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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

_____)
_____) Individually and on Behalf of All
Others Similarly Situated,)
Plaintiff,)
v.)
NETSOL TECHNOLOGIES, INC.,)
NAJEEB GHAURI, NAEEM)
GHAURI, and SALIM GHAURI,)
Defendants.)

Case No.: 2:14-CV-5787

CLASS ACTION

COMPLAINT

DEMAND FOR JURY TRIAL

1 Plaintiff [REDACTED] (“Plaintiff”), individually and on
2 behalf of all persons similarly situated, by his undersigned attorneys, for his
3 complaint against Defendants (defined below) alleges the following based upon
4 personal knowledge as to his own acts, and information and belief as to all other
5 matters, based upon, *inter alia*, the investigation conducted by and through his
6 attorneys, which included, among other things, a review of Defendants’ public
7 documents, conference calls and announcements made by Defendants, United States
8 Securities and Exchange Commission (“SEC”) filings, wire and press releases
9 published by and regarding NetSol Technologies, Inc. (“NetSol” or the “Company”),
10 securities analysts’ reports and advisories about the Company, and information
11 readily obtainable from public sources. Plaintiff believes that substantial evidentiary
12 support will exist for the allegations set forth herein after a reasonable opportunity
13 for discovery.

14 **NATURE OF THE ACTION**

15 1. This is a federal class action on behalf of persons (the “Class”) who
16 purchased or otherwise acquired the Company’s securities between November 12,
17 2009 and November 8, 2013, inclusive (the “Class Period”), seeking to pursue
18 remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

19 **JURISDICTION AND VENUE**

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

23 3. This Court has jurisdiction over the subject matter of this action
24 pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C.
25 § 1331.

26 4. Venue is proper in this Judicial District pursuant to Section 27 of the
27 Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and
28 transactions alleged herein, including the preparation and dissemination of

1 materially false and misleading information, occurred in substantial part in this
2 Judicial District.

3 5. In connection with the acts, conduct and other wrongs alleged in this
4 Complaint, Defendants, directly or indirectly, used the means and instrumentalities
5 of interstate commerce, including but not limited to, the United States mails,
6 interstate telephone communications and the facilities of the national securities
7 exchange.

8 **PARTIES**

9 6. *Plaintiff* [REDACTED] (“Plaintiff”), as set forth in the
10 attached certification, purchased NetSol securities at artificially inflated prices
11 during the Class Period and has been damaged as a result of the revelations by
12 Defendants of their prior false statements and material omissions.

13 7. *Defendant NetSol* designs, develops, markets, and exports software
14 products primarily to the automobile finance and leasing, banking, healthcare, and
15 financial services industries worldwide. It also provides system integration,
16 consulting, and IT products and services. The Company was founded in 1997 and is
17 headquartered in Calabasas, California.

18 8. *Defendant Najeeb Ghauri* is, and at all relevant times was, the Chief
19 Executive Officer and Chairman of the Company. Najeeb Ghauri has been a
20 Director of the Company since 1997, Chairman since 2003 and Chief Executive
21 Officer since October 2006. Najeeb Ghauri is the founder of NetSol. He was
22 responsible for NetSol listing on NASDAQ in 1999, the NetSol subsidiary listing on
23 KSE (Karachi Stock Exchange) in 2005, and the NetSol listing on the NASDAQ
24 Dubai exchange in 2008. Najeeb Ghauri served as the Company’s Chief Executive
25 Officer from 1999 to 2001 and as the Chief Financial Officer from 2001 to 2005. As
26 CEO, Najeeb Ghauri is responsible for managing the day-to-day operations of the
27 Company, as well as the Company's overall growth and expansion plan.

28

1 9. *Defendant Naeem Ghauri* is, and at all relevant times was, a Director
2 of the Company and NetSol’s President of Global Sales. Previously, defendant
3 Naeem Ghauri was the Company’s CEO from August 2001 to October 2006. He
4 also serves as the Managing Director of NetSol (UK) Ltd., a wholly owned
5 subsidiary of the Company.

6 10. *Defendant Salim Ghauri* is, and at all relevant times was, the CEO of
7 NetSol Technologies Limited, a subsidiary of the Company located in Lahore,
8 Pakistan. Defendant Salim Ghauri was also a Director of the Company at certain
9 times during the Class Period. According to the Company’s Proxy Statement filed
10 on Form DEF 14A (the “2013 Proxy”) with the SEC on May 29, 2013, Salim Ghauri
11 “is the founder of NetSol Technologies (previously Network Solutions) and the
12 visionary force behind the Company.” The 2013 Proxy further labeled NetSol
13 Technologies Limited as “the Company’s center of technological excellence[.]”

14 11. Defendants named above in ¶¶ 8-10 are referred to herein as the
15 “Individual Defendants.”

16 **DEFENDANTS’ MATERIALLY FALSE AND MISLEADING**
17 **STATEMENTS ISSUED DURING THE CLASS PERIOD**

18 12. On November 12, 2009, the Company held a conference call. During
19 this call, Najeeb Ghauri led the investment community to believe that NetSol had no
20 competition in a captive niche market where customers with old (legacy), non-
21 updatable, computerized systems that were unable to handle the volume and
22 complexity of their needs needed NetSol to design, implement and support a new
23 solution:

24 Our customers are looking for proven solution which can
25 be implemented quickly from one vendor with one
26 solution.

1 Further supporting this trend is the again of installed
2 legacy solutions which increasingly cannot handle the
3 volume and complexity of our clients' finance needs.
4 These legacy systems are now virtually impossible to
5 update and must be replaced.

6
7 NetSol can design, implement and support a new solution
8 and once installed, these solutions typically have longer
9 life spans, creating recurring revenues around service and
10 support as well as license upgraded.

11
12 We believe we are in a sweet spot as larger software
13 providers view this a very complex niche market, requiring
14 high levels of investment to build a quality asset based
15 lending solution, but a small company such as NetSol, we
16 see this so called niche market offers a tremendous
17 opportunities for growth worldwide and no competitors.

18 13. The foregoing representations were materially false and misleading as
19 subsequently disclosed in NetSol SEC filings:

20 (a) “Older companies have prolonged the life of their legacy
21 products by creating web-based front ends, while the core of the
22 systems has not been re-engineered.” (Form 10-K for the fiscal year
23 ended June 30, 2010); and

24 (b) “Neither a single company, nor a small number of
25 companies, dominates the IT market in the space in which the Company
26 competes. A substantial number of companies offer services that
27 overlap and are competitive with those offered by NetSol. Some of
28 these are large industrial firms, including computer manufacturers and

1 computer consulting firms that have greater financial resources than
2 NetSol and, in some cases, may have greater capacity to perform
3 services similar to those provided by NetSol.” (Form 10-K for the
4 fiscal year ended June 30, 2010).

5 14. During 2010, the Company continued to represent that it was building
6 the much needed solution that was intended to replace legacy products:

7 (a) NetSol improved its Financial Suite (NFS) of products, “in
8 its flexibility, robustness and compatibility to become a leading-edge
9 solution for global markets. The new generation of NFS to be beta
10 tested and rolled out regionally in North American markets.” (NetSol
11 Form 10-Q for the quarterly period ended March 31, 2010);

12 (b) “A number of large leasing companies will be looking to
13 renew legacy applications. This places NetSol in a very strong position
14 to capitalize on any upturn in IT spending by these companies. (Form
15 10-K for the fiscal year ended June 30, 2010); and

16 (c) NetSol will “continue to . . . [t]est market NFS new
17 generation products with key global customers.” (Form 10-Q for the
18 quarterly period ended September 30, 2010).

19 15. On March 10, 2011, NetSol filed its Amended Form 10-K for its fiscal
20 year ended June 30, 2010 with the SEC. This document, which was signed by
21 Defendants Najeeb Ghauri, Naeem Ghauri, and Salim Ghauri, stated:

22 The Company is well-positioned for continued revenue
23 growth and has invested heavily in the development of its
24 next generation product, which is expected to be
25 completed by the end of calendar year 2011. Globally, our
26 target customers are still using old systems for maintaining
27 their lease and finance portfolios and are now planning to
28 replace their legacy systems. NetSol, being a trusted name

1 in this field, is in a good position to tap new business from
2 these companies. The completion of this next generation
3 software will provide the Company the capability to enter
4 into a much larger market. We note that this product-
5 conversion may negatively impact our license fee revenue
6 until which point the new product gains traction in the
7 marketplace.

8 16. These representations were materially false and misleading because:

9 (a) NetSol's next generation product was not expected to be
10 completed by the end of calendar year 2011;

11 (b) NetSol's target customers were not planning to replace
12 their legacy systems, and NetSol was not in a good position to tap new
13 business from these companies. The worldwide recession, which
14 adversely impacted financial institutions, caused these financial
15 institutions to forego or otherwise put expenditures on new computer
16 systems on hold; and

17 (c) There was no reasonable basis for stating that product-
18 conversion may negatively impact Netsol's license fee revenue.

19 17. On May 10, 2011, NetSol filed its Form 10-Q for the quarter ended
20 March 31, 2011 with the SEC. This document, which was signed by Najeeb Ghauri,
21 stated in relevant part:

22 Our NFS suite of products is currently undergoing a major
23 initiative towards developing the next generation of
24 solutions. The Company believes that this would change
25 the landscape for NetSol and increase both demand and the
26 market.

27 * * *

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1 Serious interest in NetSol’s next generation solution has
2 been expressed by a few global companies.
3 Demonstrations and workshops with key global clients and
4 partners of have been very well received. Hence, the new
5 generation solution appears to be gaining momentum.

6 18. These representations were materially false and misleading because
7 there was no reasonable basis for stating that development of the next generation of
8 NFS would change the landscape for NetSol and increase both demand and the
9 market.

10 (a) Serious interest in NetSol’s next generation solution had
11 not been expressed by a few global companies.

12 (b) The next generation product did not exist as of May 10,
13 2011. Accordingly, there was no reasonable basis for stating that the
14 next generation NFS product had been very well received, or that the
15 new generation solution appeared to be gaining momentum.

16 19. On September 16, 2011, Netsol filed its Form 10-K for its fiscal year
17 ended June 30, 2011 with the SEC. This document, which was signed by Najeeb
18 Ghauri, Naeem Ghauri, and Salim Ghauri, stated in relevant part:

19 Growth prospects for NFS are linked to the maturing of the
20 product portfolio and its growing customer base across
21 different geographic and product markets. With a next
22 generation product ready for testing at customer sites,
23 NetSol is eyeing key international markets for growth in
24 sales Growth in North America is expected to come
25 from the huge potential market for replacement of legacy
26 systems. The next generation version of NFS is aimed at
27 providing a highly flexible solution based on latest
28 technology and advanced architecture for the North

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American customers looking to replace their legacy systems.

* * *

Besides the growth in revenues expected through its next generation solution, NetSol expects to continue selling its current version to businesses looking for a mature and globally tested solution. Future growth will therefore involve increased revenues from both the current version and the next generation of NFS.

* * *

NetSol is experiencing a growing interest in our next generation NFS solution which is poised to go to market by late 2012 to expand our revenue base.

* * *

The Company is well-positioned for revenue growth and has invested heavily in the development of its next generation product, which is expected to be completed during the calendar year 2012. Globally, our target customers are still using old systems for maintaining their lease and finance portfolios and are now planning to replace their legacy systems. NetSol, being a trusted name in this field, is in a good position to tap new business from these companies. The completion of this next generation software will provide the Company the capability to enter into a much larger market. We note that this product-conversion may negatively impact our license fee revenue until which point the new product gains traction in the marketplace.

1 20. The foregoing statements were materially false and misleading because:

2 (a) As of September 16, 2011, Netsol's next generation
3 product (NFS Ascent) did not exist. Accordingly, NetSol was not
4 experiencing a growing interest in its next generation NFS product, and
5 the product was not ready for testing at customer sites.

6 (b) NetSol did not expect future growth through increased
7 revenues from both the current version and the next generation of NFS.

8 (c) The worldwide recession, which adversely impacted
9 financial institutions, caused these financial institutions to forego or
10 otherwise put expenditures on new computer systems on hold.
11 Therefore, NetSol did not have a reasonable basis for stating that
12 NetSol expected growth in North America to come from replacement of
13 legacy systems or that its target customers who were still using old
14 systems for maintaining their lease and finance portfolios were
15 planning to replace their legacy systems.

16 (d) NetSol's next generation NFS solution was not poised to
17 go to market by late 2012.

18 (e) NetSol did not have a reasonable basis for stating that
19 NetSol's next generation product (NFS Ascent) was expected to be
20 completed during the calendar year 2012.

21 (f) There was no reasonable basis for stating that product-
22 conversion may negatively impact Netsol's license fee revenue.

23 21. On November 8, 2011, NetSol filed its Form 10-Q for the quarter ended
24 September 30, 2011 with the SEC. This document, which was signed by Najeeb
25 Ghauri, stated in relevant part:

26 NetSol is experiencing a growing interest in our next
27 generation NFS solution which is positioned to go to
28 market by late 2012 to expand our revenue base.

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Our NFS suite of products is currently undergoing a major initiative towards developing the next generation of solutions. The Company believes that this would change the landscape for NetSol and increase both demand and the market.

* * *

Serious interest in NetSol’s next generation solution has been expressed by a few global companies. Demos and workshops with key global clients and partners of have been very well received. Hence, the new generation solution appears to be gaining momentum.

22. These representations were materially false and misleading because:

(a) The next generation product did not exist as of November 8, 2011. Accordingly, there was no reasonable basis for stating that there was a growing interest or a serious interest in the product; that the next generation product appeared to be gaining momentum; or that it had been very well received.

(b) There was no reasonable basis for stating that development of the next generation of NFS would change the landscape for NetSol and increase both demand and the market.

23. On February 2, 2012, NetSol filed its Form 10-Q for the quarter ended December 31, 2011 with the SEC. This document, which was signed by Najeeb Ghauri, stated in relevant part:

Our NFS suite of products is currently undergoing a major initiative towards developing the next generation of solutions. The Company believes that this would change the landscape for NetSol and increase both demand and the

1 market. We are in the middle of developing a
2 comprehensive sales and marketing plan requiring new
3 personnel, markets and investment.

4 * * *

5 Serious interest in NetSol's next generation solution has
6 been expressed by a few global companies. Demos and
7 workshops with key global clients and partners of have
8 been very well received. Hence, the new generation
9 solution appears to be gaining momentum.

10 24. These representations were materially false and misleading because:

11 (a) The next generation product did not exist as of February 2,
12 2012. Accordingly, there was no reasonable basis for stating that there
13 was a growing interest or a serious interest in the product; that the next
14 generation product appeared to be gaining momentum; or that it had
15 been very well received.

16 (b) There was no reasonable basis for stating that development
17 of the next generation of NFS would change the landscape for NetSol
18 and increase both demand and the market.

19 25. On May 7, 2012, NetSol filed its Form 10-Q for the quarter ended
20 March 31, 2012 with the SEC. At that time it reiterated representations that
21 appeared in Netsol's Form 10-Q for the quarter ended December 31, 2011 as
22 follows:

23 Our NFS suite of products is currently undergoing a major
24 initiative towards developing the next generation of
25 solutions. The Company believes that this would change
26 the landscape for NetSol and increase both demand and the
27 market. We are in the middle of developing a
28

1 comprehensive sales and marketing plan requiring new
2 personnel, markets and investment.

3 * * *

4 Serious interest in NetSol's next generation solution has
5 been expressed by a few global companies. Demos and
6 workshops with key global clients and partners of have
7 been very well received. Hence, the new generation
8 solution appears to be gaining momentum.

9 26. These representations were materially false and misleading because:

10 (a) There was no reasonable basis for stating that development
11 of the next generation of NFS would change the landscape for NetSol
12 and increase both demand and the market.

13 (b) Serious interest in NetSol's next generation solution had
14 not been expressed by a few global companies.

15 (c) There was no reasonable basis for stating that the next
16 generation NFS product had been very well received, or that the new
17 generation solution appeared to be gaining momentum.

18 27. On August 13, 2012, NetSol issued a press release which stated:

19 Our NFS suite of products is currently undergoing a major
20 initiative towards developing the next generation of
21 solutions. The Company believes that this would change
22 the landscape for NetSol and increase both demand and the
23 market. We are in the middle of developing a
24 comprehensive sales and marketing plan requiring new
25 personnel, markets and investment. However, the demand
26 for current NFS has been very robust with some global
27 clients and many new fortune 500 captive finance
28 companies in China, Thailand and Japan.

* * *

1
2 The Company is well-positioned for revenue growth and
3 has invested heavily in the development of its next
4 generation product, which is expected to be completed
5 during the calendar year 2013. Globally, our target
6 customers are still using old systems for maintaining their
7 lease and finance portfolios and are now planning to
8 replace their legacy systems. NetSol, being a trusted name
9 in this field, is in a good position to tap new business from
10 these companies. The completion of this next generation
11 software will provide the Company the capability to enter
12 into a much larger market. We note that this product-
13 conversion may negatively impact our license fee revenue
14 until which point the new product gains traction in the
15 marketplace.

16 28. The August 13, 2012 press release was materially false and misleading
17 because:

18 (a) There was no reasonable basis for stating that development
19 of the next generation of NFS would change the landscape for NetSol
20 and increase both demand and the market.

21 (b) The worldwide recession, which adversely impacted
22 financial institutions, caused these financial institutions to forego or
23 otherwise put expenditures on new computer systems on hold.
24 Therefore, NetSol did not have a reasonable basis for stating that its
25 target customers who were still using old systems for maintaining their
26 lease and finance portfolios were planning to replace their legacy
27 systems or that Netsol was in a good position to tap new business from
28 these companies.

1 29. On September 5, 2012 Netsol filed a Form 10-K for the fiscal year
2 ended June 30, 2012 with the SEC. This document, which was signed by Najeeb
3 Ghauri and Naeem Ghauri, stated in relevant part:

4 Growth prospects for NFS are linked to the maturing of the
5 product portfolio and its growing customer base across
6 different geographic and product markets. With a next
7 generation solution ready for testing at customer sites,
8 NetSol is eyeing key international markets for growth in
9 sales. Its sales strategy now carefully balances expansion
10 into new geographic markets including North and South
11 Americas, and further penetration of our already leading
12 position in Asia Pacific.

13
14 Growth in North America is expected to come from the
15 huge potential market for replacement of legacy systems.
16 The next generation version of NFS is aimed at providing
17 a highly flexible solution based on latest technology and
18 advanced architecture for the North American customers
19 looking to replace their legacy systems.

20 * * *

21 Besides the growth in revenues expected through its next
22 generation solution, NetSol expects to continue selling its
23 current version to businesses looking for a mature and
24 globally tested solution. Future growth will therefore
25 involve increased revenues from both the current version
26 and the next generation of NFS.

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Our NFS suite of products is currently undergoing a major initiative towards developing the next generation of solutions. The Company believes that this would change the landscape for NetSol and increase both demand and the market. We are in the middle of developing a comprehensive sales and marketing plan requiring new personnel, markets and investment.

* * *

Serious interest in NetSol's next generation solution has been expressed by a few global companies. Demos and workshops with key global clients and partners of have been very well received. Hence, the new generation solution, while not completely ready, is gaining momentum.

* * *

The Company is well-positioned for revenue growth and has invested heavily in the development of its next generation product, which is expected to be completed during the calendar year 2013. Globally, our target customers are still using old systems for maintaining their lease and finance portfolios and are now planning to replace their legacy systems. NetSol, being a trusted name in this field, is in a good position to tap new business from these companies. The completion of this next generation software will provide the Company the capability to enter into a much larger market. We note that this product-conversion may negatively impact our license fee revenue

1 until which point the new product gains traction in the
2 marketplace.

3 30. Netsol's Form 10-K for the fiscal year ended June 30, 2012 was
4 materially false and misleading because:

5 (a) The next generation product did not exist as of September
6 5, 2012. Accordingly, there was no reasonable basis for stating that it
7 was ready for testing at customer sites

8 (b) The worldwide recession, which adversely impacted
9 financial institutions, caused these financial institutions to forego or
10 otherwise put expenditures on new computer systems on hold.
11 Therefore, NetSol did not have a reasonable basis for stating that
12 growth in North America is expected to come from the huge potential
13 market for replacement of legacy systems.

14 (c) Netsol's sales of its current version of NFS was waning
15 and the next generation of NFS did not exist and was not proven to be
16 commercially acceptable. Accordingly, there was no reasonable basis
17 for stating that future growth will involve increased revenues from both
18 the current version and the next generation of NFS.

19 (d) There was no reasonable basis for stating that development
20 of the next generation of NFS would change the landscape for NetSol
21 and increase both demand and the market.

22 (e) Serious interest in NetSol's next generation solution had
23 not been expressed by a few global companies.

24 (f) There was no reasonable basis for stating that the next
25 generation NFS product had been very well received, or that the new
26 generation solution appeared to be gaining momentum.

27 (g) NetSol did not have a reasonable basis for stating that its
28 target customers who were still using old systems for maintaining their

1 lease and finance portfolios were planning to replace their legacy
2 systems or that Netsol was in a good position to tap new business from
3 these companies.

4 31. On November 14, 2012, Netsol filed its Form 10-Q for the quarter
5 ended September 30, 2012 with the SEC. This document, which was signed by
6 Najeeb Ghauri, stated in relevant part:

7 Our NFS suite of products is currently undergoing a major
8 initiative towards developing the next generation of
9 solutions. The Company believes that this would change
10 the landscape for NetSol and increase both demand and the
11 market. We are in the middle of developing a
12 comprehensive sales and marketing plan requiring new
13 personnel, markets and investment.

14 * * *

15 Serious interest in NetSol's next generation solution has
16 been expressed by a few global companies. Demos and
17 workshops with key global client and partners of have
18 been very well received. Hence, the new generation
19 solution, while not completely ready, is gaining
20 momentum.

21 32. Netsol's Form 10-Q for the fiscal quarter ended September 30, 2012
22 was materially false and misleading because:

23 (a) There was no reasonable basis for stating that development
24 of the next generation of NFS would change the landscape for NetSol
25 and increase both demand and the market.

26 (b) Serious interest in NetSol's next generation solution had
27 not been expressed by a few global companies.

28

1 (c) There was no reasonable basis for stating that the next
2 generation NFS product had been very well received, or that the new
3 generation solution appeared to be gaining momentum.

4 33. On February 12, 2013, Netsol filed its Form 10-Q for the quarter ended
5 December 31, 2012 with the SEC. This document, which was signed by Najeeb
6 Ghauri, stated in relevant part: "Serious interest in NetSol's next generation solution
7 has been expressed by a few global companies. Demos and workshops with key
8 global clients and partners of have been very well received. Hence, the groundwork
9 for the new generation solution, is gaining momentum."

10 34. Netsol's Form 10-Q for the fiscal quarter ended December 31, 2012
11 was materially false and misleading because:

12 (a) The next generation product did not exist as of February
13 12, 2013. Accordingly, there was no reasonable basis for stating that it
14 was very well received or that the new generation solution appears to be
15 gaining momentum.

16 (b) Serious interest in NetSol's next generation solution had
17 not been expressed by a few global companies.

18 35. On May 3, 2013, Salim Ghauri secretly sold 5,000 shares at a price of
19 \$12.51 per share for total proceeds of \$62,550.00, in violation of securities laws.

20 36. On May 9, 2013, Netsol filed its Form 10-Q for the quarter ended
21 March 31, 2013 with the SEC. This document, which was signed by Najeeb Ghauri,
22 stated in relevant part: "Serious interest in NetSol's next generation solution has
23 been expressed by a few global companies. Demos and workshops with key global
24 clients and partners of have been very well received. Hence, the groundwork for the
25 new generation solution, is gaining momentum."

26 37. Netsol's Form 10-Q for the fiscal quarter ended March 31, 2013 was
27 materially false and misleading because:

28

1 (a) The next generation product did not exist as of February
2 12, 2013. Accordingly, there was no reasonable basis for stating that it
3 was very well received or that the new generation solution appears to be
4 gaining momentum.

5 (b) Serious interest in NetSol's next generation solution had
6 not been expressed by a few global companies.

7 38. On July 8, 2013, Salim Ghauri secretly sold 917 shares at a price of
8 \$10.30 per share for total proceeds of \$9,445.10, in violation of securities laws.

9 39. On July 9, 2013, Salim Ghauri secretly sold 4,083 shares at a price of
10 \$10.30 per share for total proceeds of \$42,054.90, in violation of securities laws.

11 40. On September 12, 2013, Netsol issued a press release announcing
12 results of operations and financial conditions for the fiscal year ended June 30, 2013.
13 It quoted Najeeb Ghauri as stating: “. . . our average deal size is increasing, new
14 business leads are growing, and add-on projects are expanding Today, our new
15 business pipeline and add-on requests from customers are stronger than ever, a fact
16 demonstrated by the signing of more than \$20 million in projects in the past two
17 months alone. We are actively working on a number of similar game-changing deals
18 for the company across the globe.”

19 41. These statements were materially false and misleading because, at the
20 time they were made, Netsol's:

21 (a) Average deal size was not increasing;

22 (b) New business leads were not growing;

23 (c) Add-on projects were not expanding;

24 (d) New business pipeline and add-on requests from customers
25 were not stronger than ever; and

26 (e) Global game-changing deals were non-existent.

27 42. On September 12, 2013, Netsol held its fiscal 2013 Fourth Quarter and
28 Year-End Results Conference Call. During this call, Najeeb Ghauri stated “we are

1 reaching a point where demand for current and potential customers is outpacing our
2 ability to service it. We are no longer providing specific revenue and EPS guidance
3 for the company, even though all signs point to continued growth and strength
4 across the business.”

5 43. These statements were materially false and misleading because, at the
6 time they were made, Defendants new or recklessly failed to know that:

7 (a) NetSol was not reaching a point where demand for current
8 and potential customers wad not outpacing NetSol’s ability to service it.

9 (b) NetSol was no longer providing specific revenue and EPS
10 guidance for the company because the quarter ended September 30,
11 2013 had resulted in dismal financial results, and the foreseeable future
12 looked bleak.

13 (c) All internal data pointed to a continued business decline;
14 not “growth and strength across the business.”

15 44. On October 24, 2013, NetSol issued a press release announcing “the
16 introduction and global release of NFS Ascent, the company’s next generation
17 platform, offering the most technologically advanced solution for the auto and
18 equipment finance and leasing industry.”

19 45. This press release also quoted Najeeb Ghauri as stating: “As the rollout
20 of NFS Ascent begins, we are experiencing strong interest from our customers
21 around the globe.”

22 46. These statements were materially false and misleading because, at the
23 time they were made:

24 (a) There was no global release of NFS Ascent. Instead, as
25 later disclosed, there was only a soft regional launch with selected
26 customers.

27 (b) NetSol was not experiencing strong interest from its
28 customers around the globe.

1 47. Two weeks later, on November 8, 2013, NetSol issued a press release
2 announcing results of operations and financial conditions for the quarter ended
3 September 30, 2013. It disclosed materially increased expenses and materially
4 decreased earnings and revenue, and a bleak financial outlook as follows:

5 (a) first quarter revenue of \$9.1 million, compared with \$11.1
6 million in the same period for the prior fiscal year.

7 (b) first quarter license revenue of \$2.3 million, compared
8 with \$3.2 million in the same period for the prior year.

9 (c) first quarter maintenance revenue of \$4.4 million,
10 compared with \$5.8 million in the same period for the prior year.

11 (d) first quarter operating expenses amounted to \$4.9 million,
12 compared with \$3.8 million in the same period for the prior year.

13 (e) Operating loss for the first quarter was \$1.5 million,
14 compared with operating income of \$1.5 million in the same period for
15 the prior year.

16 (f) a slowing of license sales for the first-generation of NFS.

17 (g) an expectation that licensee revenue for the first-generation
18 NFS would continue to contract over the next two quarters.

19 48. On November 8, 2013, NetSol filed its Form 10-Q for the quarterly
20 period ended September 30, 2013 with the SEC. This document, which was signed
21 by Najeeb Ghauri, repeated the financial results that were contained within the
22 November 8, 2013 press release. It also stated in relevant part:

23 On October 24, NetSol announced the introduction and
24 global release of NFS Ascent, the company's next
25 generation platform, offering the most technologically
26 advanced solution for the auto and equipment finance and
27 leasing industry. NFS Ascent architecture and user
28 interfaces were designed based on the company's

1 collective experience with global Fortune 500 companies
2 over the past 30 years. The platform's framework allows
3 auto captive and asset finance companies to rapidly
4 transform legacy dependent information technology into a
5 state-of-the-art IT and business process environment. At
6 the core of the NFS Ascent platform is a lease accounting
7 and contract processing engine, which allows for an array
8 of interest calculation methods, as well as robust
9 accounting of multi-billion dollar lease portfolios under
10 various types of generally accepted accounting principles
11 (GAAP), as well international financial reporting standards
12 (IFRS). NFS Ascent, with its distributed and clustered
13 deployment across parallel application and high volume
14 data servers, enables finance companies to process
15 voluminous data in a hyper speed environment. NFS
16 Ascent has been developed using the latest tools and
17 technologies and its n-tier SOA architecture allows the
18 system to dramatically improve in various areas like
19 scalability, performance, fault tolerance and security to
20 name a few.

21 * * *

22 A focus of the marketing plan centers around the Global
23 Launch of NFS Ascent, the next generation of NFS that the
24 company has been developing for nearly four years.
25 Announced on October 24, 2013, NetSol has commenced a
26 soft, regional launch with selected customers in APAC to
27 test the readiness for the global markets. A formal launch
28

1 of the global marketing plan is expected for all of our key
2 markets of North America, Europe and APAC.

3 49. NetSol's Form 10-Q for the quarterly period ended September 30, 2013
4 further stated:

5 Under the supervision and participation of management,
6 including the Chief Executive Officer and Chief Financial
7 Officer, we have performed an assessment of the
8 effectiveness of our internal controls over financial
9 reporting as of September 30, 2013. This assessment was
10 based on the criteria established in Internal Control-
11 Integrated Framework, issued by the Committee of
12 Sponsoring Organizations of the Treadway Commission.
13 Based on the results of our assessment, the Company has
14 determined that as of September 30, 2013, there was a
15 material weakness in the Company's internal control over
16 financial reporting. Specifically, while in the performance
17 of this assessment, management identified that its core
18 accounting staff does not have necessary technical
19 accounting training relating to accounting for complex
20 U.S. GAAP matters. Based on this evaluation,
21 management concluded that our internal control over
22 financial reporting was not effective as of September 30,
23 2013. Notwithstanding the existence of such material
24 weakness in our internal controls over financial reporting,
25 our management, including our Chief Executive Officer,
26 believes that the financial statements included in this
27 report fairly present in all material respects our financial
28

1 condition, results of operations and cash flows for the
2 periods presented.

3 On September 9, 2013, the Company appointed Roger
4 Almond, C.P.A. to act as Chief Financial Officer of
5 NetSol. Management believes that Mr. Almond's
6 appointment as CFO results in the requisite technical
7 accounting knowledge and training relating to accounting
8 for complex U.S. GAAP matters. Management believes
9 that Mr. Almond's appointment will result in the removal
10 of the material weakness in subsequent quarters.

11 * * *

12
13 **Risk Factors**

14 **The Announcement of Our New Generation Product, NFS**
15 **Ascent, May Result In A Reduction In New License Sales**
16 **For Our Earlier Generation Product And Accordingly A**
17 **Drop In Revenues.** On October 24, 2013, the Company
18 announced the introduction and global release of NFS
19 Ascent, the company's next generation platform. While
20 the Company believes that the new product will be well-
21 received and is positioned to generate more lucrative
22 license and related services revenues, we anticipate that
23 new licenses for the old product will diminish in numbers
24 larger than new product licenses, resulting in a drop in
25 revenues until the new product gains traction in the
26 market.

27
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1 The U.S. Securities and Exchange Commission notified
2 the Company that it is conducting an investigation and
3 requested the voluntary production of certain documents
4 related to Salim Ghauri, a member of the Company's
5 Board of Directors and an officer of the Company's
6 majority-owned subsidiary NetSol Technologies, Ltd., and
7 the Company's policies covering reporting obligations and
8 disclosure of securities holdings under Section 16 of the
9 Securities Exchange Act of 1934. The Company promptly
10 engaged outside counsel to conduct an internal
11 investigation of the potential issues and to respond to the
12 SEC. The Company is fully cooperating with the SEC's
13 investigation. On February 13, 2014, Salim Ghauri
14 authorized the filing of a Form 4 that sets forth certain
15 previously unreported securities transactions by him in the
16 Company's stock during the period of May 10, 2011 to
17 July 12, 2013, which had not been previously disclosed to
18 the Company. Pursuant to a settlement agreement between
19 the Company and Salim Ghauri dated February 12, 2014,
20 he has paid to the Company the short swing profits
21 recoverable under Section 16(b) of the Act in the amount
22 of \$33,197, which includes interest.

23 In connection with the investigation, we evaluated the
24 filing requirements for all reporting persons. In that
25 context, we determined that at various points in time prior
26 to May 2013, Najeeb, Naeem and Salim Ghauri should
27 have filed Schedules 13D as their beneficial holdings in
28 the Company stock reached or exceeded 5%.

1 While Schedules 13D were not filed, the percentages of
2 their beneficial ownership were disclosed to the investing
3 public as part of the Company's timely-made Form 10-K
4 and proxy statement filings. Currently, the beneficial
5 ownership by each of them is below 5% so no Schedule
6 13D filing is currently required.

7 52. On May 14, 2014, Netsol filed its Form 10-Q for the quarter ended
8 March 31, 2014 with the SEC. It stated in relevant part that:

9 (a) License fees for the three months ended March 31, 2014
10 were \$2,118,015 compared to \$4,790,015 for the three months ended
11 March 31, 2013.

12 (b) Services for the three months ended March 31, 2014 were
13 \$4,689,019 compared to \$5,327,826 for the three months ended March
14 31, 2013.

15 (c) The gross profit was \$2,381,086 in the quarter ending
16 March 31, 2014 as compared with \$6,897,775 for the quarter ended
17 March 31, 2013.

18 (d) The cost of sales was \$6,981,965 in the current quarter
19 compared to \$5,708,840 in quarter ended March 31, 2013.

20 (e) Salaries and consultant fees increased by \$1,151,958 from
21 \$2,954,192 in the prior comparable quarter, to \$4,106,150.

22 (f) Operating expenses were \$5,062,465 for the quarter ending
23 March 31, 2014 as compared to \$3,755,735, for the quarter ended
24 March 31, 2013.

25 (g) Loss from operations was \$2,681,379 compared to income
26 of \$3,142,040 for the quarter ended March 2013.

27
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1 (h) Net loss was \$1,299,804 for the three months ended March
2 31, 2014 compared to net income of \$1,562,835 for the three months
3 ended March 31, 2013.

4 (i) License fees for the nine months ended March 31, 2014
5 were \$4,826,198 compared to \$11,537,363 for the nine months ended
6 March 31, 2013.

7 (j) Services for the nine months ended March 31, 2014 were
8 \$14,208,275 compared to \$16,140,819 for the nine months ended
9 March 31, 2013.

10 (k) Gross profit was \$8,843,834 for the nine ending March 31,
11 2014 as compared with \$19,819,649 for the nine months ended March
12 31, 2013.

13 (l) Cost of sales was \$17,994,260 for the nine months ended
14 March 31, 2014 compared to \$15,057,826 for the nine months ended
15 March 31, 2013.

16 (m) Salaries and consultant fees increased by \$2,370,024 from
17 \$8,156,677 for the nine months ended March 31, 2013 to \$10,526,701
18 for the nine months ended March 31, 2014.

19 (n) Operating expenses were \$14,273,382 for the nine months
20 ending March 31, 2014 compared to \$11,255,397 for the nine months
21 ended March 31, 2013.

22 (o) Loss from operations was \$5,429,548 compared to income
23 of \$8,564,252 for the nine months ended March 31, 2013.

24 (p) Net loss was \$4,023,827 for the nine months ended March
25 31, 2014 compared to net income of \$4,714,943 for the nine months
26 ended March 31, 2013.

27 (q) Management was expecting licensing revenue to remain
28 depressed through June 30, 2014.

1 (c) whether the members of the Class have sustained damages and, if
2 so, the proper measure of damages.

3 59. A class action is superior to all other available methods for the fair and
4 efficient adjudication of this controversy since joinder of all members is
5 impracticable. Furthermore, as the damages suffered by individual Class members
6 may be relatively small, the expense and burden of individual litigation make it
7 impossible for members of the Class to individually redress the wrongs done to
8 them. There will be no difficulty in the management of this action as a class action.

9 **Loss Causation**

10 60. Defendant's wrongful conduct, as alleged herein, directly and
11 proximately caused the economic loss suffered by Plaintiff and the Class.

12 61. During the Class Period, as detailed herein, Defendants made materially
13 false and misleading statements and were deliberately reckless such that the market
14 was deceived and by this course of conduct, the price of NetSol securities was
15 artificially inflated and this deliberately reckless course of conduct operated as a
16 fraud or deceit on Class Period purchasers of NetSol securities by misrepresenting
17 the Company's prospects. Later, when Defendants' prior misrepresentations and
18 material omissions became apparent to the market, the price of NetSol securities fell,
19 as the prior artificial inflation came out of the price. As a result of their purchases of
20 NetSol securities during the Class Period, Plaintiff and other members of the Class
21 suffered economic loss, *i.e.*, damages, under the federal securities laws.

22 **Applicability of Presumption of Reliance:**

23 **Fraud-on-the-Market Doctrine**

24 62. At all relevant times, the market for NetSol's securities was an efficient
25 market for the following reasons, among others:

26 (a) NetSol met the requirements for listing on the NASDAQ, a
27 highly efficient and automated market;
28

1 (b) During the Class Period, on average, millions of shares were
2 traded weekly, demonstrating a very active and broad market for NetSol
3 securities and permitting a strong presumption of an efficient market;

4 (c) As a regulated issuer, NetSol filed periodic public reports with
5 the SEC;

6 (d) NetSol regularly communicated with public investors via
7 established market communication mechanisms, including through regular
8 disseminations of press releases on the national circuits of major newswire
9 services and through other wide-ranging public disclosures, such as
10 communications with the financial press and other similar reporting services;
11 and

12 (e) Unexpected material news about NetSol was rapidly reflected
13 and incorporated into the Company's securities price during the Class Period.

14 63. As a result of the foregoing, the market for NetSol's securities promptly
15 digested current information regarding NetSol from all publicly available sources
16 and reflected such information in the price of NetSol's securities. Under these
17 circumstances, all purchasers of NetSol's securities during the Class Period suffered
18 similar injury through their purchase of NetSol's securities at artificially inflated
19 prices, and a presumption of reliance applies.

20 **FIRST CLAIM**

21 **Violation of Section 10(b) Of**

22 **The Exchange Act and Rule 10(b)-5**

23 **Promulgated Thereunder Against All Defendants**

24 64. Plaintiff repeats and re-alleges each and every allegation contained
25 above as if fully set forth herein.

26 65. This claim is brought against NetSol and all of the Individual
27 Defendants.

28

1 66. During the Class Period, Defendants carried out a plan, scheme and
2 course of conduct which was intended to and, throughout the Class Period, did: (a)
3 deceive the investing public, including Plaintiff and other Class members, as alleged
4 herein; and (b) caused Plaintiff and other members of the Class to purchase NetSol's
5 securities at artificially inflated prices. In furtherance of this unlawful scheme, plan
6 and/or reckless course of conduct, Defendants, and each of them, took the actions set
7 forth herein.

8 67. Defendants (a) employed devices, schemes, and artifices to defraud; (b)
9 made untrue statements of material fact and/or omitted to state material facts
10 necessary to make the statements not misleading; and (c) engaged in acts, practices,
11 and a course of business that operated as a fraud and deceit upon the purchasers of
12 the Company's securities in an effort to maintain artificially high market prices for
13 NetSol's securities in violation of Section 10(b) of the Exchange Act and Rule
14 10(b)-5 thereunder. All Defendants are sued either as primary participants in the
15 wrongful and illegal conduct charged herein or as controlling persons as alleged
16 below.

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

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1 69. Each of the Individual Defendants' primary liability, and controlling
2 person liability, arises from the following facts: (a) the Individual Defendants were
3 high-level executives, directors, and/or agents at the Company during the Class
4 Period and members of the Company's management team or had control thereof; (b)
5 each of these defendants, by virtue of his responsibilities and activities as a senior
6 officer and/or director of the Company, was privy to and participated in the creation,
7 development and reporting of the Company's financial prospects; (c) each of these
8 defendants enjoyed significant personal contact and familiarity with the other
9 defendants and was advised of and had access to other members of the Company's
10 management team, internal reports and other data and information about the
11 Company's finances and operations at all relevant times; and (d) each of these
12 Defendants was aware of the Company's dissemination of information to the
13 investing public which they knew or recklessly disregarded was materially false and
14 misleading.

15 70. Defendants had actual knowledge of the misrepresentations and
16 omissions of material facts set forth herein, or acted with reckless disregard for the
17 truth in that they failed to ascertain, verify and to disclose such facts, even though
18 such facts were available to them.

19 71. As a result of the dissemination of the materially false and misleading
20 information and failure to verify and disclose material facts, as set forth above, the
21 market price of NetSol's securities was artificially inflated during the Class Period.
22 In ignorance of the fact that market prices of NetSol's securities were artificially
23 inflated, and relying directly or indirectly on the misleading statements and
24 Company press releases issued by Defendants, or upon the integrity of the market in
25 which the Company's securities trades, and/or on the absence of material adverse
26 information that was known to or recklessly disregarded by Defendants but not
27 disclosed in public statements by Defendants during the Class Period, Plaintiff and
28

1 the other members of the Class acquired NetSol securities during the Class Period at
2 artificially high prices and were or will be damaged thereby.

3 72. At the time of said omissions and/or materially false and misleading
4 statements, Plaintiff and other members of the Class were ignorant of their
5 misleading nature, and believed them to be true.

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

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

12 **SECOND CLAIM**

13 **Violation of Section 20(a) Of**

14 **The Exchange Act Against The Individual Defendants'**

15 75. Plaintiff repeats and re-alleges each and every allegation contained
16 above as if fully set forth herein.

17 76. The Individual Defendants acted as controlling persons of NetSol
18 within the meaning of Section 20(a) of the Exchange Act as alleged herein. By
19 virtue of their high-level positions, agency, and their ownership and contractual
20 rights, participation in and/or awareness of the Company's operations and/or
21 intimate knowledge of the misleading financial information filed by the Company
22 with the SEC and disseminated to the investing public, the Individual Defendants
23 had the power to influence and control, and did influence and control, directly or
24 indirectly, the decision-making of the Company, including the content and
25 dissemination of the various statements that Plaintiff contends are false and
26 misleading.

27 77. The Individual Defendants had direct and supervisory involvement in
28 the day-to-day operations of the Company and, therefore, are presumed to have had

1 the power to control or influence the particular transactions giving rise to the
2 securities violations as alleged herein, and exercised the same.

3 78. As set forth above, the Individual Defendants each violated Section
4 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint.

5 79. By virtue of their positions as controlling persons, the Individual
6 Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and
7 proximate result of Defendants' wrongful conduct, Plaintiff and other members of
8 the Class suffered damages in connection with their purchases of the Company's
9 securities during the Class Period.

10 **PRAYER FOR RELIEF**

11 **WHEREFORE**, Plaintiff prays for relief and judgment, as follows:

12 (a) Determining that this action is a proper class action, designating
13 Plaintiff as class representatives under Rule 23 of the Federal Rules of Civil
14 Procedure and Plaintiff's counsel as Class Counsel;

15 (b) Awarding compensatory damages in favor of Plaintiff and the
16 other Class members against all Defendants, jointly and severally, for all
17 damages sustained as a result of Defendants' wrongdoing, in an amount to be
18 proven at trial, including interest thereon;

19 (c) Awarding Plaintiff and the Class their reasonable costs and
20 expenses incurred in this action, including counsel fees and expert fees; and

21 (d) Awarding such other and further relief as the Court may deem
22 just and proper.

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JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: July 25, 2014