

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

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| _____                 | X                                    |
|                       | : Index No. 653564/2018              |
| IN RE RENREN, INC.    | :                                    |
| DERIVATIVE LITIGATION | : <b>CONSOLIDATED STOCKHOLDER</b>    |
|                       | : <b><u>DERIVATIVE COMPLAINT</u></b> |
| _____                 | X                                    |

Plaintiffs Heng Ren Silk Road Investments LLC, Oasis Investments II Master Fund Ltd., and Jodi Arama (“Plaintiffs”), derivatively on behalf of Renren, Inc. (“Renren” or the “Company”), bring this action against (1) Renren’s Chairman and Chief Executive Officer Joseph Chen (“Chen”) and former director David K. Chao (“Chao,” and together with Chen, the “Director Defendants”) for breaches of fiduciary duty, (2) certain investment funds controlled by Chao (the “DCM Defendants,” defined below) and Duff & Phelps LLC, financial advisor to a special committee of Renren’s board of directors, for aiding and abetting breaches of fiduciary duty and dishonest assistance, and (3) Oak Pacific Investment (“OPI”) for knowing receipt.

**NATURE OF ACTION**

1. This is a derivative action arising out of a sham spin-off transaction through which Renren was stripped of all value by its controlling stockholders: the Director Defendants, Renren COO and director James Jian Liu, the DCM Defendants, and Softbank Corp. (together, the “Controlling Stockholders”).

2. Chen bought a college student social networking site in 2006. After the Chinese government banned the real Facebook in 2009, Chen rebranded the business “Renren” (meaning “everyone”) in an effort to hype the knockoff as the “Facebook of China.” Although the business itself was a train wreck, Chen’s rebranding effort worked with Western investors. Chen took the Company public in 2011, tapping into the American capital markets by listing American

depository shares (“ADSs”) on the New York Stock Exchange (“NYSE”) under the ticker symbol “RENN.”<sup>1</sup> Renren raised over \$777 million in its IPO, placing its market capitalization at nearly \$8 billion. Renren’s social media business, however, quickly foundered, and Renren’s stock tumbled nearly 80% within months of its IPO.

3. As Renren’s social media business collapsed, Chen steered Renren in a new direction. With Softbank’s and Chao’s blessing, Chen used the IPO proceeds to transform Renren into a *de facto* venture capital fund. In 2012, Renren began to invest what would eventually total \$240 million in a financial technology startup called Social Financial, Inc. (“SoFi”). At that time, Chen already had personally invested millions of dollars in SoFi and served on SoFi’s board. DCM Ventures, a firm controlled by Chao, and Softbank likewise acquired substantial stakes in SoFi and secured seats on SoFi’s board. Despite the conflict of interest inherent in using Renren funds to backstop the Director Defendants’ personal investments in unrelated companies, SoFi was a runaway success.

4. Chen used Renren’s IPO proceeds to make scores of other investments as well. From 2012 through 2014, Renren made over \$320 million in long-term investments in various start-up entities and investment funds. In 2015, Renren made over \$538 million in additional investments, using IPO proceeds or returns from earlier investments of IPO proceeds. By the end of 2015, Renren’s balance sheet reported nearly \$811 million of long-term investments in 55 unconsolidated portfolio companies and investment funds, all of which had little to do with building Renren’s social networking business into China’s Facebook. Because of Renren’s

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<sup>1</sup> Each ADS represents fifteen underlying Class A ordinary shares of Renren. For simplicity, this Complaint refers to all holders of Renren’s equity securities as “stockholders.”

consistent negative operating cash flows, none of those investments would have been possible absent the IPO.

5. By late 2014, investors and financial analysts largely assessed Renren as a venture capital play rather than as a viable social media company. Although the “Facebook of China” had turned into a flop derided by media outlets as the Chinese version of the defunct MySpace, Renren’s investment portfolio had significant potential upside. But because Renren’s stockholders lacked access to information about Renren’s investments in private companies and the Company’s operating business was posting mounting losses, Renren’s ADSs traded at a steep discount to the value of the underlying investments.

6. Renren’s depressed trading price presented a significant opportunity for Defendant Chen to take advantage of Renren’s minority stockholders. Unlike Renren’s public investors, Chen was privy to details about Renren’s private company investments through his positions at Renren and on the boards of many of Renren’s portfolio companies. In addition to SoFi’s board, on which both Director Defendants served, Chen was a director of six of Renren’s other most promising portfolio companies.

7. In June 2015, attempting to capitalize on that inside information, Chen tried to take Renren private by making a low-ball offer for all outstanding Renren shares and ADSs. Chen’s offer enraged stockholders. Open letters to Renren’s board of directors characterized the offer as “offensive and ludicrous,” “appalling,” and a “low ball,” and accused Chen of attempting to “enrich” himself. CNBC picked up the story in an August 2015 article, which quoted an angry investor e-mail characterizing Chen’s offer as “an outrageous injustice” that “reflects the greed and almost immoral disposition of Chen.” In the face of such widespread criticism, Chen’s June 2015 buy-out offer was thwarted.

8. After the buy-out fell flat, Chen hatched another plan to take Renren's valuable investment portfolio private. Rather than buy out Renren's minority stockholders or purchase Renren's investment portfolio outright, Chen accomplished the same objective—aided and abetted by the DCM Defendants (defined below) and the Company's financial advisor, Duff & Phelps—through the guise of a purported spin-off transaction. Chen's new plan ultimately allowed the Controlling Stockholders to strip Renren of its lucrative investment portfolio and its dissenting public stockholders of the ability to stop the transaction. Moreover, Chen's plan enabled the Controlling Stockholders to take OPI private without actually needing to pay for it.

9. To accomplish this spin-off, Chen formed OPI as a holding company and wholly-owned subsidiary of Renren. Next, Chen transferred Renren's investment portfolio (including Renren's stake in SoFi) to OPI. With Renren's most lucrative investments siloed in OPI, Chen and the Controlling Stockholders then stripped Renren of those investments by spinning off OPI (the "Separation").

10. Unlike a normal spin-off, however, the Controlling Stockholders did not distribute OPI's shares to all Renren stockholders. Instead, the Controlling Stockholders presented Renren's minority stockholders with a Hobson's choice. Pursuant to an Offering Circular dated April 30, 2018 (the "Offering Circular"), Renren stockholders could either (1) accept their share of a cash dividend (the "Cash Dividend") formulaically calculated on the basis of a manipulated value attributed to OPI (the "OPI Value") by loyalists that Chen hand-selected for that purpose, or (2) opt out of the Cash Dividend and receive shares in OPI (which would continue on as a *private company* controlled by the Controlling Stockholders). Because the Controlling Stockholders had pre-committed to opting out of the dividend and choosing ongoing ownership in OPI, they had a

powerful incentive (which they acted on) to make the Cash Dividend as low as possible to deprive Renren's hapless minority stockholders of the fruit of their investment.

11. Because OPI would be a private company after the Separation, only a small subset of Renren stockholders that qualified as both "accredited investors" and "qualified purchasers"—*i.e.*, investors who had a net worth of at least \$1,000,000 (excluding their primary residences) **and** at least \$5,000,000 in investments—could choose to accept OPI shares. For those stockholders that qualified, the Controlling Stockholders made the Separation so disadvantageous that few (if any) would consider participating in the private offering. To accept the OPI shares, Renren's minority stockholders would be forced to exchange a **liquid** investment in Renren NYSE-listed ADSs for an **illiquid** investment in a private offshore company in which they would have no say. The Offering Circular made this clear, warning Renren's minority stockholders that they would "have no power to change the composition of the board of directors" and that Chen and Softbank could unilaterally "revise [OPI's] articles of association" without a stockholder vote. Adding insult to injury, a participating stockholder's economic interest in OPI would "experience immediate and substantial dilution" through the issuance of over 136 million options and 6 million restricted shares to Chen and other insiders, as well as through the issuance of new priority distribution rights and management fees granted to Chen, the DCM Defendants, and SoftBank. So although the Offering Circular advertised a one-for-one share exchange for qualified Renren stockholders, the actual exchange offered was far from an equal exchange in economic terms.

12. For many more Renren stockholders, however, the Offering Circular presented no "choice" at all because they could not qualify as "accredited investors" or "qualified purchasers." For those stockholders, and those that chose not to participate in the disastrous terms of the private offering, the alternative (*i.e.*, the Cash Dividend) was patently unfair. According to the Offering

Circular, the Controlling Stockholders artificially pegged the OPI Value at \$500 million—the exact figure that Chen had thrown out years earlier—which, in turn, reduced the amount payable as the Cash Dividend and rendered it grossly inadequate to compensate stockholders for the lost value of their investment.

13. The OPI Value was fundamentally flawed in at least two significant respects. First, the OPI Value undervalued Renren’s investment portfolio by several hundred million dollars. In fact, Renren’s interest in *SoFi alone* was worth at least \$560 million. Only a year before, Renren sold part of its SoFi holdings for gross proceeds equating to \$16.30 per share. At that price, the rest of Renren’s SoFi holdings were worth more than \$566 million. Similarly, in SoFi’s March 2017 financing round, it raised \$500 million at a price of \$17.18 per share, implying a \$596.6 million value for Renren’s SoFi holdings. Notably, the Director Defendants, through an OPI subsidiary, agreed with SoftBank to use this very price (\$17.18) in an agreement they executed in connection with the Separation.

14. The OPI Value, by contrast, valued Renren’s SoFi investment at between \$7.75 and \$9.45 per share (or between \$269 million and \$328 million) despite: (1) evidence of a much higher market value based on actual transactions in SoFi stock and financing rounds that SoFi had completed; and (2) the fact that the majority stockholders that would most benefit from the Separation used those same market values in agreements amongst themselves. The OPI Value similarly ignored or improperly discounted market-based evidence of the value of Renren’s other investment holdings. In the aggregate, Renren’s long-term investment holdings were worth at least \$1 billion—twice the so-called “OPI Value” misleadingly utilized to characterize what Renren had given up.

15. Second, the OPI Value was “intended to reflect the value of OPI’s assets and liabilities” after giving effect to the Separation. In other words, the OPI Value was based on OPI’s hypothetical value *after* the Separation occurred. It allowed the Controlling Stockholders to use financial obligations that they imposed on OPI in connection with the Separation (***which would not have existed had Renren still held its investment portfolio***) as offsetting liabilities. Moreover, those financial obligations could not possibly (or were extremely unlikely) benefit the stockholders that were being frozen out in the Separation. Instead, such accounting tricks allowed the Controlling Stockholders to understate the value stripped from Renren and force its frozen-out stockholders to bear those costs for the benefit of the Controlling Stockholders. For example, One such offsetting liabilities was a sham note that the Controlling Stockholders stood on both sides of and would benefit from if it were ever repaid.

16. As disastrous as the Separation was for Renren’s minority stockholders, it was even more disastrous for Renren itself. If his failed buy-out bid had gone through, Chen and his cohorts would have needed to come up with sufficient funds to purchase the shares held by Renren’s minority stockholders. But by structuring the transaction as a spin-off, Chen and the Controlling Stockholders never had to pay a dime. Instead, the transaction was structured so that Renren itself, primarily using cash on hand, paid the Cash Dividend. The Controlling Stockholders, meanwhile, secured control over OPI—and Renren’s billion-dollar investment portfolio—by merely waiving their right to receive a proportionate share of the Cash Dividend.

17. Moreover, Renren received little consideration in exchange for its billion-dollar investment portfolio. In fact, the only consideration given to Renren in connection with the Separation was: (1) \$25 million in cash provided by OPI, which was ear-marked to fund part of the Cash Dividend; and (2) a double-subordinated \$90 million note from OPI (the “Renren Note”)

worth a small fraction of its face value. Gutted of its investment portfolio and its cash reserves, Renren was thus left undercapitalized with nothing more than a money-losing social media business and a string of financially distressed used car dealerships.

18. The Controlling Stockholders' outrageous scheme to take Renren's stake in SoFi and its other investments for themselves garnered press attention. For example, an October 2017 *Forbes* article titled "Joe Chen's Sneaky SoFi Share Snatch," noted the following:

- "Chen is cooking up a deal" that would allow Chen, SoftBank, and DCM to "increase their SoFi" holdings, while "[m]ost of the shareholders owning the remaining 20% of Renren would lose their exposure to SoFi given that they appear to largely be individual retail investors," leaving those investors stuck "with a yet-to-be determined dividend, and a holding in a declining, money-losing Chinese internet company;"
- "'I've seen numerous spin-offs through the years, but *never one like this one*,' says Robert Willens, an expert on spinoffs and their tax consequences, who advises large investors. '*Its unusual terms and the potential for valuation mismatches bothers me*;"
- "*Spinoff expert Willens is skeptical*" of the pretextual reason given for the transaction, and "[w]orse yet, there are *major valuation and tax risks* for ordinary investors;" and
- "Despite presiding over a stock market debacle, Chen doesn't seem to feel the need to explain himself. He has long stopped holding conference calls for Renren's shareholders. Renren did not respond to several calls and emails. DCM and Softbank declined to comment."

(Emphasis added.)

19. Unlike his previous bid to take Renren's investments private, however, this time Chen was undeterred by negative press scrutiny. These interrelated transactions closed on June 21, 2018.

20. The Director Defendants utterly failed to act *bona fide* in Renren's best interests in connection with the Separation and related transactions, as their fiduciary duties required. Instead, after using Renren's IPO proceeds to build a portfolio of valuable investments, the Director

Defendants used their control over Renren to enrich themselves and the rest of the Controlling Stockholders at Renren's (and ultimately its minority stockholders') expense. Renren has ignored demands from stockholders to address the Director Defendants' misconduct and the grossly inadequate Cash Dividend, and consequently, Plaintiffs bring this derivative action in their capacity as Renren stockholders to remedy the harm the Controlling Stockholders and their conspirators have caused to Renren.

### **PARTIES**

21. Plaintiff Heng Ren Silk Road Investments LLC ("Heng Ren") is a limited liability company that maintains its principal office in Boston, Massachusetts. Heng Ren's members are citizens of California, Oklahoma, Massachusetts, New York, and Texas. Heng Ren is a registered holder of shares in Renren and held such shares or a beneficial interest in such shares through Renren's ADSs at the time of the transaction complained of herein.

22. Plaintiff Oasis Investments II Master Fund Ltd. ("Oasis") is an exempted company incorporated under the laws of the Cayman Islands. Oasis carries out its investment management activities through two primary investment advisors, one based in Hong Kong and one based in Austin, Texas. Oasis is a registered holder of shares in Renren and held such shares or a beneficial interest in such shares through Renren's ADSs at the time of the transaction complained of herein.

23. Plaintiff Jodi Arama is a registered holder of shares in Renren and held such shares or a beneficial interest in such shares through Renren's ADSs at the time of the transaction complained of herein.

24. Nominal Defendant Renren, Inc. is an exempted company incorporated under the laws of the Cayman Islands. Renren's registered address in the Cayman Islands is PO Box 309, Ugland House, Grand Cayman KY1-1104, and its executive offices are located in Beijing,

People's Republic of China. Renren ADSs, each of which represents 15 Class A ordinary shares of Renren, currently trade on the NYSE. Following the completion of the Separation, Renren continued to operate floundering social networking, used automobile, trucking software, and Software-as-a-Service (“SaaS”) businesses. On or around November 13, 2018, Renren agreed to sell all tangible and intangible assets of its social networking business to Beijing Infinities Interactive Media Co. Ltd. (“Infinities”)—a company in which Oak Pacific Holdings, controlled by Defendant Chen, holds a minority stake—for \$20 million in cash and a purported \$40 million equity stake in Infinities' parent company. At the time of the sale, media outlets noted that the social media platform had fallen “out of fashion” and become a digital “ghost town.” Renren is named as a defendant only nominally and is not included in references herein to the “Defendants.”

25. Defendant Joseph Chen is the founder, chairman, and CEO of Renren. Chen owns 32.1% of Renren's stock and controls 48.9% of its voting power.<sup>2</sup> Prior to and following the Separation, Chen was and continues to be the Chief Executive Officer and a director of OPI. Chen has a bachelor's degree in physics from the University of Delaware, a master's degree in engineering from the Massachusetts Institute of Technology, and an M.B.A. from Stanford University. Chen is a United States citizen, and his driver's license lists his address as 4506 Arce Street, Union City, California.

26. Defendant David Chao was a director of the Company from March 2006 until July 26, 2018. Chao is a co-founder and general partner of DCM Ventures, an early stage technology venture capital firm and an affiliate of the DCM Defendants (defined, *infra*). Chao and the DCM

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<sup>2</sup> Renren has two classes of stock: (1) Class A ordinary shares, which carry one vote per share; and (2) Class B ordinary shares, which carry ten votes per share. Thus, the percent of **Renren's vote** that a stockholder controls can exceed the percent of **Renren's shares** that the same stockholder owns.

Defendants together beneficially own or control 8.8% of Renren's outstanding shares and 2.4% of its voting power. Chao has a bachelor's degree in economics and anthropology from Brown University and an M.B.A. from Stanford University. Defendant Chao maintains a residence at 72 Ralston Road, Atherton, California.

27. Defendants DCM III, L.P.; DCM III-A, L.P.; and DCM Affiliates Fund III, L.P. (collectively, the "DCM Funds") are Delaware limited partnerships and stockholders of the Company. Collectively, the DCM Funds hold 8.5% of the Company's shares and control 2.3% of its voting power. The principal office of the DCM Funds is located at 2420 Sandhill Road, Suite 200, Menlo Park, California.

28. Defendant DCM Investment Management III, LLC ("DCM Management") (together with the DCM Funds, the "DCM Defendants") is the general partner of each of the DCM Funds. Defendant Chao is a managing member of DCM Management. Defendant Chao, thus, controls the DCM Defendants. DCM Ventures, the umbrella organization for the DCM Defendants that is also controlled by Chao, had a stake in SoFi at the time of the Separation. DCM Management is headquartered at 2420 Sandhill Road, Suite 200, Menlo Park, California.

29. Defendant Oak Pacific Investment ("OPI") is an exempted company incorporated under the laws of the Cayman Islands. OPI's registered office in the Cayman Islands is Maples Corporate Services Ltd., PO Box 309, Umland House, Grand Cayman KY1-1104, Cayman Islands. Upon information and belief, OPI's executive offices are located in Beijing, People's Republic of China.

30. Defendant Duff & Phelps, LLC ("Duff & Phelps") is a Delaware limited liability company that is headquartered in New York at 55 East 52nd Street, New York, New York. Duff & Phelps acted as financial advisor to a special committee of the Company's directors (the "Special

Committee”) that was formed to evaluate an initial proposal the Controlling Stockholders made to take OPI private, and subsequently, the Separation. Among other things, Duff & Phelps presented valuation analysis of OPI to the Special Committee that drastically and intentionally underestimated OPI’s true value. Utilizing Duff & Phelps’ flimsy valuation analysis, the Special Committee—following scant deliberation—rubber-stamped the Separation, allowing the Controlling Stockholders to gain control of Renren’s valuable assets in exchange for a payment of patently inadequate consideration to Renren and its minority stockholders.

### **RELEVANT NON-PARTIES**

31. Non-party SB Pan Pacific Corporation is a corporation established under the laws of the Federated States of Micronesia and a wholly owned subsidiary of SoftBank Corp. (“SoftBank”), a Japanese corporation listed on the Tokyo Stock Exchange. SoftBank has been Renren’s largest stockholder since April of 2008, when it made an approximately \$100 million investment in Renren. SoftBank, like Renren, invested in SoFi.

32. Non-party James Jian Liu (“Liu”) is Renren’s chief operating officer and a member of the Company’s board of directors. Liu resides in the People’s Republic of China.

33. Non-party Stephen Tappin (“Tappin”) has been a director of the Company since December 2016. Tappin is a CEO coach and the host of CEO Guru on BBC World News. He is also the co-founder, chairman, and CEO of Xinfu, a CEO consultancy business. Tappin was one of the three members of the Special Committee that approved the Separation. Tappin resides in the United Kingdom.

34. Non-party Hui Huang (“Huang”) has been a director of the Company since January 2015. From March 2010 to December 2014, Huang was the Company’s CFO. Huang was one of

the three members of the Special Committee that approved the Separation. Huang resides in the People's Republic of China.

35. Non-party Tianruo "Robert" Pu ("Pu") has been a director of the Company since December 2016. Pu is the CFO of Zhaopin Limited and a director of Wowo Limited and 3SBio Inc. Pu was one of three members of the Special Committee that approved the Separation. Pu resides in the People's Republic of China. Tappin, Huang, and Pu are collectively referred to herein as the "Special Committee."

### **JURISDICTION AND VENUE**

36. This Court has subject-matter jurisdiction over this action because Plaintiffs seek relief exceeding \$500 million, which is in excess of this Court's jurisdictional minimum.

37. This Court has personal jurisdiction over all the Defendants pursuant to CPLR §§301 and 302.

38. Defendant Duff & Phelps is headquartered in New York and is thus subject to the general personal jurisdiction of this Court.

39. Each of the other Defendants directly or indirectly transacted business in New York that gave rise to Plaintiff's causes of action. Defendants Chen and Chao, by virtue of serving as a director and/or officer of a corporation whose ADSs trade on the NYSE, have sufficient minimum contacts with New York that requiring them to defend against a lawsuit relating to their breaches of fiduciary duty to that corporation comports with traditional notions of fair play and substantial justice.

40. Further, the Separation engineered by the Director Defendants has a substantial nexus to New York and, in fact, was only able to be consummated upon approval by the New York Department of Financial Services, giving this Court jurisdiction over Renren and OPI. Moreover,

as primary actors that knew about, consented to, exercised control over, and benefitted from Renren's and OPI's repeated transactions in New York, as discussed below, the Director Defendants are subject to this Court's jurisdiction.

41. The Separation has a multifaceted nexus with New York. First, the Separation Agreement between Renren and OPI is governed by New York law.<sup>3</sup> That substantial issues of New York law were involved in negotiating and effecting the Separation is made clear by the fact that the Special Committee retained United States counsel—O'Melveny & Myers, which has offices at 7 Times Square in New York—to assist it in evaluating the transactions. Further, Renren received an opinion from Skadden Arps—which has offices at 4 Times Square in New York and has represented Renren in various transactions on issues related to U.S. securities laws and New York law—that the transfer of OPI shares pursuant to the Private Placement would qualify as a tax-free distribution under Section 355 of the Internal Revenue Code.

42. Second, the Offering Circular pursuant to which the “choice” between the OPI shares and the Cash Dividend was offered to Renren stockholders required that Renren stockholders send their election notices to New York. As set forth in the Separation Agreement, the election forms appended to the Offering Circular were to be sent to New York—in the case of an OPI shares election, to “Oak Pacific Investment, c/o Skadden, Arps, Slate, Meagher & Flom

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<sup>3</sup> See Separation and Distribution Agreement By and Between Renren Inc. and Oak Pacific Investment, dated as of April 27, 2018 (the “Separation Agreement”) at Section 10.4, Governing Law (“This Agreement, and unless provided therein, each Ancillary Agreement shall be governed by and construed and interpreted in accordance with the Laws of the State of New York, irrespective of the choice of law principles of the State of New York”). See also Services Agreement between Renren Inc. and Oak Pacific Investment, dated as of April 27, 2018, at Section 5.11, Governing Law (“This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York . . .”). The Separation Agreement and Services Agreement are appended to the Offering Circular, which was attached as Exhibit 99.4 to Renren's Form 6-K filed with the SEC on May 14, 2018.

LLP, 4 Times Square, New York, New York 10036”; in the case of a stock election, to “Renren Inc.,” care of Skadden Arps at the same New York address. Those “choosing” the Cash Dividend were also required to pay a Depositary fee of “US\$0.05 per ADS held as of the Record Date” by wire transfer to a Citibank account in New York.

43. Third, the Separation could not proceed without the approval of New York state governmental authorities. As discussed herein, Renren’s stake in SoFi is one of the principal assets at issue in this action. Because SoFi holds a New York mortgage banker license, the New York Department of Financial Services was required to approve any change in control transaction concerning SoFi. Renren’s substantial equity stake in SoFi (14.97%) meant that Renren and OPI were required to—and did—seek approval from the New York Department of Financial Services under New York Banking Law § 594-b prior to effectuating the Separation.

44. The Offering Circular makes clear that the approval of the New York Department of Financial Services was the *sine qua non* of the Separation. In fact, in the fall of 2017, the Director Defendants were forced to delay the Separation solely because this critical action had not yet occurred. Given the critical importance of obtaining approval from a New York regulator, Renren and OPI made obtaining regulatory approval “from the relevant New York State Governmental Authorities for the transfer of SoFi Shares” a *condition precedent* of the Separation Agreement. In March 2018, Renren and OPI obtained approval from the New York Department of Financial Services to proceed with the Separation. Only after this approval was obtained from a New York regulator was the Separation able to proceed.

45. Fourth, the distribution of the Cash Dividend is governed by, among other things, a Deposit Agreement between Renren, Citibank N.A. as Depositary Agent (“Citibank”), and Renren’s ADS holders (the “Deposit Agreement”). Under the Deposit Agreement—which is

governed by New York law and includes a New York forum-selection clause—Renren provided advance notice of the Cash Dividend and record date to Citibank at its New York office. Citibank’s New York office then notified the NYSE of the dividend and record date on Renren’s behalf by sending a Depositary Notice to the NYSE (as required by Rule 10b-17 under the Exchange Act and Section 204 of the NYSE’s Listed Company Manual) at its New York address.

46. Section 2.7 of the Deposit Agreement further provides that “any cash dividends or cash distributions” are to be delivered at “the Principal Office of the Depositary”—here, Citibank’s offices located at 388 Greenwich Street, New York, New York. Thus, any payments made to Renren stockholders who elected the Cash Dividend option would have been funneled through Citibank in New York.<sup>4</sup>

47. Finally, as alleged herein, the Separation is the culmination of a multi-year scheme through which the Director Defendants and other Controlling Shareholders used funds obtained through public U.S. capital markets—specifically, Renren’s IPO on the NYSE—to turn Renren into a *de facto* venture capital fund. Under the terms of the underwriting agreement that Renren executed in connection with its IPO (“Underwriting Agreement”)—which also was governed by New York law and included a New York forum-selection clause—the proceeds from the IPO were paid to Renren in “funds immediately available in New York City” by underwriters based in New

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<sup>4</sup> The Deposit Agreement includes other substantial connections between Renren and New York. Under the Deposit Agreement, Renren identified “Law Debenture Corporate Services, located at 400 Madison Avenue, New York, New York” as its agent for service of process. Under the Deposit Agreement, Renren identified “Law Debenture Corporate Services, located at 400 Madison Avenue, New York, New York” as its agent for service of process. Finally, section 2.2(c) of the Deposit Agreement provides that title to the Company’s securities is a matter of the securities transfer laws of the State of New York. Thus, there is a substantial nexus between the state of New York and the Company’s ADSs.

York, among others.<sup>5</sup> Notably, Renren promised its underwriters that it would not use any of the proceeds in a way that would bring the Company within the purview of the Investment Company Act, which, as a general matter, regulates companies “that engage primarily in investing, reinvesting, and trading in securities, and whose own securities are offered to the investing public.” Nevertheless, under the Director Defendants’ direction, the majority of the IPO proceeds were used to obtain minority interests in various venture capital type investments that the Director Defendants usurped for their personal benefit and at the expense of Renren’s minority stockholders.

48. In addition, Defendant Chao—through his firm DCM Ventures—has made equity investments in at least nine companies that are headquartered in New York: (1) About.com; (2) adspace; (3) Button; (4) Fubo Tv; (5) Jackpocket; (6) Keep Holdings; (7) PayPerks; (8) Roomi; and (9) X.ai. Because Defendant Chao has targeted companies located in New York for his venture capital activities, he has engaged in purposeful contact with New York sufficient to satisfy the minimum contacts requirement.

49. Venue is proper in this Court under CPLR §§503 and 509 because one of the parties, Defendant Duff & Phelps, resided in New York County when this action was commenced and because a substantial part of the events or omissions giving rise to Plaintiffs’ claims occurred in New York County.

### **FACTUAL BACKGROUND**

#### **A. Renren’s Beginnings as the “Facebook of China” and Successful IPO**

50. In 2006, Defendant Chen formed Oak Pacific Interactive, a Cayman Islands company, to acquire a Chinese social media business used almost exclusively by students called

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<sup>5</sup> Chen also executed the Underwriting Agreement in his personal capacity and personally sold over 13 million shares in the IPO, making tens of millions of dollars.

Xiaonei.com.<sup>6</sup> Oak Pacific Interactive was later renamed Renren. Since the Company's founding, Chen has served as its chairman, CEO, and largest stockholder by vote. Defendant Chao, together with his venture capital firm DCM Ventures, was an early investor in Renren, and Chao served as director from March 2006 until shortly after the Separation. In April 2008, non-party SoftBank (through its SB Pan Pacific Corporation subsidiary) invested \$100 million in Renren; it has held the largest number of Renren shares ever since.

51. Renren's social media platform enabled users to connect and communicate with each other, share content, play online video games, listen to music, and enjoy similar social media services. From the beginning, Renren was a copycat of American social media companies like Facebook and MySpace.

52. In 2009, the Chinese government blocked Facebook (which had recently launched a Chinese-language version of its website and registered [www.facebook.cn](http://www.facebook.cn)) from operating on the Chinese internet. Chen capitalized on Facebook's misfortune and rebranded Xiaonei (Chinese for "on campus") to Renren (Chinese for "everyone") in August 2009 as part of a ploy to pitch the company as "China's Facebook." Renren's website was an unapologetic knockoff of Facebook, copying the color scheme and website structure to such an extent that it was described as a "pixel-to-pixel" clone.

53. The Chinese government's ban on Facebook and trend-chasing college students enabled Renren to grow its reported user base from 33 million as of December 2008, to 100 million as of December 2010. By March 31, 2011, Renren purportedly had approximately 117 million active users, making Renren one of the leading social media sites in China—at least on paper. In

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<sup>6</sup> Although formed in the Cayman Islands, Oak Pacific Interactive's shareholder rights agreement was governed by New York law and included a New York forum-selection clause.

reality, Renren's user growth was a mirage, as its reach never extended beyond college students and it was never able to monetize its user base.

54. Chen's rebranding effort, however, proved far more successful in appealing to Western investors. In early 2011, the real Facebook had not yet gone public. Renren's positioning itself as the "Facebook of China," the significant investor appetite for social media companies at the time, and the opportunity to be one of the first social networking sites to go public created the perfect environment for an IPO. Renren filed its initial F-1 and its F-6 registration statement for its ADSs to be traded on the NYSE in April 2011, and the SEC declared the registration statements effective on May 4, 2011. Renren filed its Rule 424(b)(4) prospectus on May 5, 2011 (the "Prospectus").

55. Renren's IPO was a huge success. Renren obtained approximately \$777 million in proceeds from its IPO in May 2011. Combined with proceeds from an exercise of series D warrants by a preferred stockholder, the IPO enabled Renren to raise over \$950 million during 2011. Renren's balance sheet as of December 31, 2011, reflected nearly \$985 million in cash and cash equivalents and term deposits, as reported in its Form 20-F annual report and audited financial statements. Unbeknownst to the investors, however, Chen had no intention of investing those funds in Renren's core social media business, which was already showing cracks as competitors such as Sina Weibo emerged.

## **B. Renren's Dismal Transition into the "MySpace" of China**

56. Following its IPO, Renren's social media business floundered as its trend-chasing student users left in droves. According to Renren's Form 20-F annual report for the year ended December 31, 2014, Renren suffered a "significant drop" in unique user log-ins "from approximately 56 million in December 2012 to approximately 45 million in December 2013."

Renren's operating losses skyrocketed as a result. Reported losses from operations worsened from \$5.4 million in 2011, to \$48.0 million in 2012, \$99.4 million in 2013, and \$159.4 million in 2014. During that same timeframe, Renren's gross profit margins plummeted from 77.6% in 2011, to 67.8% in 2012, to 63.3% in 2013, to less than 42.2% in 2014.

57. By late 2014, the demise of Renren's legacy social media business was well-chronicled. On October 28, 2014, Bloomberg ran an article titled "The Facebook of China Suddenly has a Myspace Feel to It," with the abstract "Renren Inc. was touted as the Facebook Inc. of China when it debuted in New York in 2011. Today it's looking more like online flameout Myspace." As further alleged herein, investors viewed Renren's social media business as essentially dead by the end of 2014 and focused instead on the potential upside associated with Renren's significant long-term investment holdings.

### **C. Defendants Chen and Chao Transform Renren Into a De Facto Venture Capital Firm**

58. As the Company's prospects for success as a social media company dwindled following its IPO, Chen found another way to turn the IPO proceeds into a successful business. With the approval and assistance of Defendant Chao, the DCM Defendants, and SoftBank, Chen transformed Renren into a *de facto* venture capital firm by investing nearly one billion dollars into various start-up ventures (dubbed "portfolio companies") and half a dozen funds, including funds managed by noted hedge fund manager Kyle Bass.

59. A significant portion of Renren's investments were funded directly with the proceeds that Renren received from its IPO. According to Renren's Form 20-F annual report for the year ended December 31, 2015, Renren only used \$3.2 million of the IPO proceeds in operating activities during 2011, \$11.1 million in 2012, and \$92.2 million in 2013. The remainder of the

funds were used for share repurchases (\$240 million), to fund investments and acquisitions, and for similar investing activities.

60. According to the FY 2015 Annual Report, proceeds from the IPO were used for the following:

- “US\$79.8 million in the acquisition of 56.com”
- “US\$118.4 million for an equity investment in Social Finance, Inc.,”
- “US\$26.6 million for a long-term investment in Mapbar Technology Limited;”
- “US\$80.0 million for a long-term investment in Japan Macro Opportunities Offshore Partners, LP;”
- “US\$32.1 million for a property purchased in Shanghai;”
- “US\$35.0 million for an investment in shares and warrants issued by Snowball Finance Inc.,”
- “US\$17.2 million and US\$10.0 million for equity investment in Rise Companies Corp. and Fundrise, L.P. respectively;”
- “US\$18.1 million for an investment in Eall Technology Limited;” and
- “US\$12.4 million for an equity investment in Koolray Vision Inc.”

Returns from these investments and other short-term investments that had been initially made with IPO proceeds were also used for other long-term investment activities, meaning that the vast majority of Renren’s long-term investments are traceable back to the \$777 million Renren received from investors in its IPO.

61. Renren’s investment activity increased significantly as it became increasingly clear that its historical social media business was in a tail-spin. According to its Form 20-F annual report, Renren had \$647.0 million in cash and cash equivalents and term deposits as of December 31, 2013, much of which had originated in connection with the IPO. Renren used those funds and

other funds to make over \$244.7 million of long-term investments in 2014 and another \$538.1 million in long-term investments in 2015.

62. According to cash flow statements set forth in its audited financial statements filed with the SEC, Renren made the following investments from 2012 through 2015:<sup>7</sup>

| <i>(amounts in \$ thousands)</i>                     | <b>Long-Term Investments Per Cash Flow Statement</b> |            |                 |                  |
|--|--|------------|-----------------|------------------|
|  | Fiscal Year Ended                                    |            |                 |                  |
|  | 12/31/2012   | 12/31/2013 | 12/31/2014      | 12/31/2015       |
| Purchase of equity method investments                | \$55,155   | \$20,000   | \$161,271       | \$225,885        |
| Purchase of cost method investments                  | \$0  | \$116      | \$26,969        | \$179,252        |
| Purchase of long-term available-for-sale investments | <u>\$0</u>   | <u>\$0</u> | <u>\$56,492</u> | <u>\$132,957</u> |
| Total  | \$55,155   | \$20,116   | \$244,732       | \$538,094        |

These investments were made with proceeds directly obtained through the IPO or involved funds that Renren never would have had at its disposal absent the IPO. As such, the IPO provided the means through which the Director Defendants were able to transform a floundering social media firm into a promising venture capital play.

63. Renren's investment activity was so prolific that the marketplace and financial media took notice. Several articles noted the juxtaposition between Renren's utter failure as a social media company and the promise of its investments. For example:

- On November 5, 2014, the tech financial website technode.com posted an article titled "Renren: The Failed 'Facebook of China'." This article noted that Renren's "advertising revenues from a limited user base were not significant" and that "Renren had no hope" when Sina Weibo took off, before concluding: "Joseph Chen is now better known as a famous investor. . . . To Chen, Renren may be just an investment through which he (and his venture capital backer Softbank) had gained hugely through the IPO";
- On May 11, 2015, the financial website Benzinga chronicled Renren, noting the demise of its social media business and transformation into a de facto venture

<sup>7</sup> The figures presented for the year ended December 31, 2014, materially differ between the 2014 audited financial statements and the 2015 audited financial statements. The figures for the year ended December 31, 2014 as set forth above were derived from the 2014 audited financial statements.

capital firm and expressly evaluating whether Renren “is a venture capital play as opposed to a social media play?” The article profiled Renren’s investments in SoFi and other online lending companies as an effort to “fight off the gloomy fates of doomed, less dynamic sites such as Myspace”; and

- A Wall Street Journal article posted on June 10, 2015, profiling Renren stated that Joseph Chen “is known in China for his funding of startups.”

During the same period, several financial analysts began recommending investment in Renren as a means of obtaining an indirect investment in privately held SoFi.

64. In short, by late 2014 or early 2015, the Company had become “effectively a [venture capital]-type business, not a real operating business.”<sup>8</sup> Renren’s Form F-20 annual reports and audited financial statements filed with the SEC reflect book values of \$320 million in total long-term investments as of December 31, 2014, and nearly \$811 million in total long-term investments as of December 31, 2015.

65. Many of the investments Renren acquired from 2012 to 2015 represent the most significant assets that Renren held, directly or indirectly, as of December 31, 2017. According to its audited financial statements, Renren held the following investments accounted for under the equity method as of December 31, 2017:

- \$208.7 million book value investment in SoFi;
- \$18.5 million book value investment in Eall (Tianjin) Network Technology Co., Ltd.; and
- \$14.3 million book value investment in Golden Axe.

Renren’s balance sheet also reflected nearly \$77.4 million in total “other” equity-method investments, each of which had a carrying amount of less than \$15 million. In total, Renren reported \$318.8 million in equity-method investments as of December 31, 2017.

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<sup>8</sup> Ari Levy, *How this Chinese company is infuriating investors*, CNBC.com, August 6, 2015.

66. Renren also reported the following investments accounted for as cost-method investments as of December 31, 2017:

- \$10.0 million in StoreDot Ltd. (“StoreDot”), stemming from a cash acquisition in that amount of StoreDot preferred shares in August 2014;
- \$11.1 million in GoGo Tech Holdings Limited (“GoGo”), stemming from various equity investments made in November 2014, May 2015, June 2015, and May 2016;
- \$5.5 million in Motif Investing Inc. (“Motif”), stemming from an investment made in January 2015 to obtain preferred shares representing a 10% interest;
- \$65.8 million in LendingHome Corporation (“LendingHome”), arising out of a March 2015 acquisition of preferred shares representing a 14.72% interest; and
- \$13.4 million in Eunke Technology Ltd. (“Eunke”), following the write-off of the March 2015 purchase of \$25 million for preferred shares equating to a 21.9% interest.

Renren reported more than \$38.9 million in other cost-method investments. In total, Renren reported \$144.8 million in cost-method investments as of December 31, 2017.

67. Finally, Renren reported the following “Available-for-sale investments” as of December 31, 2017:

- \$26.1 million in Snowball Finance Inc. (“Snowball”), related to \$35 million acquisition of preferred shares and a related warrant in November 2014;
- \$2.9 million in Eall Technology Limited (collectively, along with Eall (Tianjin) Network Technology Co., Ltd., “Eall”), related to an \$18 million purchase of preferred shares in September 2014 and a subsequent \$2 million purchase of additional preferred shares in July 2015;
- \$12.2 million in 268V Limited, related to a \$75 million acquisition of redeemable preferred shares in January 2015;
- \$27.6 million in Omni Prime Inc. (“Omni”) related to purchases of preferred shares in July 2015; and
- \$9.8 million in Hylink Advertising Co, Ltd.

In addition, Renren disclosed that it held nearly \$23.2 million in other available-for-sale investments as of December 31, 2017. In total, Renren reported nearly \$101.8 million in available-for-sale investments as of December 31, 2017.

68. Collectively, the book value of Renren's equity-method investments, cost-method investments, and available-for-sale investments totaled \$565.4 million as of December 31, 2017. As alleged in more detail herein, the fair market value of those investments was significantly more than book value, in large part because accounting rules and Renren's accounting practices did not result in investments being marked higher to reflect increasing market value. In reality, the fair market value of Renren's portfolio companies and investment funds exceeded \$1 billion.

#### **D. The Crown Jewel of Renren's Investment Portfolio**

69. The most promising and widely touted of Renren's investments was SoFi, an online financial technology company (or "fintech" company). Founded in 2011, SoFi originally concentrated on the student loan refinancing market and has since expanded into offering mortgages, personal loans, investment products, and wealth management services. SoFi is currently privately held but is widely anticipated to go public with an initial market capitalization of many billions of dollars.

70. Defendant Chen was an early investor in SoFi, having personally invested in SoFi's initial \$4 million funding round in 2011. As a large, ground-floor investor, Defendant Chen has served as a SoFi director since 2011. Dan Macklin, SoFi's co-founder, reportedly said the following of Defendant Chen: "Joe is a great investor and was our investor from the early days. He saw the vision early on and pushed us to grow faster and be more aggressive."

71. In fact, Defendant Chen deployed Renren's capital—including IPO proceeds—to help SoFi "grow faster" and more aggressively. In July 2012, Renren purchased \$10 million in

Series 2012-A Senior Secured SoFi Loan Notes issued by a subsidiary of SoFi. Then in September 2012, Renren invested \$49.0 million in a SoFi preferred share offering that was SoFi's first major equity raise. This substantial Renren investment provided the bulk of the \$77 million in total funding in the critical equity raise that got SoFi off the ground. DCM Ventures, Defendant Chao's venture capital firm, also invested in the September 2012 SoFi offering.

72. During 2012, the Director Defendants purchased additional SoFi shares through another one of their entities, Oak Pacific Holdings.<sup>9</sup> As such, Defendants Chen and Chao (with the DCM Defendants) have held direct or indirect ownership interests in SoFi as early as 2011 and 2012, respectively, and such ownership interests are independent of and in addition to their indirect ownership in SoFi through Renren (and now OPI).

73. By providing crucial start-up capital to SoFi with IPO proceeds, Renren conferred a material benefit on the Director Defendants and the DCM Defendants in bolstering the value of the outside direct and/or indirect ownership interests they held in SoFi. Apart from their personal investments, Defendants Chen and Chao were further conflicted with respect to transactions between Renren and SoFi because both of the Director Defendants also served on SoFi's board of directors. By virtue of their status as SoFi directors and investors through entities other than Renren, Chen and Chao had access to material non-public information regarding SoFi's finances and business plan. The DCM Defendants, through monitoring their investment in SoFi, also would have had access to such information, including through Chao.

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<sup>9</sup> Chen, Chao, and Renren COO and director James Jian Liu collectively owned approximately 98.5% of Oak Pacific Holdings.

74. Notwithstanding their conflicted positions, Defendants Chen and Chao—with SoftBank’s blessing—systematically used Renren as a funding vehicle for SoFi. In total, Renren purchased nearly a quarter of a billion dollars of preferred stock in SoFi, as follows:

| <b>Renren Investments in SoFi</b> |                    |                           |              |                         |
|-----------------------------------|--------------------|---------------------------|--------------|-------------------------|
| <i>Time Period</i>                | <i># of Shares</i> | <i>SoFi Security</i>      | <i>Price</i> | <i>Total Investment</i> |
| September 2012                    | 5,573,719          | Series B Preferred Shares | \$ 8.79      | \$49.0 million          |
| March 2014                        | 6,020,695          | Series D Preferred Shares | \$ 3.45      | \$20.8 million          |
| January 2015                      | 2,361,116          | Series E Preferred Shares | \$ 9.46      | \$22.3 million          |
| October 2015                      | 9,507,933          | Series F Preferred Shares | \$ 15.78     | <u>\$150.0 million</u>  |
|                                   |                    | <b>TOTAL</b>              |              | <b>\$242.1 million</b>  |

Renren funded the September 2012, March 2014, and January 2015 investments almost entirely with proceeds from its IPO. A significant portion of the October 2015 investment in SoFi was funded with IPO proceeds or the fruits of such proceeds. As of December 31, 2016, Renren’s more than \$240 million investment in SoFi amounted to a 21.06% ownership stake in SoFi.

75. SoftBank, Renren’s largest stockholder prior to the Separation, played a similar role as a major financial backer of SoFi. Specifically, SoftBank led a \$1 billion equity financing transaction for SoFi in October 2015, in which Renren invested \$150 million and DCM Ventures also participated. SoftBank also participated in other SoFi financing transactions, and David Thévenon served as SoftBank’s designated member on SoFi’s board. Mr. Thévenon concurrently served as a director of OPI.

76. By working in tandem and utilizing a quarter of a billion dollars of Renren capital, the Controlling Stockholders stand to reap a substantial windfall from the ownership interests they hold in SoFi. That windfall will be increased as a result of the divestiture of Renren’s interests through OPI and related transactions, as alleged below. Even though Renren provided the crucial start-up capital—largely consisting of IPO proceeds—necessary to get SoFi off the ground, Renren

itself will receive nothing in return. Its minority stockholders instead have received a cash dividend that is a pittance relative to the lost value of Renren's SoFi investment.

**E. Chen's Failed 2015 Bid to Buy-Out Renren's Stockholders**

77. The value of Renren's investments in its portfolio companies—and SoFi in particular—increased rapidly over time. Defendant Chen was in a unique position to observe the true value of those companies as they blossomed. He had initially directed those investments and was privy to financial and other material non-public information about SoFi and the other valuable portfolio companies by virtue of long-held board seats in many of those companies.

78. Chen, for example, had been a SoFi director since 2011. By virtue of substantial investments made by Renren (using IPO proceeds or the fruits thereof) and rights to designate board members obtained as a result of those investments, Defendant Chen had also served as:

- A director of Omni Prime Inc. since 2013;
- A director of Snowball Finance since 2013;
- A board member of Fundrise since 2012;
- A board member of Aspiration.com since 2014;
- A board member of LendingHome since 2014; and
- A board member of Motif Investing since 2014.

79. As a board member of many of Renren's most promising portfolio companies, each of which was private, Defendant Chen was privy to material non-public information regarding the financial condition of those entities, future business plans, and other inside information that enabled him to form a much clearer picture of those entities' prospects and, in turn, Renren's potential upside. Although Defendant Chen was privy to such information as a result of investments that Renren had made, that information was not disclosed to Renren's stockholders.

80. Renren's investors and analysts, in contrast, had a much muddier picture regarding the value of Renren's investments. Due to accounting conventions, the book value of those entities as reported in Renren's securities filings had little relation to actual value, which was much higher. Moreover, SoFi and Renren's other investments were private companies with limited publicly available information. Because of the woefully incomplete and imperfect information available to the marketplace, Renren's ADSs traded below \$4 between January 2015 and May 2015, a price that drastically undervalued the true value of Renren's investment portfolio

81. Chen tried to capitalize on that information asymmetry and the inside information he possessed in June 2015. On June 10, 2015, Renren issued a press release announcing the receipt of a preliminary non-binding "going private" proposal from Defendant Chen and Renren director/COO James Jian Liu. Chen and Liu offered to buy all outstanding Renren shares not already owned by them for a price of \$4.20 per ADS, or \$1.40 per share. Chen tried to justify his absurdly low offer by observing that that it was "approximately 22% above the average closing price of the Company's ADSs over the last 30 trading days up to and including June 9, 2015." But the low-ball \$4.20 price offered by Chen was actually *lower* than: (a) the daily high for every trading day in June 2015 through the date of the announcement; and (b) the daily close for the June 3-8 trading days.

82. Chen's lowball offer enraged Renren's stockholders. In an open letter to Renren's board dated June 24, 2015, stockholders John Romero and Patrick Small lambasted the offer as "appalling," "offensive and ludicrous." Based just on publicly available information, these investors noted the patent inadequacy of the offer price:

Please consider an analysis of the most significant assets in the 20-F filing dated April 16, 2015.

- 24% stake in Social Finance, Inc ("SoFi"), a leader in P2P online marketplace lending who offers a highly differentiated and coveted platform with an emphasis

on student loans. SoFi, is the #2 online lender based on originations just behind #1 Lending Club who has a market cap of \$5.5 B. SoFi has publicly stated their intent to go public in the next year and it would be logical to assume it would have a market cap similar to Lending Club when it commences trading.

- Cash, cash equivalents and short-term investments of \$400MM+
- Long term and VC investments (exclusive of SoFi's cost) of at least \$450 MM+. Renren has made 25+ investments where over half are FinTech related and half are in the domestic US. Renren is making a global play on the FinTech revolution, it is far from just a China play and in many ways is diversified away from the recent China market volatility.
- Renren has 40MM+ active monthly users with an emphasis on the college aged demographic. This is a massive base of organic traffic, and competitive advantage, which should allow Renren an inexpensive way to acquire customers for their internet financial services products.

\$4.20 per ADS offer by Chen and Liu (\$1.428 Billion valuation on roughly 340MM ADS outstanding) is offensive and ludicrous. In fact, ***when utilizing information available in the public domain, one could reasonably and realistically value Renren's SoFi stake alone, exclusive of the aforementioned assets, at \$1 B*** when it hits the public markets. Investors have SUFFERED mightily by way of Renren's depreciating market cap and management's inability to monetize the user base and galvanize subsequent restructuring under Chen and Liu. ***Now just when the new internet finance products and investment portfolio are showing promise, Chen and Liu are attempting to capitalize for personal gain solely at the expense of ALL shareholders.*** This posturing is not only in opposition to Chen and Liu's fiduciary duty to ALL shareholders, but is appalling considering the public track record since its 2011 IPO. Consequently, the special committee of independent directors MUST use their best IMPARTIAL judgement and REJECT this non-binding offer as it is clearly not in the best interest of ALL shareholders.

(Emphasis added.)

83. On August 6, 2015, CNBC reiterated Mr. Romero's concerns in an article titled "*How this Chinese company is infuriating investors*" posted on cnbc.com. According to the cnbc.com article, Romero had received an email from a fellow Renren investor characterizing the take private offer as an "outrageous injustice" that "reflects the greedy and almost immoral disposition of Chen and Liu." Another stockholder pointedly observed that Chen "should act like a public company CEO, not a robber baron." The article went on to explain:

- “Renren’s Internet business, consisting of games, video, online advertising and finance, has been on a steady decline;”
- “Renren is a unique case because the core social network is losing users and *has very little value*. Sales tumbled 41 percent in the first quarter as users flocked to Tencent and Weibo. In other words, based on its reported metrics, this is not a company that growth investors would be hungry to buy. ‘*Renren is effectively a VC-type business, not a real operating business,*’ Romero said;”
- “Whatever the performance of the company, Chen has proven himself to be an astute venture capitalist. That’s why investors are backing Renren, and why they’re so *furios* about the potential takeover;”
- Chen’s offer “sounds fine until factoring in the paper value of Renren’s start-up investments, which the company doesn’t carry on its books. Based on SoFi’s reported valuation for its upcoming round, Renren’s stake would be worth up to \$738 million;”
- “‘It’s a *total low-ball offer,*’ said John Romero, founder of Aptus Capital in Birmingham, Alabama, who wrote a letter to the Renren board on July 24, calling the deal ‘*offensive and ludicrous;*’”
- “Romero forwarded to CNBC.com an e-mail from one investor, who wrote to say the offer is an ‘outrageous injustice imposed on us and reflects the greedy and almost immoral disposition of Chen and Liu.’ Another said Chen ‘should act like a public company CEO, not a robber baron;’” and
- “As Romero sees it, ‘*SoFi will be the golden goose for these guys.*’”

(Emphasis added.)

84. Mr. Romero sent a subsequent open letter to Renren’s board of directors on September 25, 2015, published online, which further lambasted Chen’s offer:

- “[T]he *low ball offer* removes any possibility of Renren shareholders realizing the potential of its promising VC portfolio of over 25+ companies and \$500MM of ‘at cost’ investments, some of which are likely to realize windfall profits;”
- “*Chen and Liu are attempting to enrich themselves.* . . . It is particularly unsettling to see such a lowball offer right after Chen declares that the transition is complete in the last earnings call;”
- “Renren has been in a downward spiral and, while Chen has proven to be an astute investor, it appears that he can unilaterally invest whatever he wants,

whenever he wants with or without synergies and without pushback from the Board;” and

- “Renren already has a proven 10x winner in the mix with SoFi. . . . This is not reflected, as such, on its balance sheet due to the equity method of accounting where long term assets can be marked down through impairment but not marked up to reflect actual private market valuations.”

(Emphasis added.)

85. The firestorm of stockholder discontent increased following SoFi’s subsequent \$1 billion equity raise in October 2015. As rumors swirled regarding the potential value of SoFi, Renren’s investors grew increasingly frustrated with Defendant Chen’s buyout proposal. On December 2, 2015, Yahoo! Finance published an article from the financial website Benzinga, titled “SoFi’s Expected \$30 Billion IPO Adds Fuel to The Renren Fire.” This article quoted Mr. Romero as characterizing the management offer as “laughable.”

86. While Chen abandoned his lowball offer in the wake of stockholder outcry and the likelihood of a fair value challenge from dissenting stockholders, Defendant Chen’s resolve to make Renren’s investment portfolio his own remained strong.

#### **F. The Controlling Stockholders Hatch a Plan to Raid the Company’s Investment Portfolio at Less Than Half Its Value**

87. Armed with inside information about just how valuable Renren’s portfolio companies in general (and the SoFi investment in particular) were, Chen devised a new plan to take Renren’s investments for himself and Renren’s other Controlling Stockholders. By transferring Renren’s assets into a new entity and then spinning off the entity without providing Renren public stockholders any stock in the new entity, the Director Defendants (along with the DCM Defendants and SoftBank) could take Renren’s investment portfolio private without the need to obtain any approval from Renren’s minority stockholders or facing appraisal rights actions from dissenting stockholders.

88. On September 30, 2016, Renren announced that it “intend[ed] to spin off a newly formed subsidiary (‘SpinCo’) that will hold . . . most of the Company’s investments in minority stakes in privately held companies.” Thereafter, the Director Defendants set in motion a series of interrelated transactions, culminating in the Separation and payment of an artificially low dividend to Renren’s minority stockholders on June 21, 2018. Although these transactions were characterized as a spin-off, both the structure and substance were starkly different from a normal spin-off transaction, and the interrelated series of transactions constitute egregious breaches of the fiduciary duties that the Director Defendants owed to Renren.

**1. Renren Forms OPI to Dispose of Renren’s Investment Portfolio.**

89. The first step in the Director Defendants’ and Controlling Stockholders’ plan was to form the new SpinCo, namely OPI. To that end, OPI was incorporated in the Cayman Islands on September 14, 2017, initially as a direct wholly owned subsidiary of Renren. According to the Offering Circular, OPI was formed “to serve as the vehicle for the disposition of the Investments and the ZenZone business.” Defendant Chen placed himself in a highly conflicted position from the start, serving as chief executive officer and a director of OPI.

90. After OPI was formed, Chen set about transferring Renren’s investment assets to OPI. All investments other than SoFi and the ZenZone business were transferred to Renren Lianhe Holdings (“Renren Lianhe”), a direct wholly-owned subsidiary of OPI. Renren’s interests in SoFi were transferred to Renren SF Holdings Inc. (“Renren SF”), a direct wholly-owned subsidiary of Renren Lianhe, following approval from the New York Department of Financial Services.<sup>10</sup> By

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<sup>10</sup> Renren SF was created to serve as the holding vehicle for the SoFi interest due to New York regulations pertaining to SoFi, and the “SF” in Renren SF’s name presumably stands for SoFi or Social Finance.

virtue of its 100% ownership of Renren Lianhe, OPI indirectly obtained ownership of all of Renren's SoFi interest and other valuable investment assets.

91. In total, Renren transferred its interests in 44 portfolio companies (18 of which are based in the United States) and 6 investment funds to OPI and its subsidiaries. According to the Offering Circular, the book value of the interests transferred from Renren to OPI was \$550.95 million of September 30, 2017. According to Renren's Form 20-F annual report and audited financial statements filed with the SEC, the book value of those entities was \$530.6 million as of December 31, 2017, more than 93% of the total \$565.4 million book value of Renren's investments at the time. Moreover, nearly 57% of the book value of the investments transferred to OPI was from U.S. companies.

92. Many of the most significant investments transferred to OPI consisted of investments that Renren funded completely or in substantial part with proceeds from the IPO. Renren, for example, used IPO proceeds to make investments in: Eall Technology Limited; KoolRay Vision Inc.; Rise Companies Corp.; Snowball Finance Inc; and SoFi (collectively, the "IPO Proceed Investments"). The book value of those five investments alone was over \$266 million according to the Offering Circular, more than half of the purported book value of the interests transferred to OPI as of September 30, 2017. In reality, the fair value of the IPO Proceed Investments was much higher than book value, as discussed in detail below.

93. OPI received substantial ownership interests in each of the IPO Proceed Investments. Specifically, OPI obtained: (a) a 20.40% interest in Eall Technology Limited; (b) a 39.06% interest in KoolRay Vision Inc.; (c) a 26.37% interest in Rise Companies Corp.; (d) a 20.58% interest in Snowball Finance Inc.; and (e) a 13.06% interest in SoFi.

94. Moreover, in addition to SoFi, the other IPO Proceed Investments represented some of Renren's most significant investment activities. Indeed, the Offering Circular specifically highlighted SoFi and three of the other IPO Proceeds Investments in the discussion of "OPI's most significant" investments, as follows:

- "Eall Technology Limited and Eall (Tianjin) Network Technology Co., Ltd. (collectively, 'Eall') is the largest dedicated enterprise resource planning provider for real estate agencies in China;"
- "Rise Companies Corp. ('Rise') operates Fundrise, which is a direct-to-investor alternative investment model with a mission to deliver better overall, stable returns by using a vertically integrated web-based technology platform and new regulations to allow retail investors to invest in real estate. Rise has originated more than US\$250 million in both equity and debt investments deployed across more than approximately US\$1.4 billion of real estate property, while collecting and processing more than 230,000 investor dividends, distributions, investments and principal re-payments since it sponsored its first online investment in 2012;" and
- "Snowball Finance Inc. ('Snowball') is an internet financial information service provider that is focused on investment solutions. Snowball's investment and communication platform xueqiu.com provides investors with cross-market and cross-species data query, newsletter subscriptions, and interactive communication services. Snowball delivers business and market news, data, analysis and reports on bonds, trusts and funds in the U.S., Hong Kong, and Chinese finance markets. In addition, Snowball has developed a broker system that allows members to buy and sell stocks on its website and apps. Snowball was founded in 2010 and is headquartered in Beijing."

In other words, four of the eight "most significant" investments described in the Offering Circular were investments directly obtained with IPO proceeds raised in New York.

95. Many of the other material investments transferred from Renren to OPI as part of the Separation similarly were acquired by Renren years earlier, often with the subsequent fruits of Renren's initial investments of IPO proceeds. Those entities, the time period of Renren's initial investment, and the book value of those entities according to the Offering Circular were as follows:

| <b>OPI Entity</b>          | <b>Renren Acquisition</b> | <b>Book (\$ million)</b> |
|----------------------------|---------------------------|--------------------------|
| 268V Limited               | January 2015              | \$12.09                  |
| Eunke Technology Ltd.      | March 2015                | \$13.44                  |
| GoGo Tech Holdings Limited | November 2014 (onward)    | \$11.13                  |
| LendingHome Corporation    | March 2015                | \$65.84                  |
| Motif Investing, Inc.      | January 2015              | \$5.47                   |
| Omni Prime Inc.            | July 2015                 | \$27.05                  |
| StoreDot Ltd.              | August 2014               | <u>\$10.00</u>           |
|                            | <b>TOTAL</b>              | <b>\$145.02</b>          |

96. The \$145 million of book value associated with these investments, combined with the more than \$266 million of book value associated with the IPO Proceed Investments, accounted for approximately three-quarters of the total book value of OPI's holdings. Had it not been for Renren's IPO, these investments would not have been possible.

97. Several of these investments also represented some of "OPI's most significant" investments, as characterized in the Offering Circular. The discussion of key OPI investments specifically describes LendingHome Corporation, "a mortgage marketplace lender that was founded in 2013 and is based in San Francisco" that "attracts investments from institutional investors including credit funds, private equity firms, hedge funds and university endowments." The discussion of key OPI investments also highlights Omni Prime Inc., "a financial technology company in China" founded in 2014.

98. In total, the Offering Circular identifies eight investments as "OPI's most significant" investments. Renren obtained six of those eight entities (LendingHome, Omni, SoFi, Eall, Rise, and Snowball) directly with IPO proceeds, with the fruits of Renren's first wave of investments of IPO proceeds, and/or during the Renren investment spree that occurred from 2014 through 2015. By virtue of using Renren to make substantial investments in those companies, Defendant Chen now serves as a director on each of those entities' respective boards.

## 2. The OPI Private Placement.

99. Because OPI was a wholly-owned subsidiary of Renren, Renren initially maintained its immensely valuable long-term investments, albeit indirectly, but only as long as it held ownership of OPI. To take full control over those investments—and the associated upside—the Controlling Stockholders needed to strip Renren of its ownership of those assets by spinning off OPI as a private company. Defendants Chen and Chao stripped Renren of its ownership in OPI through the Separation Agreement and related private placement, transactions that were highly unusual and very different from normal spin-off transactions.

100. In a typical spin-off transaction, the parent entity distributes shares of the newly formed SpinCo to the parent's stockholders on a pro rata basis as a special dividend. Thus, at the moment a typical spin-off is effectuated, the same body of stockholders holds shares not only in the original parent company, but also the SpinCo, which they receive as a stock dividend. And because the parent's stockholders receive shares in the SpinCo, they can still participate in and benefit from the potential upside associated with assets or business lines spun off from the parent.

101. But the Controlling Stockholders did not want Renren's minority stockholders to maintain an interest in OPI, and so they did not make a pro rata dividend of OPI shares to Renren's stockholder body as a whole. Instead, the Controlling Stockholders concocted a convoluted structure through which a cash dividend would be paid in lieu of a dividend of OPI shares, with investors having the option to opt out of the dividend and receive OPI shares through a private offering. The Controlling Stockholders committed themselves to the opt-out (and instead chose to receive OPI shares) prior to announcing this plan to the rest of Renren's stockholders, and thus

were incentivized to minimize the amount of the Cash Dividend as much as possible.<sup>11</sup> The Controlling Stockholders then gave the rest of Renren's stockholders a "choice" to take the dividend or instead opt out and take OPI shares.

102. The choice presented to investors came with one significant catch and was really no choice at all. The OPI shares were only available to the subset of Renren stockholders who could meet a three-part "Eligible Shareholders" test. To even have the option of electing to hold an illiquid investment alongside the controlling fiduciaries, a Renren stockholder needed to be an "accredited investor" as defined under the Securities Act;<sup>12</sup> a "qualified purchaser" as defined under the Investment Company Act;<sup>13</sup> and live outside of an "Excluded Jurisdiction"—*i.e.*, "Japan and any other jurisdiction where the Offer would be prohibited." As a practical matter, the private placement's eligibility requirement meant that most Renren stockholders were not able to obtain OPI shares and were instead stuck taking a cash dividend that grossly undervalued the transferred investments.

103. Even for those who qualified as Eligible Shareholders, the Separation was designed to be an undesirable investment. First, because OPI was a private company (as opposed to Renren), any Renren stockholder who wanted to take the OPI shares would be stuck with an illiquid investment with no trading market. Second, because the Controlling Stockholders would control

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<sup>11</sup> Specifically, the Controlling Stockholders, called "Committed Shareholders" in the Offering Circular, entered into contractual commitments to accept OPI shares prior to providing the Offering Circular to Renren's minority stockholders.

<sup>12</sup> For an individual to qualify as an "Accredited Investor," he must have a net worth in excess of \$1,000,000, excluding the value of her primary residence, or have income of at least \$200,000 each year for the last two years (or \$300,000 income if married) and have the expectation to make the same amount in the following year.

<sup>13</sup> For an individual to qualify as a "Qualified Purchaser," he must "own not less than \$5,000,000 in investments." Investment Company Act, Section 2, General Definitions, 51(a).

OPI after the Separation, any Renren stockholder who wanted to take the OPI shares would be stuck in a private company controlled by the same faithless fiduciaries who had foisted the Separation on them in the first place. In fact, the Offering Circular warned that because of the sizeable stakes in OPI held by Chen, Renren COO Liu, and Softbank, participating stockholders would “have no power to change the composition of the board of directors” and that Chen and Softbank could unilaterally “revise [OPI’s] articles of association” without any stockholder vote. And because OPI was a private company, participating stockholders could expect far less information about the status of the investment portfolio and had far fewer means of protecting themselves from any future self-interested transactions. Third, even though a Renren stockholder would receive one OPI share for every Renren share it held, that stockholder’s economic interest in Renren’s investments would decrease significantly after the Separation. According to the Offering Circular, a participating stockholder would “experience immediate and substantial dilution” because OPI would issue over 136 million options and 6 million restricted shares to Chen and other insiders immediately after the Separation. Similarly, the preferential distribution rights and management fees the Controlling Stockholders tacked on to OPI in connection with the Separation (discussed below in section J) shifted even more of the potential upside associated with Renren’s investment portfolio away from a participating investor and to the Controlling Stockholders. The Offering Circular even acknowledged that the preferential distribution rights “granted to Softbank and DCM shift some of the risk disproportionately onto the other shareholders of OPI.”

104. In short, by restricting the number of “Eligible Shareholders” able to receive OPI shares, the Controlling Stockholders were able to seize ownership for themselves and take the company private. And by making OPI’s ownership and management structure so onerous and lop-

sided for non-insiders, the Controlling Stockholders ensured that even those minority stockholders that were eligible would choose not to participate. Renren, for its part, was left with perpetual money-losing businesses, including a used car business and an outdated social media platform. And Renren's stockholders that could not participate (or chose not to participate in OPI's lopsided structure) received a pittance of a cash dividend that was based on a gross undervaluation of SoFi and the other investments the Controlling Stockholders caused Renren to transfer to OPI, as described below.

**G. The Value of Renren's Investment Portfolio and Other Assets Transferred to OPI Exceeded \$1 Billion**

105. As with Chen's prior take-private offer, the Cash Dividend was grossly inadequate because the OPI Value on which it was based was artificially low. First, the OPI Value was based on an extreme undervaluation of the assets transferred from Renren to OPI. Second, the OPI Value was conceptually flawed in that it treated OPI as a standalone entity and included various improper offsets that would not have existed in the absence of the "spin-off" (*i.e.*, had Renren simply maintained its investment portfolio). In reality, the OPI Value was the result of financial "goal-seeking" that reverse engineered whatever unsupported assumptions were necessary to exactly hit a pre-determined target set by Chen in December 2016.

106. To provide cover for his plan to wrest control of Renren's investments on the cheap, Chen and the Controlling Stockholders formed a Special Committee and hired Duff & Phelps to provide a valuation analysis and fairness opinion. Duff & Phelps concluded that OPI was worth between \$483 million to \$587 million, conveniently settling on a range that bracketed the \$500 million offer Chen had made more than a year earlier. But the OPI Value—and Duff & Phelps' analysis on which it was said to be based—was fundamentally unfair to Renren and its minority stockholders.

**1. The Investments Transferred to OPI Were Worth Significantly More than the Value Assigned to those Investments by Duff & Phelps and the Special Committee.**

107. To arrive at the OPI Value, the Special Committee and Duff & Phelps started with an informal “valuation” of the investments and other assets that Renren transferred to OPI in connection with the Separation. Duff & Phelps presented its valuation analysis on April 23, 2018, the same day that the Special Committee set the OPI Value. Duff & Phelps estimated that the value of those investments and transferred assets were between \$676 million to \$775 million, consisting of: (1) the SoFi investment (estimated at \$269 million to \$328 million); (2) 43 other transferred portfolio companies and 6 investment funds (estimated at \$380 million to \$412 million); and (3) the ZenZone business (estimated at \$27 million to \$35 million). In reality, Duff & Phelps’ analysis drastically undervalued those investments, which were worth more than \$1 billion.

108. Duff & Phelps, for example, understated the value of Renren’s SoFi investment by at least several hundred million dollars. Available market data—and the Controlling Stockholders’ own agreements executed in connection with the Separation—indicated that the value of Renren’s *SoFi holdings alone* exceeded the OPI Value. In April 2017, for example, Renren sold 14.1% of its SoFi position (5,719,986 shares) for \$93.2 million in gross proceeds, or approximately \$16.30 per share. At that price, Renren’s remaining stake in SoFi was worth \$566 million. Similarly, in March 2017, SoFi completed a \$500 million financing round at \$17.18 per share, implying a value of \$596.6 million for Renren’s stake in SoFi. On information and belief, SoFi’s value did not decline between these sales in 2017 and the effective date of the Separation.

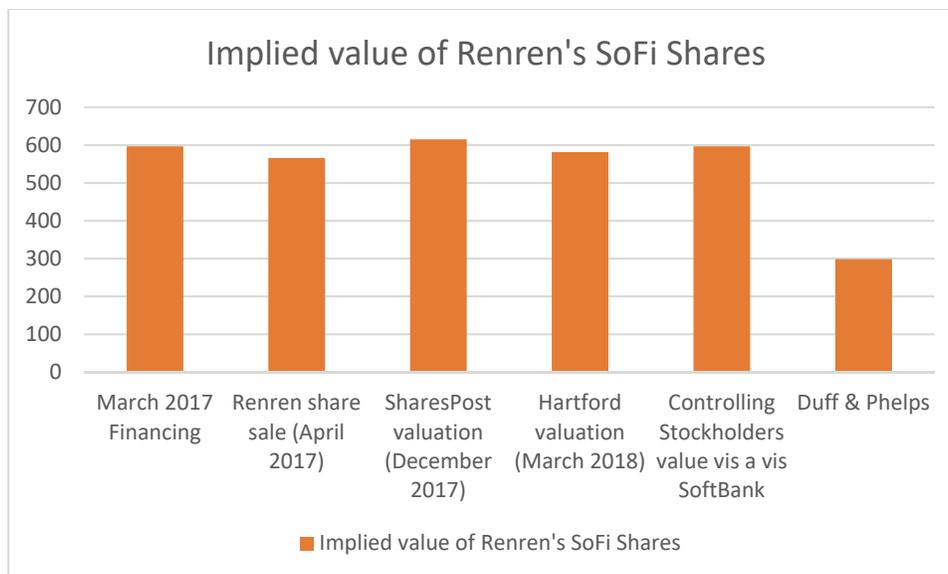
109. Removing any doubt that the Special Committee and Duff & Phelps vastly undervalued Renren’s SoFi stake, the Controlling Stockholders used the same (higher) \$17.18 per share price that SoFi commanded during the March 2017 financing round in agreements they

executed amongst themselves in connection with the Separation. Specifically, in connection with the Separation, SoftBank made a loan to an OPI subsidiary, purportedly to help fund the Cash Dividend and OPI’s operating expenses. In connection with this loan, SoftBank and OPI’s subsidiary agreed to an “Initial SoFi Valuation” for purposes of determining how much OPI’s SoFi holdings appreciated over time. According to the SoftBank loan documents, OPI and SoftBank agreed to an initial valuation of \$17.1842 per SoFi share—a stark contrast to the \$7.75 to \$9.45 per share used to “value” OPI for purposes of calculating the Cash Dividend.

110. More recent market data from other holders of SoFi shares similarly indicates that Renren’s SoFi stake was worth well in excess of \$560 million at the time of the Separation and payment of the Cash Dividend. The Hartford Capital Appreciation Fund, a U.S. mutual fund with approximately 348,919 SoFi shares, reported the market value of its holding at \$5.8 million as of March 31, 2018, implying a value of \$16.74 per share. SharesPost Inc., an investment company, reported the value of its SoFi investment at \$2.4 million as of December 31, 2017, implying a value of \$17.71 per share. Those valuations peg Renren’s interest in SoFi at between \$581.3 million and \$615 million respectively, the same general range indicated by Renren’s April 2017 sale of SoFi shares and the SoftBank loan documents.

111. As the following table and chart show, the available evidence of SoFi’s market value indicates that Renren’s stake in SoFi easily exceeded \$560 million:

| <b>Source</b>                                    | <b>Value per share<br/>(US\$)</b> | <b>Implied value of<br/>Renren’s<br/>SoFi Shares</b> |
|--|-----------------------------------|--|
| March 2017 Financing                             | 17.18                             | 596.6  |
| Renren share sale (April 2017)                   | 16.30                             | 566.0  |
| SharesPost valuation (December 2017)             | 17.71                             | 615.0  |
| Hartford valuation (March 2018)                  | 16.74                             | 581.3  |
| Controlling Stockholders/SoftBank loan documents | 17.18                             | 596.6  |



112. According to the Offering Circular, Duff & Phelps used much of the same market data—all of which indicated a valuation near \$600 million—as a starting point for its analysis. Duff & Phelps, however, departed from basic economic theory and ignored the market price that willing buyers had paid in determining that Renren’s SoFi stake was worth far less. Instead, at Duff & Phelps’s suggestion, the Special Committee applied a 40–50% discount to the Company’s SoFi stake because, according to the Offering Circular, “there is typically a discount” in “purchases and sales of large blocks in private companies and secondary sale transactions for private companies.”

113. In the case of SoFi, that discount was unwarranted and inappropriate both in principle and in magnitude. SoFi’s March 2017 financing round and Renren’s sale of SoFi shares in April 2017 were each market transactions that reflected the price that investors were willing to pay for SoFi shares while SoFi was a private company, including in the secondary market. Those prices therefore already reflected any pertinent private company “discounts” relative to a hypothetical valuation of SoFi. By applying a discount to these transactions, Duff & Phelps and

the Special Committee effectively double-counted any potential marketability or liquidity discounts to the value of the Company's SoFi stake.

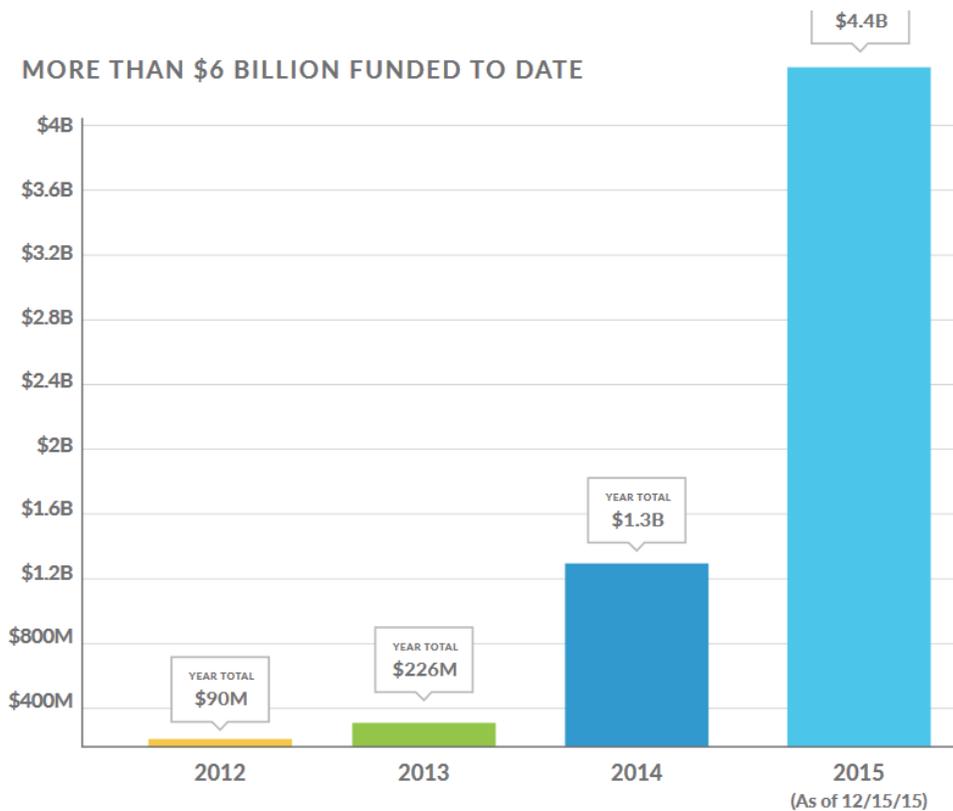
114. Indeed, using Duff & Phelps' and the Special Committee's logic, investors buying SoFi shares in March and April 2017 for around \$16 to \$17 per share were buying shares that others would only buy for 40% to 50% less. And those foolish investors (as implied by the Duff & Phelps analysis) would have *known* they were going to suffer such a loss because, allegedly, that is what typically happens. That is obviously absurd. If Duff & Phelps and the Special Committee were correct, no investor would have agreed to purchase SoFi shares at those prices in the first place. In short, there was no reason to discount the value of the Company's SoFi holdings to \$269 million to \$328 million (a per share price of approximately \$8.60 at the mid-point of that range) when (1) there were actual recent market transactions at nearly twice that amount and (2) the Director Defendants and SoftBank used the prices of those same market transactions in valuing SoFi in connection with the Separation, as discussed *supra*.

115. The Special Committee's and Duff & Phelps' market-defying estimate of the Company's SoFi stake was further flawed in that it ignored: (1) the history and timing of Renren's investments and SoFi's rapid growth; (2) that SoFi's inevitable IPO was widely anticipated in the marketplace; (3) that Defendant Chen, Defendant Chao, the DCM Defendants, and SoftBank were in a position to influence the timing of a SoFi IPO; and (4) that the Offering Circular and virtually all transaction documents associated with the Separation contemplated a rapid monetization and exit of the SoFi position. Each of these factors warrants further discussion.

116. **First**, given that Renren was an early investor and that SoFi had grown rapidly, it was patently unreasonable to conclude that Renren's investment in SoFi was worth only slightly more than carrying book value. As alleged in more detail above, Renren was one of SoFi's earliest

investors, providing the majority of start-up money in 2012. By March 2014, still early in SoFi's history, Renren had invested over \$92 million. By October 2015, Renren had invested over \$242 million.

117. SoFi experienced rapid growth from 2012 through the time of the Separation. The following SoFi-prepared figure reflects SoFi's rapid growth from \$90 million in total loan fundings in 2012 to more than \$4.4 billion in loans funded in 2015:



According to a subsequent SoFi press release, SoFi funded \$6.9 billion in loans in 2017 through December 8, 2017. On April 2, 2018, SoFi announced that it originated \$3.6 billion in loans in the first quarter of 2018 alone, a 27% increase compared to the first quarter of 2017. Accordingly, SoFi's *quarterly originations alone are now more than double its 2012 to 2014 originations combined*, and almost as large as its entire yearly originations were in 2015, the year in which Renren made its latest investment. SoFi's rapid growth is similarly reflected in its marketing

expenditures, which reportedly grew from just \$30 million in 2015 to \$170 million in 2017, with \$200 million budgeted marketing expenditures in 2018. Given this meteoric growth, a valuation of Renren's early investments in SoFi at an amount approximating historical cost lacks credibility.

118. **Second**, SoFi's widely anticipated IPO made it nonsensical for Duff & Phelps and the Special Committee to apply a 40% to 50% marketability discount to Renren's holdings in SoFi, especially when the actually consummated sales of SoFi stock in the secondary market discussed above are taken into account. The anticipation of the IPO and the factors pointing to an expected highly favorable reception in the equity markets would minimize and likely eliminate any such discount. SoFi has had little difficulty raising equity as a privately held company. SoFi is renowned as one of the most prominent and well-regarded companies in the fintech industry and raised approximately \$500 million in its latest financing round. SoFi would have little trouble attracting investor interest in an IPO, and rumors of and market buzz surrounding SoFi's widely anticipated IPO have frequently permeated financial media. In fact, according to various media reports, SoFi received a \$6 billion offer from a foreign bank in early 2017, which SoFi's board (including the Director Defendants and SoftBank) rejected. SoFi also held talks in late 2017 with several possible acquirers for a target price of \$8 billion to \$10 billion, which would make Renren's (and now OPI's) stake in SoFi worth over \$1 billion. In light of the multi-billion dollar offers that SoFi's board rejected, it was simply not credible to conclude that a buyer would not be willing to pay \$560 million (or much more) for Renren's stake in SoFi.

119. **Third**, a valuation discount stemming from any purported inability to sell the SoFi investment ignored the course of dealing and relationships the Director Defendants, the DCM Defendants and SoftBank share with each other and with SoFi. Specifically:

- Defendant Chen, Defendant Chao, the DCM Defendants, and Softbank (through David Thévenon and now Alok Sama) were in a position as SoFi

directors and stockholders and/or principals of major SoFi stockholders (Renren/OPI, DCM Ventures, and SoftBank) to push for an IPO;

- Defendant Chen, Defendant Chao, the DCM Defendants, and SoftBank entered into the transactions as “Committed Shareholders” who would retain Renren’s interest in SoFi, with the understanding that the SoFi investment would be monetized quickly; and
- Defendant Chen, OPI’s chief executive officer and a director, and Softbank’s nominee director on OPI’s board (previously David Thévenon and now Alok Sama), are tasked with disposing of the SoFi shares as soon as possible as OPI principals.

120. At a minimum, the Director Defendants could not have reasonably relied on any valuation premised on a marketability discount given that Defendant Chen and Defendant Chao could influence a SoFi IPO or other divestiture of SoFi shares.

121. **Fourth**, applying any marketability discount to the SoFi investment was entirely inappropriate when quickly monetizing the investment in SoFi was one of the basic premises underpinning the entire transaction. For example, the Offering Circular stated: “OPI intends to dispose of its holdings of SoFi shares as soon as possible to achieve maximum profit for the shareholders of OPI.” Similarly, Section 3.3 of the OPI Shareholders Agreement, entered into by Defendant Chen, the DCM Funds (with Defendant Chao almost certainly acting on their behalf), and Softbank expressly provided that OPI “shall, and without limitation of any right of any Party hereunder each of the Parties agrees to use its best efforts to procure that the Company shall complete the SoFi Exit, including monetization of the SoFi Shares, as soon as possible.” Given that accomplishing a sale of SoFi shares as soon as possible was both contemplated and a contractual obligation, the Special Committee and the Director Defendants could not have reasonably relied on any valuation discount to SoFi premised on lack of marketability due to block size or otherwise. And it was entirely inappropriate and indicative of bad faith and of dishonesty

for Duff & Phelps to suggest (and the Special Committee to determine) that such market-defying discounts were warranted.

122. In short, the SoFi shares that Renren transferred in connection with the Separation Agreement were worth at least \$560 million, if not significantly more. Assuming the Special Committee and Duff & Phelps had appropriately valued the rest of the assets transferred to OPI, the total value of the assets transferred from Renren to OPI should have been at least \$967 million to \$1.007 billion—several hundred million dollars more than the assigned asset value used in deriving the OPI Value.

123. In reality, however, Renren's other investments were also worth much more than the estimates that the Special Committee and Duff & Phelps used. As described above, Renren made most of its investments from 2012 to 2015, early on and in the start-up phase of the portfolio companies. Especially for those companies highlighted as the "most significant investments" in the Offering Circular, the timing of Renren's early investments, juxtaposed with several years of subsequent growth and success by the portfolio companies, is indicative of substantial appreciation in overall entity value.

124. Furthermore, for several of the entities, recent transactions imply fair market valuations that significantly exceed the carrying book values reflected in the Offering Circular and in Duff & Phelps' "valuation" analysis. Just weeks after the Separation closed, an Alibaba affiliate, Ant Financial Services, was reported to have invested approximately \$100 million in Snowball in a transaction that values Snowball at between \$400 million and \$500 million, making Renren's stake worth nearly \$80 million to \$100 million. Not only does that valuation far exceed the \$24.11 million book value that Duff & Phelps adopted, but OPI purportedly sold most of its stake in Snowball shortly after the Separation. Of course, the timing is not coincidental. The Director

Defendants undoubtedly knew about the Snowball transaction and the windfall they would reap from Renren's investment (made with IPO proceeds) well before completing the Separation, further undermining the validity of the OPI Value.

125. Other examples of recent transactions implying higher fair market valuations for Renren's investments include:

- A January 2017 round of financing for LendingHome indicated that OPI's stake in the company is worth more than \$75 million, and LendingHome's most recent financing round in March 2018 indicates a value of over \$110 million (compared to book value of \$65.8 million);
- A September 2017 merger involving GoGo Tech Holdings Limited ("GoGo") and a Chinese logistics company, which valued the combined company at over \$1 billion, indicates that OPI's 10.48% stake is worth far more than its book value of \$11.13 million book value;<sup>14</sup>
- An equity valuation disclosed in June 2017 indicates that OPI's stake in Rise Companies Corp. is worth more than \$46 million (compared to book value of \$12.3 million);
- A March 2017 financing round for Omni Prime, Inc. indicates that OPI's stake in the company is worth more than \$40 million (compared to book value of approximately \$27.6 million);
- An October 2017 financing round for Aspiration Partners indicates that OPI's stake in the company is approximately \$29 million (compared to book value of \$7 million);
- A January 2017 financing round for Shiftgig indicates that OPI's stake in the company is worth over \$13.5 million (compared to book value of \$9 million);
- An August 2017 financing for StoreDot Ltd. indicates that OPI's stake in the company is worth more than \$30 million (compared to book value of \$10 million); and

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<sup>14</sup> Renren's recent Form 20-F noted that it held a 13.89% and 10.48% equity interest in GoGo as of December 31, 2015, and 2016, respectively. Despite GoGo's merger in September 2017 at a reported valuation of \$1 billion, Defendants did not disclose OPI's resulting ownership interest, making it impossible for Renren's minority stockholders to accurately value OPI's stake. Even if OPI's interest in the merged entity were only 5%, its position would be worth \$50 million.

- A February 2018 acquisition transaction involving 268V Limited indicates that OPI's stake in the company is worth approximately \$30 million (compared to book value of \$12.2 million).

Available market data indicates that those investments were worth nearly \$350 million (and possibly more given additional growth during the passage of time) as of April 2018, double the book value of those same investments according to the Offering Circular. In addition, Renren owned 36.56% of Loadstar Capital K.K. ("Loadstar"), a publicly-traded Japanese company. Loadstar's market capitalization is approximately \$210 million (¥23 billion). As of the time of the Separation, Renren's Loadstar stake was worth approximately \$80 million (compared to its \$14.5 million book value). Renren's holdings of Loadstar, a publicly traded stock, was necessarily worth the price at the time. No explanation is provided in the Offering Circular as to how an investment in publicly traded stock could be subject to any valuation discount.

126. In summary, adopting a conservative estimate of the value of this sub-set of investments for which information is available, this sub-set was worth at least \$509 million, far in excess of the \$380 to \$412 million range that Duff & Phelps used for the total set of such other investments.

127. Once again, Duff & Phelps unjustifiably applied marketability and other discounts to these investments—notwithstanding recent market transactions militating to the contrary—when “valuing” Renren's investments, which the Special Committee accepted at face value. And once again, because these transactions reflect prices that investors paid for minority shareholdings, share prices for small parcels of shares quoted on liquid exchanges, or recent reports or valuation analyses estimating the value of the minority investments, it was not appropriate to apply further discounts for minority status or purported illiquidity of any given investment. By doing so, Duff & Phelps and the Special Committee improperly double-counted the impact such risks had on the value of those investments. Put simply, there is no reason to apply a marketability discount or

control discount to the value implied from a market transaction in which third parties have presumably already factored in any risks associated with lack of control or marketability.

128. In the aggregate, the value of the investments that Renren transferred to OPI exceeded \$1 billion. Accordingly, the estimated \$676 million to \$775 million valuation range on which the OPI Value was based was \$300 million to \$400 million (or more) below fair market value.

## **2. Intentional Valuation Distortions from the Renren Note and OPI Operating Expenses.**

129. The OPI Value (and consequently the Cash Dividend) was further understated because of a glaring conceptual flaw in the Special Committee's and Duff & Phelps' analysis. From Renren's and its minority stockholders' perspective, the overall transaction should have been evaluated comparing Renren's value before (*i.e.*, when Renren had 100% ownership of the investment assets) and after the Separation (*i.e.*, when Renren was left with a defunct social media business and a financially troubled used car business). In other words, Renren and its stockholders should have been compensated for the value that was transferred away from Renren through the interrelated transactions culminating in the Separation. But that is not what the Special Committee and its advisor, Duff & Phelps, did in determining the OPI Value. Rather, the OPI Value was based on a hypothetical net asset value of OPI as a separate entity *after* the Separation. This conceptual flaw completely ignored the transfer of Renren's assets to OPI that had been the crucial first part of the Separation as a whole (so that the assets could be stripped from Renren), and instead made Renren and its minority stockholders pay for the privilege of losing their assets.

130. Specifically, by ignoring the initial dissipation of assets from Renren and instead focusing on OPI's value as a standalone business after the Separation, the Special Committee and Duff & Phelps were able artificially to deflate the value of the assets taken from Renren (and the

Cash Dividend paid to minority stockholders). First, in connection with the Separation, OPI (through its conflicted CEO Chen) executed a \$90 million promissory note in favor of Renren (the “Renren Note”) as partial consideration for the transfer of Renren’s assets to OPI. The Special Committee (and their advisor, Duff & Phelps) then deducted the \$90 million face value of the Renren Note from OPI’s “gross principal assets” (*i.e.*, the SoFi stake and the balance of Renren’s investment portfolio) in their calculation of the OPI Value, even though, as explained below, the Renren Note was worth much less than its face value. Second, the Special Committee and Duff & Phelps deducted between \$5 million and \$9 million in post-transaction OPI “overhead expenses,” none of which benefitted Renren or served as consideration for the transfer of Renren’s assets to OPI. These two offsets allowed the Special Committee and Duff & Phelps to reduce the OPI Value by approximately 15% (from its already depressed value).

131. Of course, these offsets were irrelevant to determining the value Renren lost as a result of the interrelated transactions culminating in the Separation, as neither offset would have occurred absent the spin-off. The conceptual flaw in the Special Committee’s and Duff & Phelps’ approach was especially egregious because the transactions giving rise to the offsets were not arm’s-length transactions and, in the end, were nothing more than financial engineering designed to reduce the amount of the Cash Dividend. Indeed, the Offering Circular bluntly admitted that the Renren Note “reduces the net value of the assets being transferred from Renren to OPI while still transferring substantially all of the Investments to OPI.” Further troubling, Defendants remained stockholders in Renren, meaning that in the event that there was any potential upside to Renren from the Renren Note, they would share in it. In other words, from the Controlling Stockholders’ perspective as stockholders in both OPI and Renren, the Renren Note amounted to

moving money from the right pocket to the left pocket. Yet the Note drastically reduced the amount of Cash Dividend payable to Renren's minority stockholders.

132. The Renren Note is further evidence of the Director Defendants' bad faith because exchanging valuable investments for the Renren Note was indefensible from a business perspective. The Renren Note itself was worth far less than \$90 million from Renren's perspective. The Renren Note lacked marketability because it was from a related party, had a relatively lengthy maturity term, and posed collectability risks (in the event SoFi shares were not monetized). In particular, section 3.7(d)(ii) of the Separation Agreement required subordination of the Renren Note to nearly \$120 million in other debts owed by OPI (including a \$60 million debt owed to SoftBank, described below), yet OPI was funded with only \$35 million in cash and had limited operating cash flows. And although the Renren Note was secured by a pledge of SoFi shares, that security interest was junior to and subordinated to nearly \$120 million in other debts also secured by pledges of SoFi shares.

133. Transferring SoFi shares and other valuable investment assets in exchange for a subordinated junior note certainly was not in Renren's best interests. A \$90 million double-subordinated note secured by a like amount of stock is inherently less valuable than the stock itself, at least where the borrower will need to monetize that stock as a source of repayment. Moreover, the Renren Note gave Renren no potential upside in the future appreciation of SoFi stock. In fact, the Renren Note shifted all potential upside in the SoFi stock to OPI, while sticking Renren with the downside risk. If the SoFi stock appreciated, then OPI and its new stockholders would pocket the profit. But if the SoFi stock declined in value and was unable to be sold, then Renren would still ultimately bear the risk of loss as it was highly unlikely that OPI would be able to repay the note in such circumstances, especially given OPI's nearly \$120 million in senior debt obligations.

As a result, in a market transaction, the Renren Note would have sold at a significant discount relative to its face value, and the difference between the fair market value of the Renren Note and its face value constituted additional harm to Renren.

134. In the end, the Cash Dividend payable to Renren stockholders—as determined by the OPI Value—should have been based on a before and after assessment of Renren’s value, comparing: (a) Renren’s value assuming it still directly held all of its investments; with (b) Renren’s value following the Separation. The Special Committee and the Director Defendants’ fiduciary duties required them to evaluate the combined effect of the overall transaction on Renren through that lens. But that is not what happened, as the OPI Value—on which the Cash Dividend was based—was artificially reduced due to improper offsets and a gross undervaluation of the transferred assets in the first place, as alleged above.

## **H. Chen’s Handpicked Special Committee and Financial Advisor Rubber Stamp the Separation and Cash Dividend**

### **1. A Conflicted Special Committee Approves the Separation.**

135. The Special Committee’s selection of the OPI Value and approval of the Separation (and the Cash Dividend) was a complete sham. The Special Committee was first formed to evaluate a prior version of the Separation that Chen announced in September 2016. That first version would have placed Renren’s investments in a “SpinCo” followed by a private-rights offering in which Chen, Liu, and SoftBank would purchase any unexercised rights assuming a \$500 million valuation for the SpinCo. Following inquiries from the SEC, on December 5, 2016, Renren announced that it had appointed two new independent directors to its board—Stephen Tappin and Tianruo Pu. Then, on December 22, 2016, Renren named Tappin, Pu, and Renren’s former chief financial officer, Hui Hang, to a three-person special committee that would evaluate Chen’s proposal, hiring Duff & Phelps at the same time.

136. The Special Committee was far from independent. Tappin, a self-proclaimed “CEO coach and confidant,” had no apparent previous experience in any of Renren’s operating industries or in the industries of any its portfolio companies. In fact, aside from Renren, Mr. Tappin has never served as a director of any public company.

137. The only apparent reason for Tappin’s appointment was his personal relationship with Defendant Chen. Tappin has described himself as a “dear friend” of Chen, even posting selfies of himself with Chen on social media, calling Chen “the next China Warren Buffet”:



138. Chen also is or has been a client of Tappin. In online marketing materials for Tappin’s executive coaching business, Chen was once quoted as saying “Steve is my CEO coach.”

139. The close relationship between Chen and Tappin and the patent inadequacy of the assumed \$500 million SpinCo valuation led Bill Bishop, a longtime observer of Chinese markets, to ask Tappin:



140. Given Tappin's connection to Chen and utter lack of relevant experience, Tappin could not be expected to—and did not—provide a fair and impartial assessment of the Separation to protect Renren's and its minority stockholders' best interests.

141. Huang similarly lacked any ability to serve as an impartial, independent director, and was not even presented as an independent director according to the Offering Circular. Huang was Renren's CFO from 2010 until December 2014. Even after resigning as CFO, she remained loyal to her former boss and served as a director starting the month after her resignation as CFO. Huang was incentivized to protect Chen's interests due to her historical relationship with Chen and Chen's influence over her future employment prospects. Like Tappin, therefore, Huang could not be expected to—and did not—provide a fair and impartial assessment of the Separation to protect Renren's and its minority stockholders' best interests.

142. Not surprisingly, a Special Committee whose members were hand-picked by Chen, were friends with or supplicants to Chen, and were appointed to evaluate a transaction for Chen's benefit did exactly as Chen asked: arrive at the pre-defined target figure for the OPI Value of \$500 million. The Special Committee did not even pretend to exercise independent judgment. From the time that the Special Committee was formed, \$500 million was provided as a target figure for

the value of OPI. Indeed, in the very December 22, 2016 press release announcing the formation of the Special Committee, Renren:

further announced that its board of directors has received a preliminary non-binding proposal to purchase any shares of SpinCo that are not distributed in the proposed spin-off. The letter was from Mr. Joseph Chen, the Company's founder, chairman and chief executive officer, Mr. James Jian Liu, the Company's executive director and chief operating officer, and SoftBank Group Capital Limited, an affiliate of SB Pan Pacific Corporation. Mr. Chen and SB Pan Pacific Corporation are the Company's two largest shareholders. **The preliminary non-binding proposal would value SpinCo at US\$500 million, net of debt.**

(Emphasis added.)

143. As such, Defendant Chen, along with SoftBank and Mr. Liu, had already made an offer that "would value" the company to be formed (OPI) at \$500 million, and this offer was announced in the same press release announcing formation of the Special Committee.

144. The Special Committee's arrival on *exactly* \$500 million for the "OPI Value" (towards the low end of the \$483 million to \$587 million range even under Duff & Phelps' flawed "valuation" analysis) in April 2018 undermines any claim that the committee was independent or fulfilled its fiduciary obligations. The value of Renren's investment portfolio grew substantially between the time of Chen's initial proposed "SpinCo" valuation of \$500 million in December 2016 and when the Special Committee arrived on that exact number for the OPI Value in April 2018. As described above, there were numerous 2017 and 2018 transactions involving Renren's portfolio companies that indicated that Renren's holdings had skyrocketed in value following December 2016.

145. In particular, there were numerous data points indicating that the value of Renren's investment in SoFi had significantly increased following December 2016, such as: (a) SoFi's massive growth as reflected in an April 2, 2018 press release; (b) the April 2017 sale of SoFi shares implying a valuation of \$566 million for Renren's remaining SoFi investment; (c) early 2017

reports that SoFi's board, which included Defendants, turned down a \$6 billion offer; (d) late 2017 rumors of an \$8 billion to \$10 billion IPO; and (e) negotiations with SoftBank in connection with the SoftBank loan implying a SoFi valuation near \$600 million. These intervening market data points for SoFi in particular undermine any notion that the Special Committee fulfilled its duty to engage in meaningful deliberations before settling on \$500 million as the "OPI Value" and approving the Separation.

146. Substantial efforts that had already been undertaken in preparation for the purported spin-off before the Special Committee was even formed further demonstrate that the Special Committee was merely intended to provide rubber-stamping cover. According to a letter transmitted to the SEC on December 19, 2016, Renren had already "engaged in the following activities in preparation for the proposed spin-off" as of that date:

- "Transferring assets between entities within the Company so that the assets to be spun off will be held at the time of the Spin-off by the holding company that will be spun off ('SpinCo');"
- "Negotiating with a lender to whom the Company pledged shares of Social Finance Inc., to permit those shares to be transferred to SpinCo;"
- "Discussing and negotiating key terms with several potential investors" related to the acquisition of SpinCo shares;
- "Working out the operational and logistical requirements for distributing the Rights and distributing cash to shareholders who do not elect to exercise their Rights;"
- "[C]ollecting information for the information statement to be distributed to the Shareholders and the forms to be completed by shareholders of the Company who elect to exercise their Rights;" and
- "Seeking authorization from the board of directors of the Company" related to the proposed transaction.

147. In the same letter, Renren—through its counsel—advised the SEC that a Special Committee might be formed because "several of its existing major shareholders have indicated

their interest in acting as” potential investors who “may acquire whatever shares of SpinCo are not distributed in the Spin-off due to rights to acquire shares of SpinCo” that were not exercised. Thus, the Director Defendants already knew, because of the way they designed the transaction, that they expected to obtain more than their proportionate share of the spun-off assets.

148. On February 1, 2017, the SEC transmitted a letter to Defendant Chen and Renren, questioning the purported \$500 million value of the proposed SpinCo (OPI) as follows:

We note that the preliminary non-binding proposal values SpinCo at “US\$500 million, net of debt.” Please explain how you determined the fair value of SpinCo. Provide us with your calculation and the estimated fair value of the investments that will be transferred to SpinCo.

149. In a March 2, 2017 response letter, Renren indicated that the proposal “does not represent the Company’s own valuation” of OPI (revealing that the figure was chosen by Chen), and that the Special Committee would ultimately estimate the “fair value of the business and assets that will be transferred.” Yet despite that representation to the SEC and all that occurred over the ensuing year, the Special Committee still adopted Chen’s figure.

150. In the meantime, the Special Committee members were paid \$12,000 per month (\$15,000 per month for Pu, as the chair of the committee) for essentially doing nothing for the next 16 months while the rights offering plan was rejected by the SEC and the Separation was delayed while seeking approval from the New York Department of Financial Services.

151. On April 23, 2018, the Separation was presented to the Special Committee. Given the obvious risk of unfair dealing, the Special Committee should have engaged in a careful, thoughtful deliberation to ensure that Renren’s and its minority stockholders’ interests were protected. Instead, beholden to Chen, the Special Committee adopted \$500 million as the OPI Value, approved the Separation without any effort to engage in negotiations with the Controlling

Stockholders, and concluded that the Cash Dividend was “fair from a financial point of view” that *same day*.

152. At bottom, the involvement of a flawed and biased Special Committee did not remove the Director Defendants’ self-interested taint from the Separation, but instead made the transaction even more outrageous. Chen hand-picked loyalists to rubber stamp his proposal, and they did exactly that with no meaningful deliberation in the face of glaringly obvious flaws in Duff & Phelps’ reverse-engineered valuation analysis. Regardless, even though the “Special Committee” was formed to evaluate the Separation, the Separation Agreement nonetheless required approval from Renren’s full board as a condition precedent. The full board could not have given such approval without the Director Defendants’ concurrence, and the Director Defendants themselves could not have reasonably relied on the so-called OPI Value for all of the reasons discussed herein. Each of the Special Committee, the Director Defendants, and the Renren board thus acted against Renren’s best interest in approving the Separation.

**2. Duff & Phelps Provided A Flawed Valuation Analysis to Assist the Special Committee in Breaching its Fiduciary Duties.**

153. Chen’s chosen financial adviser for the Special Committee, Defendant Duff & Phelps, aided and abetted the Special Committee’s breaches of fiduciary duty by knowingly assisting those breaches. Duff & Phelps presented contorted valuations to “paper the record” by attempting to make the Separation and OPI Value appear fair so that the Special Committee could recommend their approval (thereby allowing Duff & Phelps to secure its banking fee), despite the fact that the OPI Value vastly undervalued Renren’s SoFi stake and the other Renren assets. The Offering Circular highlights Duff & Phelps’ advice as one of two factors the Special Committee considered “when making the fairness determination with respect to Renren shareholders receiving

the Cash Dividend[.]” (The other highlighted factor was the supposed goal of avoiding regulation under the Investment Company Act, discussed further below.)

154. Duff & Phelps had a powerful incentive to facilitate the Separation and inadequate OPI Value. Duff & Phelps has carved out a niche in advising Cayman companies that are headquartered in China. Duff & Phelps supplies these companies with lowball valuations for take-private transactions and in return collects lucrative fees. For example, Duff & Phelps provided a “fairness opinion” for the Qunar Caymans Island Limited (“Qunar”) take-private, in which the company’s minority stockholders were taken out for \$30.39 per ADS (a below-average 15% premium to the company’s trading price). The valuation used in the Qunar take-private, which closed on February 28, 2017, is currently the subject of an ongoing appraisal proceeding by minority stockholders under Section 238 of the Cayman Companies Law in the Grand Court of the Cayman Islands, Financial Services Division (the “FSD”).

155. Duff & Phelps also provided a “fairness opinion” in the Zhaopin Limited (“Zhaopin”) take-private, in which controlling stockholder Seek International Investments Pty Ltd. (“Seek”) took out the minority stockholders for \$18.20 per ADS, a meager 14.2% premium. Prior to the take private, Seek owned 61.2% of Zhaopin’s stock and controlled 74.5% of its voting power. The Zhaopin take-private closed on September 29, 2017 and is likewise the subject of a Section 238 appraisal proceeding in the FSD. Pu—who Chen placed on the Special Committee—is the CFO of Zhaopin.

156. Duff & Phelps has provided the fairness opinion for a number of other transactions where the valuations are currently subject to Section 238 appraisal proceedings in the FSD, including Perfect World Co. Ltd., China Ming Yang Wind Power Group Limited, E-House (China)

Holdings Limited, E-Commerce China Dangdang Inc., Trina Solar, KongZhong, and eFuture Holdings, Inc.

157. Duff & Phelps stands to profit greatly from providing financial advisory services for transactions in which Chinese companies that trade on United States stock exchanges are taken private. In a Spring 2018 presentation titled “China Transactions Insights,” Duff & Phelps notes that 66 Chinese companies completed take private transactions between 2013 and 2017. Further, Duff & Phelps reported that the total implied equity value of US-listed Chinese companies that completed going private transactions in 2017 alone was \$7 billion. The prospect of earning fees from helping controlling stockholders of China-based companies with U.S.-traded ADSs squeeze out their minority stockholders provides a powerful motive for Duff & Phelps to concoct lowball valuations to help these deals get done.

### **3. Duff & Phelps’ Purported Fairness Opinion Was Limited in Scope and Did Not Actually Address the Substance of the Transaction.**

158. Duff & Phelps’ fairness opinion (the “Opinion”) was meant to provide a facially independent evaluation to give the Special Committee and the Director Defendants cover to vote to approve the Separation. Even on its own terms, the Opinion provides no such cover.

159. The scope of the Opinion was extremely narrow. It expressly provides that Duff & Phelps did not evaluate or analyze many considerations germane to whether the Separation was in Renren’s best interests. Specifically, the Opinion notes:

- “*Duff & Phelps did not* evaluate the solvency of the Company, OPI, SoFi or any other Portfolio Company, the Funds, or the ZenZone Business or *conduct an independent appraisal* or physical inspection *of any specific assets or liabilities (contingent or otherwise) of such entity*, nor was Duff & Phelps provided with any such evaluation other than the contents of the Management Representation Letter;”
- “Duff & Phelps has not been requested to, and did not (i) initiate any discussions with, or *solicit any indications of interest from, third parties with respect to*

- the Transaction, the assets, businesses or operations of the Company, OPI, SoFi or any other Portfolio Company, the Funds, the ZenZone Business or any alternatives to the Transaction . . . or (iii) advise the Special Committee or any other party with respect to alternatives to the Transaction;”*
- “Duff & Phelps *is not expressing any opinion as to* the market price or value of the Company’s or OPI’s common shares or ADSs (or anything else) or *value of the equity (or anything else) of OPI, SoFi, the other Portfolio Companies, the Funds, or the ZenZone Business after the announcement or the consummation of the Transaction (or any other time);”*
  - “This Opinion should *not be construed as a valuation opinion*” or “an analysis of the Company’s, OPI’s, SoFi’s, the other Portfolio Companies’, the Funds’ or the ZenZone Business’ creditworthiness;”
  - “In rendering this Opinion, Duff & Phelps is not expressing any opinion with respect to the amount or nature or any other aspect of any compensation payable to or to be received by any of the officers, directors, or employees of the Company, OPI, SoFi, the other Portfolio Companies, the Funds, or the ZenZone Business or any class of such persons, relative to the amount of the Cash Dividend, or with respect to the fairness of any such compensation;” and
  - “Duff & Phelps expresses no opinion as to the fairness of the Transaction to the Eligible Shareholders acquiring OPI shares or any post-transaction arrangements with respect to OPI.”

(Emphasis added.)

160. Further, the Opinion expressly provides that it “does *not address the merits of the underlying business decision* to enter into the [Separation]” (emphasis added). As such, the Opinion does not address or purport to support the decision to divest Renren’s investments in the first place. Instead, the sole opinion provided by Duff & Phelps in the Opinion was that “the Cash Dividend to be received by the holders of the Company’s shares and ADSs . . . in the [Separation] is fair, from a financial point of view, to such holders.”

161. Moreover, even that extremely narrow, purely qualitative opinion was expressly limited by a long list of “assumptions, qualifications and limiting conditions” that shaped Duff & Phelps’ analysis and Opinion, “with the Company’s and the Special Committee’s consent and

without independent verification.” The Opinion expressly provides, amongst other assumptions, that Duff & Phelps:

- “Relied upon the accuracy, completeness, and fair presentation of all information, data, advice, opinions and representations obtained from public sources or provided to it from private sources, including [Renren] management;”
- “Assumed that any estimates, evaluations, forecasts and projections including, without limitation, the Management Projections, furnished to Duff & Phelps were reasonably prepared and based upon the best currently available information and good faith judgment of the person furnishing the same, and Duff & Phelps expresses no view or opinion with respect to such estimates, evaluations, forecasts or projections or their underlying assumptions;”
- “Assumed that (i) the information relating to SoFi, the other Portfolio Companies, the Funds, the ZenZone Business and the Transaction provided to Duff & Phelps and (ii) the representations made by [Renren management] regarding SoFi, the other Portfolio Companies, the Funds, the ZenZone Business, and the [Separation] are accurate in all material respects;”
- “Assumed that the representations and warranties set forth in the Offering Circular and in the Management Representation Letter are true and correct;”
- “Assumed that application of the Dividend Calculation Formula is fair to the holders of Renren’s ordinary shares and ADSs (other than the Eligible Shareholders who elect to receive shares of OPI in the Private Placement);” and
- “Assumed that there has been no material change in the assets, liabilities, financial condition, results of operations, business, or prospects of SoFi, the other Portfolio Companies or the Funds or the ZenZone business since the date of the most recent financial statements and other information made available to Duff & Phelps.”

Further, Duff & Phelps “made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters . . . as to which Duff & Phelps does not express any view or opinion.”

162. The Opinion further provides, “[t]o the extent that any of the foregoing assumptions or any of the facts on which this Opinion is based prove to be untrue in any material respect, this Opinion cannot and should not be relied upon for any purpose.” Many of the assumptions,

however, were false in material respects, including for example, Duff & Phelps' assumptions concerning SoFi, Renren's other investments, and the fairness of the "Dividend Calculation Formula," a key component of which is the OPI Value itself. Duff & Phelps was aware that those assumptions were false, or alternatively, was suspicious that they were and chose not to inquire further about them so as not to come into possession of information that would confirm that they were. It follows that the Opinion should not have been relied upon for any purpose.

163. Based on the Opinion's extremely narrow scope and the number of express qualifications and limitations, the Special Committee and the Director Defendants could not have reasonably relied on the Opinion in deciding whether it was in Renren's best interests to enter into the Separation.

164. Similarly, Defendant Chen and Defendant Chao could not have reasonably relied on the Opinion when voting in favor of the Separation as board members. First, the Offering Circular expressly acknowledges that "Duff & Phelps did not recommend any specific value for OPI or any specific Cash Dividend amount." Second, Duff & Phelps expressly relied upon "[a] letter dated April 11, 2018 from the management of the Company," which made "representations" with respect to projections "and the underlying assumptions and certain other matters with respect to the Portfolio Companies, the Funds, and the ZenZone Business." In other words, Duff & Phelps' analysis was only as good as the information provided by Defendant Chen and other members of Renren management. Duff & Phelps was completely dependent on management representations regarding the critical history of Renren's investment activity, as Duff & Phelps did not review any of Renren's Form F-20 annual reports and financial statements for 2015 or earlier years.

165. Given that Defendant Chen and Defendant Chao were involved in those investments and had inside information as directors of SoFi, an aspiring venture capitalist like

Defendant Chen and established venture capitalist such as Defendant Chao were in a far better position to ascertain the value of the investments than was Duff & Phelps.

166. Moreover, as discussed above, the substance of Duff & Phelps' valuation advice was transparently false, and so clearly so that Duff & Phelps, an experienced investment banking firm, knew it was false or deliberately turned a blind eye (and chose not to ask any relevant questions that would have shown it was false). As detailed in Section G above, the value of the assets that Renren was giving up in the Separation vastly exceeded the amount of value that Renren and the minority stockholders were to receive in connection with the Separation. Duff & Phelps, a sophisticated actor that was intimately involved in the Separation, would have known that the Separation was manifestly uncommercial on its merits and one must infer therefrom that Duff & Phelps was aware that it was providing dishonest assistance to the Controlling Stockholders. Duff & Phelps deviated from standard financial advisory and valuation practice by applying improper double-counted discounts and making other valuation errors that no firm with Duff & Phelps' experience would make. The consistency and glaring nature of these errors indicates that they were not mistakes at all. Rather, the deviations from standard practice are further evidence that Duff & Phelps knew that they were assisting a breach of fiduciary duty to reach a pre-determined outcome or deliberately turned a blind eye to whether this was the case (and chose not to ask any relevant questions that would have shown that to be the case).

#### **I. The Transaction, as Structured, was Not Legally Required**

167. According to the Offering Circular and other public disclosures, the primary justification for transferring the entire value of its company to OPI was the risk that Renren might be deemed an "investment company" under the Investment Company Act. This justification was mere pretext for Defendant Chen to renew his bid to take control over Renren's most valuable assets and place them in a privately held company under his control.

168. Even under the dubious assumption that Renren was required to dispose of SoFi and its other holdings, there is no reason that it had to do so by engaging in a conflicted transaction and receiving minimal consideration in return. The designated asset valuation range was patently unreasonable for all the reasons addressed herein, and the OPI Value was further artificially deflated by the \$90 million Renren Note given solely for the purpose of reducing the OPI Value. Regardless of what regulatory issues Renren might face under the Investment Company Act, those issues are completely irrelevant with respect to the grossly inadequate consideration provided to Renren and its minority stockholders. The Investment Company Act does not license controlling stockholders to strip assets from their companies for less than fair value.

169. But even if Renren were legally required to dispose of SoFi and its other holdings, there is no legal reason that it had to do so through a privately held off-shore entity. It would have been legally permissible for Renren to transfer the investments instead to a U.S. public entity or liquidation trust (as certain Renren investors suggested to the board) to ensure that all stockholders were treated equally and fairly. Indeed, according to the Offering Circular, “Renren considered placing its investment securities in a U.S. entity, registering that entity as an investment company and then distributing the entity’s shares to Renren’s shareholders.” Defendants Chen and Chao rejected that option solely to preserve the upside of Renren’s investments for themselves and, with respect to Defendant Chao, also the DCM Defendants, not due to any legal prohibitions.

170. To understand the real rationale for the Separation, one needs look no further than who will benefit from it and the related transactions: the Controlling Stockholders, one of whom, Defendant Chen, had previously attempted to take the Company private in a lowball offer almost 3 year earlier. The Separation allowed the Controlling Stockholders to transfer all of the Company’s valuable assets into a private entity that they control, without paying Renren and its

ineligible minority stockholders fair value for Renren investment portfolio that the Controlling Stockholders have converted to their own use.

171. The timing of the Separation is particularly fortuitous (for the Defendants) because, as discussed above, SoFi is gearing up to go public—a process into which Defendants Chen and Chao, as directors of SoFi, have non-public insight, insight that the DCM Defendants also have through Chao. In fact, the agreement that the Controlling Stockholders entered into for operating OPI provides that OPI is *required* to monetize the SoFi stake as soon as possible. This is remarkable, because the Director Defendants claimed that a sale of the Company’s SoFi stake could not be accomplished while it is held by the Company and its public stockholders. The Company has disclosed that “OPI does intend to dispose of its holdings of SoFi shares as soon as possible to achieve maximum profit for the shareholders of OPI, in accordance with the terms of the OPI Shareholders Agreement.” The referenced “maximum profit” is reserved for the favored Defendants, not the Company’s public stockholders.

**J. The Director Defendants Further Breach Their Fiduciary Duties by Obtaining Kickbacks for Themselves and the Other Controlling Stockholders and Leaving Renren Undercapitalized**

172. Defendant Chen’s and Defendant Chao’s breaches of fiduciary to Renren in stripping it of SoFi and its other valuable investment opportunities are even more egregious when viewed in context. First, Chen and Chao stripped Renren of its most valuable assets, which were acquired largely with IPO proceeds, and left Renren doomed to fail with a long-dead social media business and a dying used car business. Second, Chen and Chao gave “special distribution rights” in SoFi stock to the Controlling Stockholders, which they would not have enjoyed in the absence of the Separation. Finally, Defendants caused OPI to incur debt to SoftBank, which gave SoftBank additional upside in SoFi and subordinated Renren’s rights to payments from OPI under the Renren Note.

**1. Renren’s Remaining Businesses Are Unprofitable and Doomed to Fail.**

173. Following the Separation, which stripped out all of Renren’s valuable assets, Renren was left with a dying and outdated social media business that had sustained tens of millions of dollars in operating losses year after year, a money-losing trucking app, and recently acquired Chinese used car dealerships, obtained in part through forgiveness of bad loans previously made by Renren. Renren has no realistic value as an ongoing operating business concern. Rather, these cash-burning businesses have consistently lost money, have no hope of ever turning a profit, and are inevitably doomed to fail.

174. After going public in 2011, Renren has sustained massive operating losses every year of its existence. Specifically, Renren’s audited financial statements reported the following operating losses:

| <i>Fiscal Year</i> | <b>Operating Loss</b><br>(millions) |
|--------------------|-------------------------------------|
| 12/31/2011         | (\$5.1)                             |
| 12/31/2012         | (\$64.2)                            |
| 12/31/2013         | (\$113.7)                           |
| 12/31/2014         | (\$160.9)                           |
| 12/31/2015         | (\$105.3)                           |
| 12/31/2016         | (\$73.0)                            |
| 12/31/2017         | (\$87.9)                            |

175. In each of these years, the losses were material relative to Renren’s paltry revenues. Indeed, in the years ending December 31, 2015 and December 31, 2016, Renren’s operations were so poor that operating losses exceeded total net revenue (as operating expenses in those years more than doubled total net revenues). An October 3, 2017 Forbes article, titled “Joe Chen’s Sneaky SoFi Share Snatch,” noted: “In the history of social media stocks and billion-dollar startups, it’s hard to find a bigger train wreck for investors than a company called Renren.”

176. Moreover, Renren's historical social media business is now outdated and largely defunct. Its social-networking user base has continued to decline over time. According to Renren's Form 20-F annual reporting, unique log-in users declined "from approximately 41 million in December 2015 to approximately 35 million in December 2016 and then further to approximately 32 million in December 2017." These declines followed a "significant drop" experienced in 2013, "from approximately 56 million in December 2012 to approximately 45 million in December 2013," according to Renren's annual report for 2014.

177. Even worse, Renren itself does not even own the cash-burning social media operating businesses in China. Rather, the actual operating entities are subsidiaries of Beijing Qianxiang Tiancheng Technology Development Col, Ltd. ("Qianxiang Tiancheng"), which is 99% owned by Defendant Chen's wife and 1% owned by Renren COO and director James Jian Liu. Even though Renren owns no equity interest in Qianxiang Tiancheng and its operating subsidiaries, those entities are consolidated in Renren's financial statements solely on the basis of various contractual relationships purportedly establishing economic and control rights. In other words, Renren's purported social media business consists of nothing more than a few purported contractual relationships with Chinese entities owned by Defendant Chen's wife and Mr. Liu.

178. As a practical matter, Renren's contractual enforcement rights regarding the operating businesses in China are dubious. In the risk factor disclosures in its public filings, Renren has conceded that its "contractual arrangements" with those entities "may not be as effective in ensuring our control over our China operations as direct ownership would be." In addition, Renren's risk factor disclosures suggest that enforcement of those contracts is questionable in that: (a) all of the contractual arrangements between Renren and the operating entities are governed by Chinese law and subject to arbitration in China, meaning that

“uncertainties in the PRC legal system could limit [Renren’s] ability to enforce these contractual arrangements;” and (b) those agreements were structured to end-run Chinese laws preventing foreign ownership, and consequently there are “substantial uncertainties regarding the interpretation and application of PRC laws and regulations” to Renren’s contractual relationship with Qiangxian Tiancheng and its subsidiaries.

179. In short, Renren’s legacy social media business is nearly defunct. It has suffered declining user figures and operating losses, year after year. And the operating social media business in China is not even actually owned by Renren, but instead amounts to an accounting artifice subject to the whims of Defendant Chen’s wife and the vagaries of Chinese law.

180. The prospects of Renren’s fledgling used car operations are equally dismal and hopeless. As described in its audited financial statements, that business “includes the sales of used cars as well as used car financing provided to used car dealerships.” Used car dealerships and used car financing are not a particularly alluring investment, and Renren’s used car division is even worse in that it is a collection of used car dealerships with a known track record of failure. During the second half of 2017, Renren acquired 14 unrelated used car dealerships operating in various cities across China through a PRC subsidiary, Shanghai Jieying. Nearly half (\$21.2 million) of the total consideration paid for these dealerships (\$45.9 million) consisted of “a forgiveness of the financing receivable balances . . . related to financing previously provided” by Renren. In other words, Renren bought its used car dealerships because those dealerships were unable to generate sufficient cash flow to repay their loans from Renren. Unsurprisingly, Renren has lost and continues to lose money on these flailing used car dealerships.

181. The hopeless nature of Renren’s remaining businesses is further evident from pro forma financial statements prepared in connection with the Separation. Renren prepared pro forma

condensed consolidated financial statements “prepared as though the Transaction occurred on January 1, 2014,” and filed the pro forma financial statements as Exhibit 99.3 to the Form 6-K filed April 30, 2018 (the “Pro Forma Financial Statements”). The figures set forth in the Pro Forma Financial Statements reflect that Renren’s remaining business—apart from entities transferred to OPI—have sustained staggering operating losses. Specifically:

| <i>(amounts in \$ thousands)</i> | <b>FISCAL YEAR ENDED</b> |                          |                          |
|----------------------------------|--------------------------|--------------------------|--------------------------|
|                                  | <b><u>12/31/2016</u></b> | <b><u>12/31/2015</u></b> | <b><u>12/31/2014</u></b> |
| Total Net Revenues               | 58,437                   | 32,886                   | 46,668                   |
| Gross Profit                     | 8,315                    | (3,565)                  | 12,005                   |
| Total Operating Expenses         | (81,159)                 | (102,804)                | (172,351)                |
| Loss from Operations             | (72,844)                 | (106,369)                | (160,346)                |

182. The Pro Forma Financial Statements similarly reflected an operating loss of more than \$59.1 million for the nine months ending September 30, 2017. A subsequent pro form financial statement attached to a Form 6-K filed on June 19, 2018 reflects an operating loss of more than \$86.1 million for the year ended December 31, 2017.

183. Although Renren’s pro forma balance sheet as of March 31, 2018 reflects total assets of \$569.9 million against total liabilities of \$355.6 million, Renren is insolvent. Renren’s pro forma balance sheet is largely an accounting artifice stemming from Renren’s aggressive interpretation of consolidation principles under U.S. GAAP. Many of the assets owned by consolidated entities in China would not be recoverable to pay creditors in any Renren liquidation proceeding because: (a) Renren does not actually own any interest in the Chinese entities that directly own many of those assets; and (b) Renren’s contractual enforcement rights would be limited. Other assets, such as the \$112.5 million reported for goodwill and intangibles, are similarly worthless because Renren has virtually no value as a going concern. Finally, the Renren Note is reported at face value (\$90 million), but in reality, is worth much less.

184. Renren is now hopelessly undercapitalized, and it is just a matter of time until the ongoing and continuous operating losses from its cash-hemorrhaging businesses drain Renren's remaining cash reserves. Renren was gutted by Defendants, who enriched themselves in the process. Given Renren's dismal prospects, the Separation could not possibly have been in the best interests of Renren. Even though Renren itself invested close to \$1 billion in various long-term investments, largely with the proceeds of its IPO, Renren has now been left with undesirable scraps that lack any prospect of turning a profit. In contrast, Defendants Chen and Chao, along with DCM, SoftBank, and their other cronies, have positioned themselves to profit handsomely from the productive fruits of Renren's history as a public company.

**2. Preferential Distributions for Defendant Chen and other “Special Distribution Rights” of SoFi Stock for Chen, the DCM Defendants, and SoftBank.**

185. Defendant Chen's and Defendant Chao's flagrant breaches of fiduciary duty in causing the Separation are further evidenced by the preferential rights they obtained for themselves, their affiliates, and/or their cronies, amounting to kickbacks

186. For example, in connection with the Separation, the DCM Defendants, SoftBank, and Chen obtained priority rights to distributions of SoFi shares (or the proceeds thereof) that they did not previously enjoy as Renren stockholders (and for no apparent consideration). As the Offering Circular acknowledges, “DCM and SoftBank, two of the Committed Shareholders who will hold OPI Shares after the Transaction, will have the right to receive special distributions of SoFi shares in cash or in kind, in respect of their OPI Shares.” As the Offering Circular further acknowledges:

- “any time on or after” the Separation, “DCM has the right to request that OPI make an in-kind distribution of 1,283,710 SoFi shares, or approximately 3.7% of the total, to DCM;”

- at any time after the “Everbright Loan,” a \$59 million loan to a third-party is fully repaid, “SoftBank has the right to request that OPI make an in-kind distribution of 5,918,366 SoFi shares, or approximately 17.0% of the total, to SoftBank;”
- once the SoftBank Loan has been repaid, “OPI will promptly make an additional distribution to DCM and/or SoftBank to the extent that such shareholder’s shareholding percentage in OPI on a fully diluted basis, multiplied by the sum of (i) the number of SoFi shares held by OPI that remain unpledged at that time and (ii) the number of SoFi shares sold by OPI to repay the Debt, exceeds the number of SoFi shares previously distributed to such shareholder.” DCM and SoftBank may elect to receive those distributions “in the form of the cash proceeds from the sale of the SoFi shares to which they are entitled,” according to the Offering Circular;
- “OPI will only distribute SoFi shares to shareholders other than DCM, SoftBank and Mr. Chen if SoFi is a public company listed on a stock exchange.” Other OPI shareholders are limited to receiving *pro rata* catch up distributions of cash proceeds obtained from any sales of SoFi shares; and
- Defendant Chen “has the right under the OPI Shareholders Agreement to request a special distribution of SoFi shares for himself at the same time when SoftBank receives its first distribution of SoFi shares, if and solely to the extent that the distribution to DCM and/or SoftBank causes him additional tax liability.”

187. None of these so-called “special distribution” rights with respect to SoFi stock existed prior to the Separation and resulting transfer of Renren’s investment in SoFi to OPI.

188. Moreover, while the OPI assets (including the SoFi shares) were encumbered as collateral for certain debt obligations, the special distribution rights provided to the DCM Defendants allowed them to extract *their SoFi shares and remove them from the encumbrance*. The fact that the DCM Defendants managed to secure this type of preferential treatment makes clear that they participated in structuring and negotiating the transaction, and thus were an integral part of the siphoning-off of value from Renren.

189. Defendant Chen also obtained special distribution rights for himself (and Mr. Liu) in connection with preference shares held in Renren Lianhe. As described above, all of the investments formerly belonging to Renren with the exception of SoFi were transferred into OPI’s

direct wholly-owned subsidiary, Renren Lianhe. By virtue of Defendant Chen's Class A1 preference share and Mr. Liu's Class A2 preference share, Defendant Chen and Mr. Liu are generally entitled to a 30% surplus return from all transferred investments (other than SoFi) under the terms of the Renren Lianhe stockholders agreement, subject to certain limitations. Defendant Chen and Mr. Liu had no such rights to receive such special surplus returns as Renren stockholders prior to the Separation when Renren still owned the investments. Additionally, Defendants Chen and Chao approved a Share Incentive Plan that granted themselves (and other insiders) restricted OPI shares and options, giving themselves an even greater interest in OPI's valuable investment portfolio after the Separation and diluting any non-insiders that chose to participate in OPI's private offering.

### **3. The SoftBank Loan.**

190. Aside from the Renren Note, the only other consideration that was given to Renren in exchange for its more than \$1 billion long-term investment holdings was a paltry \$25 million in cash. That cash was contractually ear-marked for use to make the dividend payment to Renren's minority stockholders following the Separation.

191. The \$25 million in cash proceeds provided to Renren were obtained from OPI's wholly owned subsidiary, Renren Lianhe, via a \$60 million loan from SoftBank (the "SoftBank Loan"). The Renren Note was subordinated to the Softbank Loan, and any proceeds obtained from Renren Lianhe from the disposition of any SoFi shares must be used to repay the SoftBank Loan prior to repayment of the Renren Note. The SoftBank Loan is secured by SoFi shares.

192. As described in the Offering Circular, the SoftBank Loan contemplates OPI's sale of SoFi shares, and includes a convoluted mechanism defining the principal amount through which

the economic benefit of any appreciation of SoFi shares will effectively go to SoftBank. As the Offering Circular describes:

While the principal amount of the SoftBank Loan is fixed, the amount by which any repayment of the SoftBank Loan reduces the outstanding principal amount of the debt is reduced to the extent that the price per share at which OPI disposed of the shares of SoFi exceeds US\$17.1842 per share. That is, the amount by which the outstanding principal amount of the SoftBank Loan is reduced is equal to the amount of the net proceeds multiplied by US\$17.1842 and divided by the price per share at which OPI disposed of the shares of SoFi, if the price per share was greater than US\$17.1842. For example, if OPI disposes of 100,000 shares of SoFi for net proceeds of US\$2,000,000, then the per share value is US\$20.00, and if OPI applies the entire US\$2,000,000 to the repayment of the principal amount of the SoftBank Loan, then the principal amount of the SoftBank Loan is reduced by only US\$1,718,422 (because  $US\$2,000,000 \times 17.1842/20 = US\$1,718,422$ ), not by the full amount of the US\$2,000,000 repaid by OPI in this hypothetical . . . . If OPI disposes of any shares of SoFi for net proceeds of less than US\$17.1842 per share, then the principal amount of the SoftBank Loan is only reduced by the amount of the net proceeds that are applied to the repayment of it.

193. As the Offering Circular notes, the “effect of this is to transfer all of the value of the appreciation of approximately 3,491,580 shares of SoFi above US\$17.1842 to SoftBank.”

#### **DERIVATIVE AND DEMAND EXCUSED ALLEGATIONS**

194. In bringing this action, Plaintiffs have satisfied all statutory and procedural requirements of applicable law. Because Renren is a Cayman company, Cayman law governs the circumstances under which a stockholder can assert a derivative claim. Under Cayman law, a stockholder can assert a derivative claim on behalf of a company if: (1) the unchallenged conduct infringed on the stockholder’s personal rights; (2) the conduct would require a special majority to ratify; (3) the conduct qualifies as a fraud on the minority; or (4) the conduct consists of *ultra vires* acts.

195. Here, Plaintiffs (all of whom are registered holders of Renren stock) have satisfied these requirements because Defendants’ actions constitute a fraud on Renren’s minority

stockholders. Defendants Chen, Chao, and the DCM Funds collectively own 40.9% of Renren's stock and control 51.3% of Renren's vote. These Defendants thus controlled a majority of Renren's stock with voting rights. Moreover, when combined with SoftBank—which is Renren's largest stockholder by number of shares and stands to benefit immensely from the Separation—the parties that supported and facilitated the Separation control over 90% of Renren's shares by vote. Further, as described above, the Director Defendants breached their fiduciary obligations to Renren by using their powers and positions as directors and controlling stockholders to benefit themselves at Renren's expense.

196. As a result, Plaintiffs are not required under Cayman Islands law to demand that Renren pursue claims against Defendants prior to bringing this action. In any event, given Defendants' and their co-conspirators' control over Renren, any such demand would be futile. In fact, Renren ADS holders have repeatedly communicated their objections to the Separation to Renren's board, including by letters dated May 15, 2018, June 7, 2018, and June 14, 2018. Ignoring the blatant breaches of fiduciary duty raised in those letters, Renren's board chose to proceed with the Separation, which closed on June 21, 2018.

197. Finally, Plaintiffs will fairly and adequately represent the interests of other Renren stockholders who are similarly situated in enforcing Renren's rights. Plaintiffs have retained U.S. and Cayman Islands counsel that are experienced in pursuing similar claims under Cayman Islands law, as well as financial experts to evaluate the Separation.

### **CAUSES OF ACTION**

#### ***Count 1: Breach of Fiduciary Duty Under Cayman Law (Against Defendants Chen and Chao)***

198. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

199. As directors, the Director Defendants owed common law and fiduciary duties to Renren. Those duties required each Director Defendant to, among other things:
- a. act *bona fide* in what he believed to be in Renren’s best interest;
  - b. use the powers conferred upon him as a director for their proper purpose and not for a collateral purpose;
  - c. not place himself in a position in which there is a conflict between his duty to Renren and his personal interest; and
  - d. not make a profit out of property acquired by reason of his relationship to the company of which he is a director.

200. The Director Defendants breached each of the foregoing duties. The Director Defendants placed themselves in a conflicted position and then used their positions as directors to approve a transaction in which they profited at Renren’s and its minority stockholders’ expense. Indeed, rather than acting *bona fide* in what they believed to be Renren’s best interests, the Director Defendants used Renren’s possible classification as an “investment company” under the Investment Company Act—which itself was the result of Chen’s own management decisions and violation of covenants contained in the underwriting agreement for the IPO—as a pretext for implementing their longstanding plan to wrest away Renren’s most valuable assets at a sizeable discount to fair value.

201. Throughout Renren’s history as a public company, the Director Defendants utilized funds obtained through Renren’s IPO as a piggy bank to make investments in SoFi, other startups, and investment funds. The Director Defendants were heavily conflicted in using Renren IPO proceeds to launch SoFi, as the Director Defendants held other ownership interests in SoFi and were SoFi directors. By using Renren IPO proceeds to get SoFi off the ground, the Director Defendants enriched themselves by increasing the value of their outside interests in SoFi. The Director Defendants’ outside interests in SoFi—separate and apart from the indirect ownership in

SoFi they also hold through OPI—would be worth significantly less if not for the quarter of a billion dollars of critical start-up capital funneled from Renren to SoFi.

202. The Director Defendants further enriched themselves at Renren's and its minority stockholder's expense by causing Renren: (a) to transfer its SoFi investment to OPI and (b) then to transfer ownership of OPI shares to the Director Defendants, their funds, and/or their cronies through the Separation. In causing Renren to enter into these transactions, the Director Defendants stripped Renren of any right to share in the substantial upside of its substantial investment in SoFi, even though Renren's IPO proceeds (and/or the fruits thereof) provided the very start-up capital that launched SoFi. Renren's investment in SoFi was worth at least \$560 million. Indeed, the documentation for the SoftBank Loan given in connection with the Separation effectively pegged the value of SoFi at almost \$600 million, and the Offering Circular, OPI's shareholder agreement, and other documentation surrounding the Separation contemplate that the SoFi shares will be monetized in short order. Yet the Director Defendants approved a transaction that assigned a valuation range to the SoFi investment at half that, even though they must have known that SoFi was worth much more due to their status as conflicted SoFi board members.

203. The Director Defendants similarly enriched themselves at Renren's and its minority stockholders' expense by causing Renren to transfer its other highly valuable investments to OPI and then transferring ownership of OPI away from Renren to the Director Defendants and their cronies through the Separation. Even under the artificially deflated valuation analysis undertaken in connection with the transaction, the estimated value range for those other assets was \$380 million to \$412 million. In reality, the fair value was far higher given: (a) implied valuations from recent transactions involving many of the portfolio companies; and (b) Renren's investments in those companies had been made from 2012 to 2015, relatively early in the development and growth

of those companies. Defendant Chen had access to inside information in several of those companies by virtue of board of director seats obtained as a result of Renren's investment, yet nevertheless approved of the interrelated transactions that undervalued those assets to the detriment of Renren and its minority stockholders.

204. In the aggregate, Renren's interests in SoFi and the other transferred investments exceeded \$1 billion in value. Those assets were undervalued by at least \$300 million to \$400 million or more in the Separation and related transactions. The so-called "OPI Value" was patently unreasonable and must have appeared particularly absurd to Defendants Chen and Chao, venture capitalists with access to inside information about SoFi and other portfolio companies by virtue of board seats. The Director Defendants did not act in Renren's best interests, but instead acted purely out of self-interest and to curry favor with their cronies in approving a series of transactions that stripped Renren of its only valuable assets while at the same time grossly undervaluing those assets by hundreds of millions of dollars.

205. At bottom, the transfer of Renren investment assets to OPI and the subsequent Separation was the culmination of a multi-year self-enrichment scheme. In direct contravention of covenants contained in the underwriting agreement, the Director Defendants utilized proceeds from Renren's IPO to make nearly one billion dollars of investments. In doing so, the Director Defendants essentially transformed Renren into a venture capital fund, while at the same time overseeing Renren's plummet from the "Facebook of China" to a zombie MySpace clone. Chen tried to seize the fruits of the IPO funded investments by taking the company private through a low-ball buy-out offer in 2015. Although Chen's initial effort failed due to minority stockholder resistance, Defendants Chen and Chao have now succeeded in strip-mining Renren to enrich themselves and their cronies.

206. In perpetrating this self-enrichment scheme and approving the culminating asset-stripping and Separation transactions, the Director Defendants:

- Did not act in Renren's best interests. Instead, they acted in bad faith to seize all of Renren's promising investments for themselves and their cronies (through OPI), while leaving Renren a zombie company, consisting of a defunct social media business and used car dealerships, that is undercapitalized and doomed to fail;
- Used their positions for improper, and collateral purposes. In contravention of covenants in the underwriting agreement and the described use of proceeds set forth in the Prospectus, Defendants Chen and Chao used IPO proceeds to fund dozens of different investments. They then usurped those investments through a series of transactions designed to benefit themselves and their fellow OPI stockholder cronies at Renren's expense;
- Placed themselves in heavily conflicted positions. They used Renren as a start-up funding source for SoFi, an entity in which Chen and Chao had outside ownership interests and for which they served as directors. Chen and Chao were subsequently conflicted by standing on both sides of the OPI transactions; and
- Personally profited by reason of their relationships with Renren. Chen and Chao used Renren funds to launch SoFi, which increased the value of their other interests in SoFi. Chen obtained half a dozen board seats because of Renren investments. Through cleaving Renren assets into OPI and then obtaining large interests in OPI for themselves, Chao and Chen were able to obtain substantial upside in various investments funded at Renren's expense.

207. As such, the Director Defendants breached numerous fiduciary duties in connection with this course of conduct.

208. The Director Defendants further breached their fiduciary duties by obtaining what amounted to kickbacks for themselves and other insiders in connection with approving the Separation and related transactions. Chao's DCM affiliates at the DCM Funds obtained rights to receive "special distributions" of SoFi stock. Chen received conditional special distribution rights to SoFi stock and the right to receive "surplus returns" from the other investments. The Director Defendants also obtained special treatment for their cronies to make sure that the transactions went through, such as "surplus return" rights given to Mr. Liu and special distribution rights in SoFi

stock given to SoftBank. None of these special privileges regarding SoFi and the other investments were previously available as Renren stockholders.

209. Similarly, the Director Defendants exercised their powers as Renren directors for an improper purpose by allowing the interests of OPI and its stockholders that would exist after the Separation to drive their decisions. For example, according to the Offering Circular, the Director Defendants and Renren's other directors justified the Separation as a way to "unlock the potential in Renren's advertising agency business," ZenZone. But Renren stood to gain no benefit from ZenZone's future success after the Separation, nor was its future success a factor in the price paid to Renren. As a result, "unlock[ing]" the value in ZenZone could not play any part in deciding whether the Separation was in Renren's best interests.

210. To the extent that Renren's board committed Renren to any of the aforementioned transactions or facilitated or approved of any of the aforementioned matters, it could not have done so without the Defendant Directors' concurrence.

211. Because of the Director Defendants' egregious breaches of their fiduciary duties, Renren was damaged. Specifically, Renren was stripped of investments worth at least \$1 billion, and in exchange was only given: (a) the Renren Note, which is worth significantly less than its \$90 million face value; and (b) \$25 million in cash earmarked to make a dividend payment to Renren's minority investors. Although Renren's minority stockholders received a dividend, the OPI Value on which that dividend was calculated was understated by at least \$300 million to \$400 million (or more).

***Count 2: Breach of Contract Under New York Law  
(Against Defendant Chen)***

212. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

213. As reflected in Renren's Form 20-F (signed by Defendant Chen), Renren entered into employment agreements with each of its executive officers, including Chen (Renren's CEO). A form of the employment agreement between Chen and Renren (the "Employment Agreement") was filed as an exhibit to Renren's registration statements, also signed by Defendant Chen.

214. The Employment Agreement contains a choice of law clause providing that the agreement "shall be governed by and construed in accordance with the law of the State of New York, USA, without regard to the conflicts of law principles."

215. The Employment Agreement is binding between Renren and Chen and contractually obligated Chen to devote all his working time and efforts to the performance of his duties for Renren, and to faithfully and diligently serve Renren. The Employment Agreement similarly obligated Chen to forego from engaging in: (a) any business activity related to Renren's business activities; and (b) any other activities that conflict with his obligations to Renren.

216. Defendant Chen breached the contractual duties owed under the Employment Agreement by: (1) failing to devote all his time and working efforts to the performance of his duties for Renren; (2) failing to faithfully and diligently serve Renren; and (3) engaging in other business activities that conflicted with his duties and obligations to Renren.

217. First, Defendant Chen did not focus all his time and working efforts on Renren's social media business, which collapsed during his inept stewardship as CEO. Instead, Chen devoted a significant portion of his time playing venture capitalist. During the relevant time period, he served as a member of the board of the directors of approximately 20 different entities located across the world. Chen further distracted his efforts away from Renren by serving as CEO of OPI, a position he still holds. Defendant Chen did not focus his time and efforts on developing

Renren's business as a responsible public company CEO, but instead spent a significant amount on outside business activities that conferred no benefit to Renren.

218. Second, Defendant Chen has not faithfully and diligently served Renren. Instead, Chen's efforts were focused on establishing himself as a preeminent venture capitalist, largely at Renren's expense. Chen utilized Renren's IPO funds as a piggy bank for those efforts, either to enhance interests in other start-up ventures that he already held (such as SoFi) or to gain a foothold in other promising ventures (such as the board memberships he obtained through Renren designation rights). Using Renren as a venture capital funding vehicle was in violation of Renren's covenants under the underwriting agreement and created the risk that Renren might be deemed an "investment company" under the Investment Company Act, the very pretext that Chen later used to strip Renren of the valuable investments it obtained. Chen did not act faithfully and diligently in Renren's best interests in: (a) causing Renren to funnel its IPO proceeds into various start-up ventures; then (b) usurping those investments for himself and his cronies through the divestiture of those investments to OPI and subsequent Separation.

219. Chen's breaches of his duties under the Employment Agreement have caused Renren to suffer hundreds of millions of dollars of damages in an amount to be proven at trial. Specifically, had Chen complied with his contractual duties, Renren would not have been deprived of the economic benefit of proceeds received in the IPO. Instead, those proceeds were utilized to fund investments that Chen subsequently diverted from Renren to OPI.

***Count 3: Aiding and Abetting Breaches of Fiduciary Duty Under New York Law  
(Against Defendant Duff & Phelps)***

220. Plaintiffs repeat and re-allege all previous allegations as if set forth at full herein.

221. Duff & Phelps acted with knowledge of the fact that Defendants Chen and Chao and the Special Committee were in breach of their fiduciary duties to Renren.

222. Duff & Phelps knew or recklessly failed to discover the true value of the Renren Assets (including the SoFi investment), and thus knew that the Separation did not adequately compensate the Company for disposing of the Renren Assets.

223. Duff & Phelps substantially assisted Defendants Chen and Chao and the Special Committee in breaching their fiduciary duties. Duff & Phelps knew that the Special Committee would rely on its valuation analyses in approving the Related Party Transactions and prepared valuation analyses that were designed to create the false appearance that the Separation was fair to, and in the best interest of, Renren to justify the Special Committee's approval of the Related Party Transactions.

224. Duff & Phelps therefore knowingly aided and abetted Defendants Chen and Chao and the Special Committee's breaches of their fiduciary duties, as set forth herein.

225. As a result of Duff & Phelps' aiding and abetting of Defendants Chen and Chao and the Special Committee's breaches of fiduciary duties, the Company has been harmed in an amount to be proven at trial.

***Count 4: Dishonest Assistance Under Cayman Law  
(Against Defendant Duff & Phelps)***

226. Plaintiffs repeat and re-allege all previous allegations as if set forth at full herein.

227. Defendants Chen and Chao and the Special Committee owed fiduciary obligations to Renren.

228. Defendants Chen and Chao and the Special Committee breached their fiduciary obligations to Renren.

229. Duff & Phelps assisted in the breach of fiduciary obligations to Renren committed by Defendants Chen and Chao and the Special Committee by providing valuation analysis and a fairness opinion, which among other things:

- a. was reverse engineered to justify a preordained value for OPI;
- b. grossly undervalued the assets transferred from Renren to OPI; and
- c. falsely stated that the Cash Dividend to be received by Renren's stockholders in the Separation was fair to the stockholders.

230. Duff & Phelps assisted in the breach of fiduciary obligations to Renren committed by Defendants Chen and Chao and the Special Committee in a dishonest manner.

231. Duff & Phelps's dishonesty consists of the fact that it knew – or alternatively, it suspected yet chose not to make further enquiries so as not to obtain confirmation – of the following matters, amongst others:

- a. In approving, enabling, or facilitating the Separation, the Director Defendants and the Special Committee would (and did) act in breach of their duties to Renren;
- b. The purpose for which Duff & Phelps was being commissioned to provide an opinion was to create ex post rationalization of a pre-ordained value placed on OPI irrespective of OPI's true value; and
- c. The basis on which Duff & Phelps produced its opinion, the opinion's narrow scope, the qualifications to which it was subject, its underlying methodology, and its excessive and uncritical reliance upon information provided by the Renren board including the Directors Defendants, rendered the opinion unfit for the purpose for which it was to be, and was in fact, put by the Special Committee and the Director Defendants.

232. While Plaintiffs will provide additional particularization in their evidence of the individuals whose dishonesty is to be attributed to Duff & Phelps for this purpose, they currently believe them to include any or all of the Duff & Phelps representatives who approved of the following matters on its behalf:

- a. Agreeing to provide an opinion on the terms on which it was in fact provided;
- b. Preparation of the opinion on the basis, methodology, scope, qualifications, and manner in which the opinion was in fact prepared; and
- c. Its provision to the Special Committee and other Renren representatives on the terms and in the manner in which it was in fact provided.

233. Duff & Phelps therefore provided dishonest assistance in connection with Defendants Chen and Chao and the Special Committee's breaches of their fiduciary duties, as set forth herein.

234. As a result of Duff & Phelps' dishonest assistance of Defendants Chen and Chao and the Special Committee's breaches of fiduciary duties, the Company has been harmed in an amount to be proven at trial.

***Count 5: Aiding and Abetting Breaches of Fiduciary Duty Under New York Law  
(Against DCM Defendants)***

235. Plaintiffs repeat and re-allege all previous allegations as if set forth at full herein.

236. The DCM Defendants acted with knowledge of the fact that Defendants Chen and Chao are in breach of their fiduciary duties to Renren.

237. The DCM Defendants knew or recklessly failed to discover the true value of the Renren Assets (including the SoFi investment), and thus knew that the Separation did not adequately compensate the Company for disposing of the Renren Assets. The DCM Defendants would have known of the true value of the SoFi investment through their monitoring of their direct SoFi investment, including through Chao's service on the SoFi board of directors.

238. The DCM Defendants substantially assisted Defendants Chen and Chao in breaching their fiduciary duties by participating in the negotiation of the transaction documents and providing themselves with special treatment and knowingly facilitating the fraud on their fellow stockholders in stripping Renren of its valuable assets. Defendant Chao, in fact, was the agent of the DCM Defendants through which the DCM Defendants acted in connection with the Separation. On behalf of the DCM Defendants, Defendant Chao facilitated the misconduct of Defendant Chen and his own conduct in their capacities as directors of Renren. Defendant Chao, for example, caused the DCM Defendants to commit to waiving their rights to the cash dividend

in connection with the Separation, and to agree to the special distribution rights that allowed the DCM Defendants to take assets from their fellow stockholders. If the DCM Defendants had not provided substantial assistance to Chen and Chao by refusing to participate in the fraud or alerting their fellow stockholders, Defendants Chen's and Chao's respective breaches of fiduciary duty would have been more difficult to carry out.

239. The DCM Defendants therefore knowingly aided and abetted Defendants Chen and Chao in breaching their fiduciary duties, as set forth herein.

240. As a result of the DCM Defendants' aiding and abetting of Defendants Chen and Chao in breaching their fiduciary duties, the Company has been harmed in an amount to be proven at trial.

***Count 6: Dishonest Assistance Under Cayman Law  
(Against DCM Defendants)***

241. Plaintiffs repeat and re-allege all previous allegations as if set forth at full herein.

242. Defendants Chen and Chao and the Special Committee owed fiduciary obligations to Renren.

243. Defendants Chen and Chao and the Special Committee breached their fiduciary obligations to Renren.

244. The DCM Defendants assisted in the breach of fiduciary obligations to Renren committed by Defendants Chen and Chao and the Special Committee. Defendant Chao, in fact, was the agent of the DCM Defendants through which the DCM Defendants acted in connection with the Separation. On behalf of the DCM Defendants, Defendant Chao facilitated the misconduct of Defendant Chen and his own conduct in their capacities as directors of Renren. Defendant Chao, for example, caused the DCM Defendants to commit to waiving their rights to the cash dividend in connection with the Separation, and to agree to the special distribution rights

that allowed the DCM Defendants to take assets from their fellow stockholders. If the DCM Defendants had not provided assistance to Chen and Chao by refusing to participate in the fraud or alerting their fellow stockholders, Defendants Chen's and Chao's respective breaches of fiduciary duty would have been more difficult to carry out.

245. The DCM Defendants assisted in the breach of fiduciary obligations to Renren committed by Defendants Chen and Chao and the Special Committee in a dishonest manner. The dishonesty of the DCM Defendants' participation in the breaches of fiduciary duty is demonstrated by the fact that the DCM Defendants would have known of the true value of the SoFi investment through their monitoring of their direct SoFi investment, including through Chao's service on the SoFi board of directors, yet the DCM Defendants knowingly participated in the fraud on their fellow stockholders to deprive them of value to which they were entitled. The DCM Defendants dishonesty is further demonstrated by the fact that they obtained contractual benefits in the form of special distribution rights to obtain direct ownership of Renren's SoFi shares, which would facilitate expedited sales of such shares, while they knew that other stockholders were being falsely informed that Renren's SoFi shares were not marketable.

246. The DCM Defendants therefore provided dishonest assistance in connection with Defendants Chen and Chao and the Special Committee's breaches of their fiduciary duties, as set forth herein.

247. As a result of the DCM Defendants' dishonest assistance of Defendants Chen and Chao and the Special Committee's breaches of fiduciary duties, the Company has been harmed in an amount to be proven at trial.

***Count 7: Knowing Receipt Under Cayman Law  
(Against Defendant OPI)***

248. Plaintiffs repeat and re-allege all previous allegations as if set forth at full herein.

249. Renren's assets, including its investment portfolio, were held subject to fiduciary duties. In breach of those fiduciary duties, the Director Defendants caused Renren to dispose of its assets to OPI. OPI beneficially received those assets (or their traceable proceeds) from Renren

250. Both Chen and Chao served as OPI board members at the time of the Separation, and Chen served as OPI's CEO. Given their positions and significant holdings in OPI, the Director Defendants were OPI's directing mind and will. As such, OPI itself had knowledge that Renren's assets were transferred to it in breach of the Director Defendants' fiduciary duties, and such knowledge is such as to make it unconscionable for OPI to retain those assets.

251. OPI therefore is liable to give restitution of the assets it received from Renren, in an amount to be proved at trial.

#### **NOTICE OF INTENT TO RAISE ISSUES UNDER FOREIGN LAW**

252. Pursuant to N.Y. CPLR § 4511, Plaintiffs hereby give notice of their intent to raise issues under the laws of the Cayman Islands, including but not limited to, the law governing the Defendants' duties to Renren and their breach of such duties and the dishonest assistance and knowing receipt claims set out above. Plaintiff intends to offer expert testimony, documents, and other relevant material or sources to the Court to determine the foreign law at issue.

#### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs pray for relief and judgment as follows:

- a. Awarding compensatory damages against Defendants, jointly and severally, to Renren in an amount to be determined at trial;
- b. Disgorging all profits Chen, Chao, and the DCM Defendants have made as a result of their breaches;
- c. Rescinding the Separation and all related agreements;

- d. Voiding the transfers of Renren's investment assets to OPI;
- e. Voiding the surrender or other transfer of Renren's shares in OPI;
- f. Restitution of the assets stripped from Renren;
- g. Awarding costs and attorneys' fees in an amount to be determined at the conclusion of this lawsuit; and
- h. Such other and further relief as the Court deems just.

Dated: New York, New York  
March 6, 2019

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