

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

**RYAN ZACHARY ROSS, ERIKA MERCADO, )  
C. LOUIS BUNYA, AND DREW HUNNICUTT, )  
on behalf of themselves and all others similarly )  
situated, )**

**Plaintiffs, )**

**v. )**

**ROBINHOOD FINANCIAL LLC, )  
ROBINHOOD SECURITIES, LLC, )  
ROBINHOOD MARKETS, INC., TD )  
AMERITRADE, INC., TD AMERITRADE )  
CLEARING, INC., TD AMERITRADE )  
HOLDING CORPORATION, THE CHARLES )  
SCHWAB CORPORATION, AND WEBULL )  
FINANCIAL LLC, )**

**Defendants )**

**Civil Action No. 4:21-cv-292**

**CLASS ACTION COMPLAINT**

**JURY DEMANDED**

**PLAINTIFF’S ORIGINAL CLASS ACTION COMPLAINT**

Plaintiffs, Ryan Zachary Ross (“Ross”), Erika Mercado (“Mercado”), C. Louis Bunya (“Bunya”), and Drew Hunnicutt (“Hunnicutt”), on behalf of themselves and all others similarly situated, file this Class Action Complaint against Defendants Robinhood Financial LLC, Robinhood Securities, LLC, Robinhood Markets, Inc., TD Ameritrade, Inc., TD Ameritrade Clearing, Inc., TD Ameritrade Holding Corporation, The Charles Schwab Corporation, and Webull Financial LLC (collectively “Defendants”), alleging as follows:

## INTRODUCTION

1. This lawsuit involves a collective injury inflicted on a massive pool of individual stock purchasers during one of the most fascinating and transformative moments American finance has seen in decades.

2. Over the past several weeks, an online forum of clever and eccentric amateur stock enthusiasts, having grown increasingly frustrated by the stranglehold major players maintain over the world of finance, began developing a strategy to capitalize on over-exposed short positions held by some of the nation's most aggressive hedge funds.

3. Noting that short positions for declining video game retailer GameStop far exceeded the available stock, they theorized that a collective buying movement coordinated through the online forum could raise the price of stock, potentially triggering a price-inflationary feedback-loop known as a "short squeeze," ultimately punishing the hedge funds and transferring a large sum of their money to individual investors. To do this, the online group needed to make the stock an internet meme.

4. Their plan began to slowly gain steam over mid-January 2021. Other heavily shorted and financially troubled businesses were targeted for meme status in the same way. By Tuesday, January 26th, 2021, the wider world began to take notice of GameStop and other "Meme Stocks." As the prices rose and understanding began to spread about the ideological underpinnings of the Meme Stock concept, public interest in trading these stocks grew dramatically.

5. Over the past few years, public entry to stock trading has been reduced by the introduction of greatly simplified and scaled down trading apps for web and mobile devices, such as the services created, offered, and maintained by Defendants. These Defendants have become especially popular and heavily used by the entry-level retail investor. As such, when the Meme

Stocks came to wider public attention, Defendants' trading platforms were chief destinations for these investors.

6. On Wednesday, January 27, 2021, the meme stocks all underwent explosive growth in prices along with a corresponding rise in public interest.

7. After the trading day on Wednesday, TD Ameritrade informed its customers that it was enacting restrictions on its users' ability to trade certain meme stocks, including GameStop (GME), and AMC Entertainment Holding, Inc. (AMC).<sup>1</sup>

8. Early Thursday morning at 7:15 a.m., a social media user posted a message noting that Robinhood was no longer allowing new purchases of the most popular meme stocks, notably GME, AMC, Nokia ("NOK").<sup>2</sup> Shortly thereafter, at 7:58 a.m., a user posted a screenshot of the Robinhood app showing an error message disallowing additional purchases of AMC.<sup>3</sup>

9. An hour later, at 8:56 a.m., Robinhood belatedly announced it was restricting purchases on the meme stocks.<sup>4</sup> Almost immediately following Robinhood's announcement, Defendant Webull also informed its retail customers that new purchases would not be allowed for GME, AMC, and KOSS.<sup>5</sup>

10. At 9:00 a.m., the price of GME stock was \$469. By 9:20, the price fell to \$369. By 10:00, the price continued to fall to \$264. By 10:20, it had plummeted to \$125.

11. Over the next hour, with Defendants' retail customers excluded from purchasing and many having sold their shares in panic, a large volume of purchases began gobbling up GME stock at low prices, ultimately boosting the price back above \$300. The stock continued heavy

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<sup>1</sup> <https://www.wsj.com/articles/outages-continue-to-plague-online-brokerages-11611768827>

<sup>2</sup> <https://twitter.com/RampCapitalLLC/status/1354780260924063746>

<sup>3</sup> <https://twitter.com/grinchposting/status/1354790839986216965>

<sup>4</sup> <https://twitter.com/RobinhoodApp/status/1354805613566410756>

<sup>5</sup> <https://www.newsweek.com/webull-blocks-gamestop-amc-transactions-stock-market-robinhood-1565172>

trading the remainder of the day. Stock prices for AMC and NOK showed identical behavior, with the same dramatic rises and falls as the sales and purchases played out.

12. As this process occurred, millions of dollars were made by traders on this historic and unprecedented day, but Defendants' customers were entirely excluded from the process. Even worse, Defendants' actions manipulated the course of the Meme Stocks, disrupting a crowd-sourced collective purchasing strategy in the midst of enormous public enthusiasm and interest in trading these stocks.

13. In short, the situation that was unfolding was a threat to traditional players in the finance industry, many of whom were Defendants' largest customers, and it could not be allowed to continue. The perfect storm of circumstances and external pressures caused these Defendants, enormously popular in the online retail trading industry, to arrive at a common understanding of what must be done, which they carried out with conscious parallelism. This understanding violated the underlying customer contracts, breached fiduciary duties, and violated the U.S. antitrust law on anti-competitive conduct and price fixing.

## **THE PARTIES**

### ***Plaintiffs***

14. Plaintiff Ryan Zachary Ross is a resident and citizen of Harris County, Texas.
15. Plaintiff Erika Mercado is a resident and citizen of Harris County, Texas.
16. Plaintiff C. Louis Bunya is a resident and citizen of Orange County, California.
17. Plaintiff Drew Hunnicutt is a resident and citizen of Harris County, Texas.

### ***Robinhood Defendants***

18. Defendant Robinhood Financial LLC is a Delaware corporation with its principal place of business at 85 Willow Road, Menlo Park, California 94025. It is a wholly owned

subsidiary of Robinhood Markets, Inc. Robinhood Financial LLC is registered as a broker-dealer with the U.S. Securities & Exchange Commission (“SEC”). Defendant Robinhood Financial LLC acts as an introducing broker and has a clearing arrangement with its affiliate Defendant Robinhood Securities, LLC.

19. Defendant Robinhood Securities, LLC is a Delaware corporation with its principal place of business at 500 Colonial Center Parkway, Suite 100, Lake Mary, Florida 32746. It is a wholly owned subsidiary of Defendant Robinhood Markets, Inc. Defendant Robinhood Securities, LLC is registered as a broker-dealer with the SEC. Defendant Robinhood Financial LLC acts as a clearing broker and clears trades introduced by its affiliate Defendant Robinhood Financial.

20. Defendant Robinhood Markets, Inc. is a Delaware corporation with its principal place of business at 85 Willow Road, Menlo Park, California 94025. Defendant Robinhood Markets, Inc. is the corporate parent of Defendants Robinhood Financial LLC and Robinhood Securities, LLC.

21. The above-named corporate defendants herein referred to collectively as “Robinhood.”

***TD Ameritrade Defendants***

22. Defendant TD Ameritrade, Inc. is a New York corporation with its principal place of business at 200 S. 108th Avenue, Omaha, Nebraska 68154. TD Ameritrade, Inc. is a subsidiary of TD Ameritrade Holdings Corporation which is in turn a wholly owned subsidiary of The Charles Schwab Corporation.

23. Defendant TD Ameritrade Clearing, Inc. is a Nebraska corporation with its principal place of business at 200 S. 108th Avenue, Omaha, Nebraska 68154. TD Ameritrade

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