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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

9

10 NICK PATTERSON, Individually and on Behalf
of All Others Similarly Situated,

Case No.

11

Plaintiff,

12

v.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

13

14 TERRAFORM LABS, PTE. LTD., JUMP
CRYPTO, JUMP TRADING LLC, REPUBLIC
CAPITAL, REPUBLIC MAXIMAL LLC, TRIBE
15 CAPITAL, DEFINANCE CAPITAL/
DEFINANCE TECHNOLOGIES OY, GSR/GSR
16 MARKETS LIMITED, THREE ARROWS
CAPITAL PTE. LTD., NICHOLAS PLATIAS,
17 and DO KWON,

DEMAND FOR JURY TRIAL

18

Defendants.

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1 Plaintiff Nick Patterson (“Plaintiff”), individually and on behalf of all others similarly
2 situated, by Plaintiff’s undersigned attorneys, alleges the following based upon personal
3 knowledge, as to Plaintiff and Plaintiff’s own acts, and upon information and belief, as to all other
4 matters, based on the investigation conducted by and through Plaintiff’s attorneys, which included,
5 among other things, a review of the various regulatory filings of Defendants, press releases, and
6 public statements issued by Defendants, analyst and media reports, and other commentary analysis
7 and publicly disclosed reports and information about Defendants. Plaintiff’s investigation into the
8 matters alleged herein is continuing and many relevant facts are known only to, or are exclusively
9 within the custody and control of, the Defendants (defined below). Plaintiff believes that
10 substantial additional evidentiary support will exist for the allegations set forth herein after a
11 reasonable opportunity for formal discovery.

12 NATURE OF THE CASE

13 *This collapse was one of the most violent collapses in a long time,*
14 *only comparable to Lehman’s collapse in 2008!*

15 Remi Teto (Member of the Governing Council of the Luna Foundation Guard)

16 1. Plaintiff brings this Class Action Complaint (“Complaint”) under §§5, 12(a)(1),
17 and 15 of the Securities Act of 1933 (the “Securities Act”), as well as under §§10(b) and 20(a) of
18 the Securities Exchange Act of 1934 (the “Exchange Act”) and SEC Rule 10b-5 promulgated
19 thereunder, 17 C.F.R. §240.10b-5, against Defendants TerraForm Labs Ptd Ltd. (“TFL” or the
20 “Company”), Jump Crypto, Jump Trading LLC, Republic Capital, Republic Maximal LLC, Tribe
21 Capital, DeFinance Capital/Definance Technologies Oy, GSR Markets Limited, and Three Arrows
22 Capital Ptd Ltd. (collectively, the “Luna Foundation Guard”), and Individual Defendants Nicholas
23 Platias and Do Kwon (together with the Luna Foundation Guard and TFL, the “Defendants”). This
24 action is brought on behalf of a class consisting of all persons and entities, other than Defendants
25 and their affiliates, who purchased Terra Tokens between May 20, 2021 and May 25, 2022,
26 inclusive (the “Class Period”), and who were damaged thereby (the “Class”).
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1 2. TFL is a company that operates the Terra blockchain and its related protocol,¹
2 which hosts, supports, and funds a community of decentralized financial applications and products
3 known collectively as the Terra ecosystem. TFL’s primary focus is developing, marketing, and
4 selling a suite of digital assets and financial products within the Terra ecosystem, including the
5 native and governance tokens² within the Terra ecosystem, so-called “stablecoins,” a bevy of
6 financial products such as “mirrored assets,” bonded assets, liquidity pool tokens, along with
7 various protocols (*e.g.*, Anchor, Mirror, etc.) to support and facilitate their sale. These digital assets
8 are collectively referred to as the “Terra Tokens” and are worth tens of billions of dollars in total
9 market cap. All of TFL’s decentralized applications are designed to manufacture a reason to use
10 the Terra Tokens since there is no purpose for these digital assets other than as investments.

11 3. Plaintiff and the Class paid fiat and/or cryptocurrencies in exchange for the Terra
12 Tokens with the expectation of profit from either an increase in the price of particular Terra Tokens
13 like Luna and the mirrored assets or from receiving interest payments for staking UST or other
14 TFL governance tokens. This expectation was based on the efforts of Defendants to maintain the
15 Terra ecosystem. Defendants sell or sold the Terra Tokens from the retained supply and used the
16 proceeds from the sales to fund TFL, to reward investors, and as governance tokens. Even though
17 the Terra Tokens bear all the hallmarks of being investment contracts and, thus, securities under
18 the *Howey* test, no registration statements have been filed with the SEC with respect to the various
19 Terra Tokens.

21 ¹ Akin to a company’s charter, a “blockchain protocol” is a piece of code that operates as a
22 set of regulations and guidelines that govern the functioning of various parts of a blockchain
23 company’s technology. Investors in TFL’s digital assets can gain governance rights over the Terra
24 blockchain protocol by purchasing and staking those assets much in the same way that an investor
gains voting rights in a public corporation by owning that corporation’s stock and voting at the
shareholders’ meeting.

25 ² A “token” is a financial product that is contractually based (via a “smart” contract) and is
26 created and uploaded permanently to a given blockchain. When investors purchase these
27 products/contracts on a given blockchain, their expectation is that the general buying, selling, and
28 exchanging of these tokens will function according to the terms of the original smart contract and
in a manner similar to other tokens on the same blockchain. Thus, when a token owner transfers
assets from one wallet address to another new wallet address, on the same blockchain, the owner
reasonably expects that those assets will actually be transferred to the new wallet address. This
expectation is much like an industry standard in that the same expectation applies to all current

1 4. On top of selling unregistered securities with the Terra Tokens, Defendants made a
2 series of false and misleading statements regarding the largest Terra ecosystem digital assets by
3 market cap, UST and LUNA, in order to induce investors into purchasing these digital assets at
4 inflated rates.

5 5. TFL repeatedly touted the stability of UST as an “algorithmic” stablecoin that is
6 paired to the Terra ecosystem’s native token LUNA and the sustainability of the Anchor Protocol
7 (“Anchor”) – a type of high-yield savings account whereby investors can “stake” or deposit UST
8 with TFL in exchange for a guaranteed 20% APY interest rate. As a part of this promotional
9 campaign, TFL formed the Luna Foundation Guard – a group six venture capital groups that
10 promised to support and fund the Terra ecosystem and to “defend the peg” in the event that high
11 volatility caused the UST/LUNA pair to become untethered from one another. The Luna
12 Foundation Guard and its members Jump Crypto, Tribe Capital, Republic Capital, GSR,
13 DeFinance Capital, and Three Arrows Capital acted on behalf of TFL to promote the stability of
14 UST and mislead investors into believing that (1) the Luna Foundation Guard’s reserve pool would
15 be sufficient to defend the peg against a proverbial run on the bank by UST/LUNA investors, and
16 (2) that the Luna Foundation Guard would be able to maintain interest payments from the Anchor
17 Protocol through a well-capitalized “Anchor Yield Reserve” fund.

18 6. These promotions, along with the announcement of financial backing of major
19 venture capitalists in the sector, were a siren song to both veteran and rookie crypto investors alike,
20 luring them in with a purportedly “stable” digital asset in UST that would nevertheless provide
21 outsized returns on investment via Anchor. The marketing of UST and Anchor was so effective
22 that approximately \$14 billion of UST’s market cap (75%) was deposited into Anchor at its peak.

23 7. Between May 6, 2022 and May 9, 2022, however, structural infirmities specific to
24 the Terra ecosystem exposed a crack in UST’s ability to maintain its peg to \$1. The truth regarding
25 the stability and sustainability of the UST/LUNA pair and the Anchor Protocol could not be hidden
26 any longer from investors, and within a week, the price of UST and LUNA collapsed by
27 approximately 91% and 99.7%, respectively.

28

PARTIES

Plaintiff

8. Plaintiff Nick Patterson (“Patterson”) is a resident and citizen of Illinois, living in Chicago, Illinois. As set forth in the attached certification, Plaintiff Patterson purchased Terra Tokens, including UST, LUNA, ANC, Mirrored Assets, and Bonded Assets during the Relevant Period, and suffered investment losses as a result of Defendants’ conduct.

Defendants

9. Defendant TerraForm Labs Pte. Ltd. (“TFL”) is a Seoul-based company with its headquarters located at 80 Raffles Place, #32-01, UOB Plaza, Singapore 048624.

10. Defendant Jump Crypto is a limited liability company incorporated in Delaware, with its headquarters located at 600 West Chicago Avenue, Suite 600, Chicago, Illinois 60654. In addition to providing funding to TFL and the Luna Foundation Guard, Jump Crypto also contributed to Wormhole, a bridge between blockchains that can be used to transfer digital assets from one blockchain to another. Wormhole unleashes Terra assets, particularly UST, into the Solana blockchains’ burgeoning DeFi ecosystem and presents a trust-minimized conduit for users to send assets between Terra and Ethereum as well. Upon information and belief, Jump Crypto used its relationship with Wormhole to secure a favorable exit from its UST/LUNA holdings prior to the complete collapse of the Terra ecosystem.

11. Defendant Jump Trading LLC is a limited liability company incorporated in Delaware, with its headquarters located at 600 West Chicago Avenue, Suite 600, Chicago, Illinois 60654.

12. Defendants Jump Crypto and Jump Trading LLC are collectively referred to as “Jump.”

13. Defendant Republic Capital (“Republic”) is a limited liability company with its headquarters located at 335 Madison Avenue, Suite 7E, New York, New York 10017.

14. Defendant Republic Maximal LLC is a limited liability company, incorporated in Delaware with its headquarters located at 335 Madison Avenue, Suite 7E, New York, New York 10017.

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