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IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

PETER JOHNSON, individually and on behalf of all others similarly situated,
 	
    Plaintiff,
 	
  v.
 	
MAKER ECOSYSTEM GROWTH HOLDINGS, INC., a foreign corporation; **MAKER ECOSYSTEM GROWTH FOUNDATION,** a foreign corporation; and **DAI FOUNDATION**, a foreign corporation;
 	
    Defendants.
	Case No.
	
	CLASS ACTION COMPLAINT
	
	JURY TRIAL DEMANDED

Lead Plaintiff, Peter Johnson, individually and on behalf of all others similarly situated, by

his undersigned attorney, alleges the Defendants, three affiliated foreign companies that

collectively operate, run, and manage the Maker Ecosystem, a cryptocurrency platform (the three

entities, detailed more below, are collectively referred to herein as "Defendant" or "The Maker

Foundation"). Lead Plaintiff's allegations herein are based upon personal knowledge as to himself

and his own acts, and upon information and belief as to all other matters based on the investigation

conducted by and through Plaintiff's attorney, which included, among others things, a review of

press releases, media reports, interviews, and other publicly disclosed reports and information about Defendant. Lead Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein, after a reasonable opportunity for discovery.

SUMMARY OF ACTION

1.   This is a class action lawsuit against The Maker Foundation. Despite representing that it manages a decentralized, open, digital currency platform that boasts overcollateralized (and therefore secure) currency and has certain measures in place to prevent significant investor loss, The Maker Foundation in fact has promoted a system that it maintains primary control and ownership over while actively misrepresenting to investors in its platform (or collateralized debt position holders, CDP Holders) the risks associated with it. The Maker Foundation has developed and now actively promotes the use of its digital currency, DAI, which it claims is more secure and stable than others because DAI are "over"-collateralized by other digital currency. Should the value of that collateral drop, The Maker Foundation assures its investors, then that triggers a liquidation event wherein the investor's collateral is auctioned off to pay off the outstanding DAI plus a modest, 13% liquidation penalty. Otherwise, however, a CDP Holder gets back the balance of their collateral. But on March 12, 2020 – what is now known as "Black Thursday" – the value of Ethereum, or ETH (a digital currency that is the primary collateral for DAI) dropped dramatically, triggering mass liquidation events for CDP Holders. But instead of triggering actual auctions that would have resulted in minimal, or at least mitigated, losses for its investors, The Maker Foundation's protocol instead triggered "pseudo auctions." During a 36-hour period spanning March 12-13, The Maker Foundation's protocol allowed two bots to continuously operate, buying up the liquidated CDP's collateral in lots of 50 ETH for zero-dollar bids. In other words, CDP Holders, despite being promised that auction and over-collateralization policies in

place would mitigate against dramatic drops in the value of collateral, instead lost 100% of the collateral they invested with The Maker Foundation. CDP Holders lost $8.325 million during this time of liquidation, which currently is worth over $11 million.

2.   While misrepresenting to CDP Holders the actual risks they faced, The Maker Foundation neglected its responsibilities to its investors by either fostering or, at the very least, allowing the conditions that led to Black Thursday, all after actively soliciting millions of dollars of investment into its ecosystem.

3.   The Lead Plaintiff files this complaint in order to compensate victims of The Maker Foundation's neglect and malfeasance that directly created the conditions leading to the $0 bid vulnerability that took place on Black Thursday.

PARTIES

4.   Lead Plaintiff Peter Johnson is an individual who at all times mentioned, was and is a resident of Denver, Colorado. Mr. Johnson was an early investor in ETH (dating back to March 2017) and actively participated in The Maker Foundation's software offerings; was among a handful of early Maker adopters and evangelists; became a CDP Holder himself in November 2018; and was entirely liquidated on Black Thursday when a singular bot bid on and won all of his remaining collateral for zero dollars. Mr. Johnson had 1713.7 ETH collateral locked up in a CDP with a liquidation price of $121.49 (worth $208,000 at the time of liquidation). Had the zero-bid auctions not occurred and had Maker made fair compensation on its 13% penalty, Mr. Johnson would have lost no less than 348 ETH of collateral (worth at least $42,000 at the time of the liquidation, or $54,600 today).

5.   The Maker Foundation is a foreign company (organized and operating under the laws of the Cayman Islands), with its primary place of business in California.

6.   Maker Ecosystem Growth Foundation is a foreign company (organized and operating under the laws of the Cayman Islands), with its primary place of business in California. On information and belief, Maker Ecosystem Growth Foundation is an affiliate of The Maker Foundation and overlaps in the management, operation, and development of the Maker Protocol (defined below) and its related ecosystem.

7.   The DAI Foundation is a foreign company (organized and operating under the laws of Denmark), with its primary place of business in Denmark. On information and belief, the DAI Foundation is an affiliate of The Maker Foundation and overlaps in the management, operation, and development of the Maker Protocol and its related ecosystem.

8.   The Maker Foundation, Maker Ecosystem Growth Foundation, and the DAI Foundation are agents of each other and in all respects relevant to the allegations herein, act on each other's behalf and jointly manage all material operations with respect to the management of the Maker Protocol and its related platform and ecosystem for the trading and mining of DAI. Each entity is collectively referred to herein as "Defendant" or "The Maker Foundation."

JURISDICTION AND VENUE

9.   This Complaint is filed, and these proceedings are instituted, to recover damages and to obtain other relief that the Lead Plaintiff and others similarly situated have sustained due to Defendant's misrepresentations and negligent maintenance of its cryptocurrency platform. The Lead Plaintiff brings common-law California state-law claims.

10.   The Court has subject matter jurisdiction over this case because there is diversity of citizenship among the parties, and the amount in controversy, exclusive of costs and interests, exceeds $75,000.00. Accordingly, pursuant to 28 U.S.C. § 1332, the Court has subject matter jurisdiction over this case.

11.   This Court has both general personal jurisdiction and specific personal jurisdiction over Defendant. As to general personal jurisdiction, Defendant has expressly represented that it does business out of San Francisco and Santa Cruz, California. Indeed, Defendant has expressly advertised that its headquarters are located 575 Market St. San Francisco, California 94105. Defendant's key officers and employees, including but not limited to the COO, the operations manager, and the head of marketing are based in and work out of either San Francisco or San Mateo counties in California.   Accordingly, Defendant conducts a significant, if not majority, of its business throughout the state. Further, given that Defendant's marketing, including its head of marketing, is based in California, Defendant's specific acts of deception and misrepresentation and neglect, described more specifically below, occurred in California where Defendant operates.

12.   Venue is proper in this case because, pursuant to 28 U.S.C. § 1391, this venue is where "a substantial part of the events or omissions giving rise to the claim occurred."

INTRADISTRICT ASSIGNMENT

13.   Pursuant to Civil L.R. 3-2(c), this action occurred in San Francisco County, California and should be assigned to the San Francisco Division.

FACTUAL ALLEGATIONS

I.   The Maker Protocol is a platform for collateralizing digital assets and "minting" and transacting in DAI – a unique cryptocurrency.

14.   The Maker Foundation is an organization that has developed a digital currency, DAI, and more importantly the protocol and various applications necessary for minting, collateralizing, and transacting the DAI. That protocol is called The Maker Protocol.

15.   At its core, the Maker Protocol involves the collateralization of digital assets (such as cryptocurrencies like ETH) in order to create a "stable coin"—DAI—which is a "decentralized, unbiased, collateral-backed cryptocurrency soft-pegged to the US Dollar."

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