the August 14 Article with a baseless attempt to goad readers into alerting the SEC about their "concerns."

7. Defendants Create A New Persona, "Hindenburg Research," To Tout Their Lies

318. Immediately after Eros released its FY 2017 annual results and filed its newest annual report with the SEC, yet another accomplice, Hindenburg Research (John Doe No. 6), emerged from the woodwork to advocate for Defendants' disinformation. Hindenburg Research, mimicking its co-conspirators' tactics, repackaged a panoply of Defendants' lies in three short reports and numerous additional tweets.

a) The July 31 Article On Twitter And Seeking Alpha

319. Hindenburg published its first short report on Twitter on July 31, 2017, titled "Eros Earnings Review: An Abundance of Red Flags" (the "July 31 Article"), republished on Seeking Alpha the next day. Hindenburg's short report which regurgitates many of Defendants' themes throughout their conspiracy, attacking Eros' liquidity, refinancing negotiations, accounting, Eros' movie library and Eros Now.

320. Echoing its co-conspirators, Hindenburg opens its false article by touting the alarmist claim that Eros' "asset sales" and potential shelf offering "spell" "ever-tightening liquidity issues with no clear solution on hand." This accusation was false when GeoInvesting introduced it; when Unemon parroted it; when Alpha Exposure (Mangrove) repackaged it; and it remains false now. Hindenburg tries to bolster its indefensible falsehood by baselessly claiming, in part, that Eros is "short on time and short on options" in negotiating its refinancing options, and that Eros is "rapid[ly] selling [] shares" in EIML. But Eros' credit facility maturity date was extended to September 30, 2017. And, as the Company stressed on its earnings call on July 28, 2017, it has and intends to keep a controlling stake in EIML.

321. Hindenburg, taking a cue from ClaritySpring's July 21, 2017 tweets, then claims that Eros self-deals through its alleged "related party," Eros Energy Singapore. This is not so. Eros Energy, as Eros' most recent annual report underscores, is not a part of Eros' corporate structure. Nor is Eros TV. Rather, both entities are promoter group entities outside of Eros' group organizational structure. And, other than a single loan from Eros TV to Eros, Eros has zero business connection with either entity.

322. Next, Hindenburg directs its contrived ire at Eros' revenues, repeating GeoInvesting's false refrain that a relative increase in Eros' "Rest of the World" revenues undermines the Company's financial disclosures. Hindenburg is entirely wrong. It is not only credible, but entirely expected, that Eros has a high RoW revenue, because its films are enjoyed by consumers in countries all across the non-Western world – including in other South Asian countries such as Bangladesh, Sri Lanka and Pakistan, and in new markets that are increasingly consuming a higher number of Bollywood film content in local languages.

323. Hindenburg, previewing Alpha Exposure's (Mangrove) August 14 Article, then attacks Eros' increase in receivables. Hindenburg proceeds to falsely attack Eros' film library and releases, as well as Eros Now, again echoing Mangrove's claims. These attacks are false, as demonstrated above in ¶¶ 109-110 & 316.

324. Hindenburg concludes its short report on Eros by spewing the lie that the Company's alleged accounting issues, financing shortages, asset sales and "tarnished story" render it a "ticking time bomb for investors." This is a far cry from truth. It is Defendants, through their relentless chicanery, who are decimating Eros' reputation and business.

b) The August 7 Article On Twitter

325. On August 7, 2017, Hindenburg published a second short report on Twitter, titled "Eros's Latest Buying Rumors Seem Suspect" (the "August 7 Article"). In it, Hindenburg both echoes Asensio and foreshadows Alpha Exposure (Mangrove) by attacking Eros through rumors of a potential deal with Apple, Netflix or Amazon, asserting that "[t]he evidence [] suggests that potentially all of the sources for the [rumors] are affiliated with Eros."

326. Hindenburg's claims that Eros and its "affiliate[s]" made up the rumors to artificially boost its stock price are entirely false for the same reasons that Mangrove's near-identical claims are false. Mangrove and Hindenburg spread these fictions for the sole purpose of distorting market enthusiasm and curbing Eros' stock surge for their conspiracy's profit.

c) The August 24 Article On Seeking Alpha

327. On August 24, 2017, Hindenburg published yet another short report on Seeking Alpha titled "Eros International: New Receivables Accounting Red Flags" (the "August 24 Article"), which echoed the false related party accusations in Defendants' prior publications.

328. Hindenburg claims in its latest hit piece that it "[r]ecently [] learned of" a related party, Ayngaran International Films Private Limited ("Ayngaran"), which "shows little financial

activity with the exception of a series of large advances and payables" and has Eros as its key lender. Based on this, Hindenburg falsely asserts that the "evidence renews questions relating to Eros's receivables accounting practices."

329. Hindenburg's claims are baseless. The Ayngaran entity referenced by Hindenburg is not, in fact, a related party. Accordingly, Hindenburg's attempt to link its financial activity to the Company's receivables accounting practices is entirely without merit.

d) <u>Hindenburg's False And Misleading Tweets</u>

330. Hindenburg published at least 14 additional tweets about Eros to accompany its short report. Hindenburg's pattern of tweets exposes that it has created a Twitter account solely to harm Eros. It joined Twitter in July 2017 and has published 19 tweets. All except for one parrot false and misleading accusations about Eros, including the following:

- August 1, 2017: "$EROS slashed nearly 18% of its workforce (96 employees) in FY 2017. Where's the growth story?"
- August 1, 2017: "$EROS recorded $18.9m in FY 2017 related-party advances and payments despite its tightening liquidity situation"
- August 4, 2017: "More debt to the pile: $EROS added 15.7 cr ($2.5m USD) debt in June according to yesterday's subsidiary filing"
- August 4, 2017: "NEW: $EROS formally named by the national auditor of India in tax evasion investigation"

* * *

331. Defendants' attacks on Eros also continue to this day. For instance, Orange Peel Investments, mirroring its co-conspirators, re-emerged on Seeking Alpha by publishing back-to-back articles in the span of less than a week, on August 2 and August 7, 2017. Orange Peel Investment's articles echo and foreshadow falsehoods that its co-conspirators dispersed, including that Eros' cash flow was dwindling, its potential shelf offering will trigger a destructive equity issuance and the rumors of a landmark deal are "not credible." Further, as in

its 2016 short reports on Eros, Orange Peel Investments lends credence to its accomplices' false accusations, broadcasting that "EROS has been questioned by numerous short sellers, including Seeking Alpha's own Alpha Exposure, The Geo Team and Manuel Asensio at Asensio.com."

332. Further, Mangrove and August continue to spread brazen falsehoods. For instance, on September 8, 2017, Mangrove and August, again donning the guise of "Alpha Exposure," tweeted, "Looks like $EROS will report its quarter late again. Does anyone actually think this is not a complete fraud?" Just two days later, Alpha Exposure amplified that accusation with the tweet, "where are financials for $EROS ? [sic] What's happening with registration statement? 25 business days since filed with SEC... still not approved." Then, on September 12, Alpha Exposure re-iterated these baseless accusations, tweeting, "Where are Q1 financials $EROS? 26 business days since you filed your registration statement. Seems like you're having trouble with SEC..."

F. Eros' Damages

333. Defendants' short and distort scheme has inflicted damage on Eros' reputation, business operations, and financial condition. The recurrent campaign of negative misinformation adversely affected Eros' market reputation, as well as important business relationships, and resulted in decreased credit worthiness and the sustained artificial depression and erosion of Eros' share price. Entities involved in Eros' business, including producers, film distributors, strategic partners, lenders, regulators, existing and potential customers and investors have paid close attention to the negative publicity fomented by Defendants and their co-conspirators and have been and continue to be influenced by the campaign.

334. Defendants knew that by injecting false and misleading information into the marketplace, they would negatively influence the market's perception of Eros and negatively

impact Eros' relationship with critical industry participants. Defendants intended for their actions to impugn Eros' reputation and business, to profit from decreases in Eros' stock price.

335. The artificial depression and erosion of Eros's share price have also been sustained since Mangrove and August commenced their initial short and distort campaign as Alpha Exposure in October 2015. For example, illustrating the damage that Defendants recently caused to Eros' financial condition and business, Eros' stock price fell by nearly 19.5% within the span of a mere 30 days, from the close of trading on March 7, 2017, one day before the first GeoInvesting short report, through close of trading on April 6, 2017 as a result of Defendants' negative reports and tweets during that time period. Likewise, on July 28, 2017, Alpha Exposure and its co-conspirators' tweets caused Eros' share price to drop by over 16% two trading days after Defendants published their negative tweets (compared to the opening price on July 28).

336. Eros has also been damaged by the abnormally high amount of short interest in its stock during Defendants' scheme, which abnormality is attributable both to Defendants' own outsized short positions in Eros and to their repeated injections of blatant falsehoods about Eros into the market. Indeed, the commencement of Defendants' short and distort scheme coincides with a dramatic spike in Eros' short interest, which doubled in the last three months, ballooning to nearly 13 million shares, its highest ever. For example, approximately 276,000 shares were shorted on August 8, 2017 alone – a staggering amount, considering that Eros' prime brokers represented that virtually no shares were available for borrowing that day.

337. The abnormally high short interest in Eros' stock has had the direct effect of substantially depressing the market value of Eros over the entire course of Defendants' scheme and, among other things, has adversely impacted Eros' ability to borrow capital in the market.

338. Defendants' attacks resulted in numerous and repeated occurrences where the misinformation and innuendo concerning Eros and its subsidiaries directly interfered with Eros' operating subsidiaries' reputation among, and existing and prospective business and contractual relationships with, existing and prospective customers and other counterparties, including producers, film distributors, investors, lenders and strategic partners.

339. For instance, Defendants' disinformation campaign impaired Eros' credit worthiness and affected its reputation among and relationships with potential lenders with whom Eros needed to negotiate with to extend and/or refinance its credit facility agreement and raise capital, including through its U.S. Dollar Reg-S bond offering in March 2017, among other significant deals in the pipeline.

340. The negative publicity fomented by Defendants led potential and current business partners to view Eros and its subsidiaries more skeptically than was otherwise warranted. Defendants forced Eros to squander time and money defending against the frivolous accusations.

341. Furthermore, Defendants' constant attacks on Eros were distracting to Eros' senior management, diverting the executive officers' attention aware from dealing with business issues and forcing them instead to spend time, money, and efforts on investigating and rebutting the false allegations manufactured by Defendants.

342. Eros has also incurred substantial fees and expenses responding to, counteracting and remediating the harm of Defendants' misconduct, including the costs of this litigation.

343. The increased economic costs and expenses; lost profits, acquisitions and business opportunities; increased cost of capital; and other harm to Eros' business and reputation, directly and proximately caused by Defendants' misconduct, exceed hundreds of millions of dollars.

CAUSES OF ACTION

COUNT ONE

DEFAMATION PER SE (AGAINST ALL DEFENDANTS)

344. Eros restates each and every allegation set forth in paragraphs 1 through 344 as if fully set forth herein.

345. Defendants knowingly and intentionally published false and injurious statements about Eros. Those publications include false statements and innuendo that Eros endorsed an "extraordinarily" improper audit structure designed to sweep alleged reporting errors under the rug; usurped its own law firm's investigation into the alleged reporting errors in a calculated attempt to "whitewash" its name; overstated user counts for Eros Now; engaged in accounting fraud and money laundering; and carried out sham and illegal related party transactions.

346. Defendants published these false and misleading statements attacking Eros' audits, accounting, statutory disclosures, alleged related party transactions and financial condition in analyst reports, articles, web postings, e-mails and direct communications.

347. Defendants' false, misleading and defamatory statements set forth herein concerning Eros were made and published with actual malice, as such statements were made by Defendants with knowledge of their falsity or reckless disregard for their truth.

348. Defendants published their falsehoods and innuendo to third-parties and understood and intended that these false statements would have the effect of injuring Eros' reputation, preventing others from doing business with Eros, and interfering with Eros' existing business relationships. Those third parties include, among others, lenders, strategic partners, producers, film distributors, regulators, auditors, customers and investors.

349. As set forth herein, these injurious attacks on Eros' business, reputation and integrity include but are not limited to the following false and misleading allegations:

- Asensio's claims in the June 7 Letter and June 7 PCOAB Letter that "someone has deliberately designed EROS's audit process" using an "extraordinarily questionable" divided responsibility audit "to distance themselves from what its public critics believe to be illegal activity"; a dozen Eros subsidiaries were audited by five Indian auditors, who "might as well be non-existent for what little is known about them"; the Outside Auditor's audit does not conform to the applicable audit standards in light of Eros' allegedly "overstated" intangible assets and accounts receivables; and Eros was complicit in this "extraordinarily questionable" auditing scheme as it endorsed, accepted and defended the Outside Auditor's actions.

- Asensio's claims in the Second June 7 Article that Eros "shifted" the scope of Skadden's role in the Audit Committee Investigation in a purposeful attempt to "whitewash" the Company's purported financial misstatements.

- Asensio's claims in the June 9 SEC Letter that "the public controversy that surrounds the value of EROS's [film] library and account receivables appearing on its balance sheet, which are the principal issue in the public controversy and a belief statement [sic] published by Alpha Exposure that these assets are overstated to a level that makes EROS's bonds and equity 'worthless'" is "credible."

- Asensio's claims in his June 9 Article that Eros Now is overvalued if Eros does not close the Fullerton deal or does so at a lower value.

- Spotlight Research's claims in its June 9 Article and Asensio's claims in the June 28 [] Article that "failing to be transparent regarding source of its questionable UAE revenue growth, EROS utilized an internal 'review' to legitimize itself"; neither Skadden Arps nor the 'Big Four' accounting firm "enlisted for this internal review process actually review accounting journal entries specifically related to UAE revenues"; Spotlight Research "uncovered 11 UK companies with links to current and former EROS insiders linked to a questionable entity in the UAE, Globus, which lists itself as an EROS licensing customer"; both Eros' "former CFO and controller were board members for a number of these UK companies, which in some cases had a shared address with EROS's UK headquarters"; and "[o]ne UK entity, Rana Productions, is a clear related party to the UAE entity," as it "generated a large amount of UAE revenue with uncollected receivables."

- Orange Peel Investments' claims in its June 9 Article that Asensio raised "serious questions"; Eros "is still not valued appropriately"; and that no time "is a good time to own Eros."

- Asensio's claims in the June 10 PCAOB Letter that the Outside Auditor Affiliate "does not [] accept responsibility for [the Outside Auditor's] actions."

- Orange Peel Investments' claims in the July 4 Article that Eros has not made any "tangible refutation" of Defendants' "serious allegations."

- Asensio's claims in the July 14 Activist Insight Interview that Asensio does not hold a short position in Eros and his campaign is not a case of activist short-selling; Eros' UAE revenues are "preposterous, absurd [and] inexplicable"; and "[e]quity holders should not give Eros the benefit of the doubt only because the SEC does not get involved."

- Asensio's claims in his July 18 Article that Parameswaran acts as Eros' "rubber stamp" and, at Eros' direction, did not conduct due diligence before he certified Eros' amended annual reports; and Heffernan made a "conveniently timed exit" in July 2015 because "[t]here is reason to suspect that Heffernan could have concerns about making a personal certification."

- Asensio's claims in the First August 12 Article that Eros achieved its favorable financial condition on the books only by factoring in its receivables, and Eros had not done so, it would have reported a negative free cash flow of $16.2 million; Eros obfuscated receivables issues by reporting a decrease in trade receivables, and only achieved a net decrease on the books by factoring in their accounts receivable and would have had an increase of $10.4 million in receivables had it not factored in its accounts receivable; Eros' reduced net debt likewise arose from Eros' improper failure to factor in its trade payables.

- Asensio's claims in the Second August 12 Article that Eros' UAE revenues figure in its FY 2016 annual report were improperly lower than in prior reporting periods.

- Spotlight Research's claims in the August 18 Article that "strong evidence" shows that Globus and Rana Productions are undisclosed related parties of Eros that likely account for Eros' "ballooning" UAE revenue.

- GeoInvesting's claims in the March 8 Article that it unearthed "stunning" and "explosive evidence" from a "former Eros [] co-producer and Indian filmmaking expert," including that Eros' management is engaging in improper related party transactions with Next Gen; such transactions "raise[] serious questions about Eros' accounting protocols"; Eros must be misstating the number of Eros Now users; and Eros' revenue growth is inconsistent with its user growth in part due to anomalies in Eros' ROW data; Eros committed accounting and reporting improprieties related to its Le Eco partnership, including that Eros inflated its Eros Now user count with Le Eco subscribers and hid the termination of its Le Eco partnership from investors; and Eros "may not be able to ever achieve a cash flow positive state."

- GeoInvesting's claims in the March 16 Article that Eros faces a liquidity crisis unless it conducts a "hasty dilutive equity offering that would theoretically have to dilute shares by high double digit percentages and destroy the stock price to just meet this year's obligations"; Eros allowed the January 5, 2017 termination date of its credit agreement expire without letting investors know how it plans to proceed; Eros' stated reasons for delaying its bond offering are false, and that Eros has "[un]healthy relationship with the provider of [its] revolving credit facility" and Eros' "looming" contractual maturities "do not seem to give much room for error" and $220.6 million receivables data point is questionable.

- GeoInvesting's claims in the March 29 Article that "[a] CNN India exposé [sic] catches four . . . director/producer/writers" who are "closely" linked with Eros, on hidden camera discussing methods for laundering money through their films; Eros "is involved with money laundering," as others have "alleg[ed] outright"; there are serious questions regarding Eros' "use of numerous offshore asset havens and its byzantine entity structure," and "tumultuous financial controls," including "(a) the use of at least 9 different auditors (b) 12 auditor resignations over the past 4 years and (c) insider allegations of the use of dummy production deals to channel assets to company family members."; and Eros is heading towards a "toxic financing death spiral."

- Unemon's claims in the March 30 Article that data "confirm[s] that Netflix is eating Eros alive" in India.

- Unemon's claims in the April 6 Article that, as a signal of Eros' liquidity crisis, Eros pledged shares of Eros International Media as collateral for loans to three companies that qualify as "lender[s] of last resort" and failed to disclose these purported transactions to its investors.

- Unemon's claims in the May 10 Article that Eros has reached the "last chapter of its journey" due to its catastrophic liquidity crisis; Eros had to postpone *Sarkar 3* due to liquidity problems; and Eros is liquidating its investment in EIML, which would leave the Company's shareholders with the "inferior" Eros Now arm of the Company's business; and Eros has not disclosed these recent change[s] in the ownership structure" to its U.S. investors; and Eros Now has "failed to gain any meaningful traction in India [as] young generations are simply not using it" and "seems to be in a down-trend."

- Unemon's claims in its June 28 Article that Eros is self-dealing through related party transactions, and allegedly doing so due to its liquidity needs.

- GeoInvesting's claims in the July 14 Article that Eros was "quietly" "unwinding" EIML; Eros' disclosure in April that they were in executing refinancing options has been met with "troublesome" silence; Eros squandered its cash assets through an undisclosed related party transaction; recent changes to EIML's auditor "raises questions" about whether the Outside Auditor will continue to serve as Eros' independent outside auditor; and Eros' annual report is "late" relative to its historical filing schedule.

- GeoInvesting's claims in its July 18 Article that Eros lost majority voting control in EIML.

- Mangrove's claims in the August 14 Article that Eros is "facing a liquidity crisis"; "recent sale rumors [or Eros Now to Apple, Netflix or Amazon] are not credible" and "just a distraction made necessary by a liquidity crisis at Eros"; at worst, "the SEC [will] fail to approve Eros' shelf filing," forcing Eros to "file for bankruptcy."

- Hindenburg's claims in the July 31 Article that Eros' "asset sales" and potential shelf offering "spell" "ever-tightening liquidity issues with no clear solution on hand"; self-deals through its alleged "related party," Eros Energy Singapore; a relative increase in Eros' "Rest of the World" revenues undermines the Company's financial disclosures; overstated its receivables; and constitutes a "ticking time bomb for investors."

- Hindenburg's claims in the August 7 Article that the potential deal between Apple, Netflix or Amazon and Eros Now was a rumor that Eros fabricated to artificially inflate its stock price.

- Hindenburg's claims in the August 24 Article that Ayngaran "shows little financial activity with the exception of a series of large advances and payables," which "renews questions relating to Eros's receivables accounting practices."

- ClaritySpring's tweets claiming, among other falsehoods, that an alleged unaudited Eros subsidiary in Singapore owns 99% of Eros TV; that Eros was colluding with a Jefferies analyst to sugarcoat the Company's financial statements and drive up Eros' stock price; Eros will have a new auditor for its FY 2017 annual report; and Eros will be de-listed by the NYSE within the next year.

- Mangrove's tweets claiming, among other falsehoods, that Eros is a "complete fraud"; reporting "[f]raudulent revenues" and "booking false content/rest of world sales"; and is suffering from a "liquidity crisis."

350. As a proximate result of Defendants' publication of false, misleading and defamatory statements cited herein, Eros has suffered injury to its business and reputation in an amount to be determined at trial.

351. Because Defendants' conduct in publishing the false, misleading and defamatory statements cited herein was undertaken knowingly, willfully, maliciously, and in conscious

disregard of their falsity, Eros is entitled to an award of punitive damages in amount to be determined at trial.

COUNT TWO

**DEFAMATION
(AGAINST ALL DEFENDANTS)**

352. Eros restates each and every allegation set forth in paragraphs 1 through 352 as if fully set forth herein.

353. As set forth herein, Defendants knowingly and intentionally published false and injurious statements about Eros and its businesses. Those publications include false statements and innuendo that Eros endorsed an "extraordinarily" improper audit structure designed to sweep alleged reporting errors under the rug; usurped its own law firm's investigation into the alleged reporting errors in a calculated attempt to "whitewash" its name; overstated user counts for Eros Now; engaged in accounting fraud and money laundering; and carried out sham and illegal related party transactions.

354. Defendants published these false and misleading statements attacking Eros' audits, accounting, statutory disclosures, alleged related party transactions and financial condition in analyst reports, articles, web postings, e-mails and direct communications.

355. Defendants' false, defamatory and disparaging statements set forth herein concerning Eros were made and published with actual malice, as such statements were made by Defendants with knowledge of their falsity or reckless disregard for their truth.

356. Defendants published these falsehoods and innuendo to third-parties and understood and intended that these false statements would have the effect of injuring Eros' reputation, preventing others from doing business with Eros, and interfering with Eros' existing

business relationships. Those third parties include, among others, producers, film distributors, strategic partners, lenders, regulators, auditors, customers and investors.

357. Defendants' injurious attacks on Eros' business and reputation include but are not limited to the false and misleading allegations set forth in paragraph 350, above.

358. Defendants' false statements directly harmed Eros' business and reputation in numerous and specific ways, including causing lost profits, increased capital costs, increased expenses, legal fees and costs expended to mitigate the impact of Defendants' attacks.

359. As a proximate result of Defendants' publication of the false, misleading and defamatory statements cited herein, Eros has suffered monetary damages in an amount to be determined at trial.

360. Because Defendants' conduct in publishing the false, misleading and defamatory statements cited herein was undertaken knowingly, willfully, maliciously and in conscious disregard of their falsity, Eros is entitled to an award of punitive damages in amount to be determined at trial.

COUNT THREE

COMMERCIAL DISPARAGEMENT
(AGAINST ALL DEFENDANTS)

361. Eros restates each and every allegation of paragraphs 1 through 361 as if fully set forth herein.

362. As set forth herein, Defendants knowingly and intentionally published false, misleading and disparaging statements attacking Eros' solvency, business fundamentals and the quality of its products and services, including Eros Now. In the case of Eros, an up-and-coming company seeking to expand its business beyond India and make its mark globally, Defendants' falsehoods directly interfere with Eros' ability to strengthen its core business, cultivate

technological advances and gain the momentum to necessary to grow and compete in international markets such as the United States.

363. Defendants communicated these falsehoods to third-parties and understood and intended that these false and misleading statements would have the effect of preventing others from doing business with Eros and interfering with and disrupting Eros' business relationships.

364. As set forth herein, these injurious attacks on Eros' business, and in particular the quality of its products and services, include but are not limited to the false and misleading allegations that:

- Asensio's claims in his June 9 Article that Eros Now is overvalued.
- Spotlight Research's claims in its June 9 Article that App Annie and other websites shows that Eros inflated the number of registered users accessing and interacting with Eros Now; and the term "Registered User" is "meaningless and misleading" because it has "no meaningful correlation with users that can actually be monetized through subscriptions or advertising since the vast majority of them related to the unrelated Techzone acquisition and cannot be easily migrate [sic] to Eros Now."
- GeoInvesting's claims in the March 8 Article that Eros inflated its Eros Now user count with Le Eco subscribers; and Eros "may not be able to ever achieve a cash flow positive state."
- GeoInvesting's claims in the March 16 Article that Eros faces a liquidity crisis unless it conducts a "hasty dilutive equity offering that would theoretically have to dilute shares by high double digit percentages and destroy the stock price to just meet this year's obligations."
- GeoInvesting's claims in the March 29 Article that Eros is heading towards a "toxic financing death spiral."
- Unemons' claims in the March 30 Article that data "confirm[s] that Netflix is eating Eros alive" in India.
- Unemon's claims in the April 6 Article that, as a signal of Eros' liquidity crisis, Eros pledged shares of Eros International Media as collateral for loans to three companies that qualify as "lender[s] of last resort."
- Unemon's claims in the May 10 Article that Eros has reached the "last chapter of [its] journey" due to its catastrophic liquidity crisis; Eros had to postpone

> *Sarkar 3* due to liquidity problems; Eros is liquidating its investment in Eros International Media, which would leave the Company's shareholders with the "inferior" Eros Now arm of the Company's business; and Eros Now has "failed to gain any meaningful traction in India [as] young generations are simply not using it" and "seems to be in a down-trend."

365. Defendants' false statements directly harmed Eros' business in numerous specific ways, including without limitation: lost profits resulting from lost underwriting business, increased capital costs; increased expenses; legal fees, and costs expended to mitigate the impact of Defendants' attack.

366. Defendants' wrongful disparagement of Eros' businesses in these and other respects has caused Eros to suffer monetary damages in an amount to be determined at trial.

367. Because Defendants' conduct in publishing the false, misleading and disparaging statements cited herein was undertaken knowingly, willfully, maliciously, and in conscious disregard of their falsity, Eros is entitled to an award of punitive damages in an amount to be determined at trial.

COUNT FOUR

FALSE LIGHT UNDER PENNSYLVANIA LAW (AGAINST THE GEOINVESTING DEFENDANTS)

368. Eros restates each and every allegation set forth in paragraphs 1 through 368 as if fully set forth herein.

369. Defendants knowingly and intentionally published false and highly offensive statements about Eros. Those publications include statements that Eros engaged in accounting and other financial reporting fraud, overstated its film releases and Eros Now user counts and carried out sham and illegal transactions.

370. Defendants published these false and highly offensive statements attacking Eros' business fundamentals, their accounting practices, their financial strength, and the integrity of their executives, in analyst reports, articles, web postings, e-mails and direct communications.

371. Defendants' false and highly offensive statements set forth herein concerning Eros were made and published with actual malice, as such statements were made by Defendants with knowledge of their falsity or reckless disregard for their truth.

372. Defendants published these falsehoods to third-parties and understood and intended that these false and highly offensive statements would have the effect of injuring Eros' reputation, preventing others from doing business with Eros, and interfering with Eros' existing business relationships. Those third parties include, among others, regulatory and law enforcement agencies, investors and the public in general.

373. As set forth herein, these injurious attacks on Eros include but are not limited to the false and misleading allegations set forth in paragraph 350, above.

374. As a proximate result of Defendants' publication of false and highly offensive statements cited herein, Eros has suffered injury to its business and reputation in an amount to be determined at trial.

375. Because Defendants' conduct in publishing the false and highly offensive statements cited herein was undertaken knowingly, willfully, maliciously, and in conscious disregard of their falsity, Eros is entitled to an award of punitive damages in amount to be determined at trial.

COUNT FIVE

TORTIOUS INTERFERENCE WITH PROSPECTIVE BUSINESS RELATIONS (AGAINST ALL DEFENDANTS)

376. Eros restates each and every allegation of paragraphs 1 through 376 as if fully set forth herein.

377. Eros had prospective business relationships with many third-parties, including, but not limited to: (i) potential customers; (ii) potential producers; (iii) potential distributors of Eros' services and products; (iv) potential investors; (v) potential lenders; and (vi) shareholders and management of various companies under consideration for a strategic transaction (*e.g.*, an acquisition by Eros).

378. Each of the defendants knew of Eros' potential business relationships with these third parties.

379. Defendants intentionally and maliciously interfered with Eros' prospective business relationships with these third-parties by employing wrongful means, including but not limited to, the dissemination of false and misleading statements concerning Eros' business. This interference was committed intentionally and without justification or excuse and was carried out by, among other things:

- Defendants' publication of false and misleading information about Eros, including:
  - Asensio's June 7 Letter, June 7 PCAOB Letter, First June 7 Article, Second June 7 Article, June 9 SEC Letter, June 9 Article, June 10 PCAOB Letter, June 16 Letter, June 17 Skadden Letter, June 28 Article, July 14 Activist Insight Interview, July 18 Oxford Club Radio Interview, July 18 Article, First August 12 Article, Second August 12 Article;
  - Spotlight Research's June 9 and August 18 Articles;
  - Orange Peel Investment's June 9 and July 4 Articles;

  - GeoInvesting's March 8, March 16, March 29, July 14, and July 18 Articles;
  - Unemon's March 30, April 6, May 10 Article and June 28 Articles;
  - Mangrove's August 14 Article;
  - Hindenburg's July 31, August 7 and August 24 Articles; and
  - Defendants' numerous defamatory tweets.
- Defendants' dissemination of the false and misleading information and innuendo to Eros' prospective customers and business partners, including potential producers, distributors, investors, lenders and shareholders and management of various companies under consideration for acquisition by Eros.

380. As a direct and proximate cause of Defendants' intentional interference with Eros' prospective business relationships with third-parties, Eros' business relationships were damaged, including in connection with its U.S. Dollar Reg-S bond offering in March 2017 and revolving credit facility agreement extensions.

381. Defendants' wrongful interference with Eros' prospective business relationships caused Eros to suffer monetary damages in an amount to be determined at trial.

382. Because Defendants' wrongful interference with Eros' prospective business relationships cited herein was deliberate and was undertaken knowingly, willfully and with malice, Eros is entitled to an award of punitive damages in amount to be determined at trial.

COUNT SIX

TORTIOUS INTERFERENCE WITH CONTRACT
(AGAINST ALL DEFENDANTS)

383. Eros restates each and every allegation set forth in paragraphs 1 through 383 as if fully set forth herein.

384. As set forth herein, Eros had contracts and agreements with third-parties, including but not limited to: (i) customers; (ii) producers; (iii) distributors of Eros' services and products; (iv) investors; and (v) lenders.

385. Each of these Defendants knew of Eros' contractual relationships with these third-parties.

386. Defendants intentionally and maliciously interfered with Eros' contractual relationships with these third-parties by employing wrongful means, including but not limited to, the dissemination of false and misleading statements concerning Eros' business. This interference was committed intentionally and without justification or excuse and was carried out by, among other things:

- Defendants' publication of false and misleading information about Eros, including:
  - Asensio's June 7 Letter, June 7 PCAOB Letter, First June 7 Article, Second June 7 Article, June 9 SEC Letter, June 9 Article, June 10 PCAOB Letter, June 16 Letter, June 17 Skadden Letter, June 28 Article, July 14 Activist Insight Interview, July 18 Oxford Club Radio Interview, July 18 Article, First August 12 Article, Second August 12 Article;
  - Spotlight Research's June 9 and August 18 Articles;
  - Orange Peel Investment's June 9 and July 4 Articles;
  - GeoInvesting's March 8, March 16, March 29, July 14, and July 18 Articles;
  - Unemon's March 30, April 6, May 10 Article and June 28 Articles;
  - Mangrove's August 14 Article;
  - Hindenburg's July 31, August 7 and August 24 Articles; and
  - Defendants' numerous defamatory tweets.
- Defendants' dissemination of the false and misleading information and innuendo to Eros' prospective customers and business partners, including potential

producers, distributors, investors, lenders and shareholders and management of various companies under consideration for acquisition by Eros.

387. As a direct and proximate cause of Defendants' intentional interference with Eros' contractual relationships with third-parties, Eros' contractual relationships were damaged.

388. Defendants' wrongful interference with Eros' contractual relationships caused Eros to suffer monetary damages in an amount to be determined at trial.

389. Because Defendants' wrongful interference with Eros' contractual relationships cited herein was deliberate and was undertaken knowingly, willfully, and with malicious intent, Eros is entitled to an award of punitive damages in amount to be determined at trial.

COUNT SEVEN

CIVIL CONSPIRACY
(AGAINST ALL DEFENDANTS)

390. Eros restates each and every allegation of paragraphs 1 through 390 as if fully set forth herein.

391. As set forth herein, each of the defendants, together with others, conspired with respect to Counts 1 through 6, and acted in concert to commit unlawful acts. Each of the defendants shared the same conspiratorial objective, which was to create and disseminate false and misleading statements and reports concerning Eros and to engage in market manipulation of its securities, with the intent of harming Eros' businesses and profiting from that harm. Each of the defendants understood the objectives of the scheme, accepted them, and was an active and knowing participant in the scheme.

392. Defendants' conspiratorial scheme was carried out by the commission of the wrongful and overt acts set forth above, including, but not limited to:

- Defendants' publication of false and misleading information about Eros, including:

  - Asensio's June 7 Outside Auditor Affiliate, June 7 PCAOB, June 9 SEC, June 10 PCAOB, June 16 and June 17 Skadden Letters; First June 7, Second June 7, June 9, June 28, July 18, First August 12 and Second August 12 Articles; and July 14 Activist Insight and July 18 Oxford Club Radio Interviews;
  - Spotlight Research's June 9 and August 18 Articles;
  - Orange Peel Investment's June 9 and July 4 Articles;
  - GeoInvesting's March 8, March 16, March 29, July 14 and July 18 Articles;
  - Unemon's March 30, April 6, May 10 Article and June 28 Articles;
  - Mangrove's August 14 Article;
  - Hindenburg's July 31, August 7 and August 24 Articles; and
  - Defendants' numerous defamatory tweets.
- Defendants' dissemination of the false and misleading information and innuendo to Eros' prospective customers and business partners, including potential producers, distributors, investors, lenders and shareholders and management of various companies under consideration for acquisition by Eros.

393. At all relevant times, Defendants' conduct was willful and done with legal malice and knowledge that it was wrongful.

394. As a direct, proximate result of the operation and execution of the conspiracy, Eros has been injured and suffered damages in an amount to be proven at trial.

WHEREFORE, Eros demands judgment:

a) Awarding Eros compensatory damages in amounts to be determined at trial, together with interest, attorneys' fees, costs and disbursements;

b) Awarding Eros punitive and exemplary damages in amounts to be determined at trial;

c) Awarding Eros injunctive relief preventing Defendants from engaging in continued wrongful activity, as set forth herein, in the form that the Court may determine is just and proper;

d) Disgorging profits Defendants gained as a result of their wrongful activity;

e) Prejudgment and post-judgment interest; and

f) Such other and further relief as this Court shall deem just and appropriate.

JURY DEMAND

Eros hereby demands trial by jury on all issues properly triable thereby.

Dated: New York, New York
September 29, 2017

KASOWITZ BENSON TORRES LLP

By: _/s/ Michael J. Bowe_
Michael J. Bowe
(mbowe@kasowitz.com)
Stephen W. Tountas
(stountas@kasowitz.com)
Alexander B. Simkin
(asimkin@kasowitz.com

1633 Broadway
New York, New York 10019
Tel: (212) 506-1700

Attorneys for Plaintiff Eros International Plc