UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 21-2989-MDL-ALTONAGA/Torres

In re: JANUARY 2021 SHORT SQUEEZE TRADING LITIGATION

This Document Relates to: All Actions Involving the Federal Securities Laws

CONSOLIDATED CLASS ACTION COMPLAINT

Lead Plaintiff Blue Laine-Beveridge, named Plaintiffs Abraham Huacuja, Ava Bernard, Brandon Martin, Brendan Clarke, Brian Harbison, Cecilia Rivas, Garland Ragland Jr., Joseph Gurney, Santiago Gil Bohórquez, and Trevor Tarvis (collectively "Plaintiffs"), individually and on behalf of all other persons similarly situated, by Plaintiffs' undersigned attorneys, for Plaintiffs' Consolidated Class Action Complaint against defendants Robinhood Markets, Inc. and two of its wholly owned subsidiaries, Robinhood Financial, LLC and Robinhood Securities, LLC (unless otherwise noted, collectively "Robinhood" or the "Robinhood Defendants") alleges the following based upon personal knowledge as to Plaintiffs and Plaintiffs' own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through their attorneys, which included, among other things, a review of the statements made by defendants and their senior management, SEC filings, court records, Congressional testimony, administrative proceedings, and information readily obtainable on the Internet. Plaintiffs believe that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

SUMMARY OF THE ACTION

1. This is a class action on behalf of persons or entities who held common stock in AMC Entertainment Holdings, Inc. ("AMC"), Bed Bath & Beyond Inc. ("BBBY"), BlackBerry Ltd. ("BB"), Express Inc. ("EXPR"), GameStop Corp. ("GME"), Koss Corp. ("KOSS"), Tootsie Roll Industries Inc. ("TR"), or American Depositary Shares of foreign-issuers Nokia Corp. ("NOK") and trivago N.V. ("TRVG") (collectively "the Affected Stocks") as of the close of trading on January 27, 2021, and sold such shares at a loss between January 28, 2021, and February 4, 2021 (the "Class"). Excluded from the class are the defendants, the officers and directors of defendants, members of their immediate families and their legal representatives, heirs, successors

or assigns and any entity in which defendants or any excluded persons have or had a controlling interest.

2. The heroic outlaw depicted in the legend of Robin Hood stole from the rich to give to the poor. Eager to invoke that "stick it to the Man" allusion, the story that Robinhood repeatedly tells the public is that it is a revolutionary disruptor: By putting the power to trade into the hands – and fingertips – of a new generation of investors via its mobile app, Robinhood claims to have democratized access to financial markets by breaking Wall Street's stranglehold on the means to accumulate wealth. Alas, this too is a fairy tale.

3. Far from being feisty outsiders enabling ordinary people to build stock portfolios, Robinhood's founders transitioned their business model from selling sophisticated software platforms to hedge funds and other high-frequency traders ("HFTs"), which allowed these automated traders to profit from front-running ahead of other traders, to the much more lucrative business of selling to various HFT market makers the orders placed by a subset of those other traders – the unsuspecting neophytes that represent the majority of Robinhood's customers.

4. The events of late January and early February 2021 do not tell the story of how disruptive technology empowered investors but, rather, about how a selective denial of access to that technology for more than a week wiped out tens of billions of dollars of investors' equity. As set forth in detail below, Robinhood's actions were unique among retail brokers:

- Robinhood, and only Robinhood, halted trading and/or restricted purchases and/or holdings of multiple stocks for more than a single trading session – January 28th – extending some of its restrictions for six trading sessions, through February 4th
- On January 29th, when other retail brokers had already removed any share purchasing restrictions in force on January 28th, Robinhood increased the number of issuers subject to restrictions – from 13 to 23 to 50 – and did not limit the issuers affected to so-called "meme stocks", ultimately including Starbucks and General Motors

- On January 29th, Robinhood reduced the number of shares a customer could purchase and hold in various issuers multiple times over the course of a single trading session, causing price declines in the market prices of those stocks in the wake of those restrictions
- Even after raising a $3.4 billion capital cushion against the risk of unsettled positions in its portfolio, Robinhood slowly released its restrictions over the course of the trading week to avoid a repeat of the price rebound on January 29th that Robinhood actively tamped down with its additional restrictions

5. Robinhood's singular actions distorted the prices of the Affected Stocks for more than a week because of its domination of the online retail brokerage industry. Robinhood, which claims to have opened nearly 50% of all retail brokerage accounts in the past five years,[1] boasted an industry-leading 12.5 million online accounts by the end of 2020 and added another 3 million during the month of January 2021. By one estimate, approximately ***4% of all shares traded in the U.S. in January 2021*** were traded on the Robinhood app.[2]

6. With its brazen behavior – picking and choosing over six trading sessions not only which stocks its customers could purchase but also the total amount of shares in a particular issuer a customer could hold – Robinhood thumbed its nose at the bedrock principle of our free-market economy: the price of a stock is set by the law of supply and demand, unfettered by external controls.

7. Only in rare instances of extreme price volatility, and in accordance with a SEC-regulated plan, would all trading be halted in a particular issuer, and even then for only a few minutes at a time. By completely shutting down, initially, and later restricting, the demand side of the equation for the nine Affected Stocks in the accounts of more than 15 million very active

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[1] Robinhood Markets, Inc. S-1, filed July 1, 2021, at 2.

[2] Caitlin McCabe, "It Isn't Just AMC. Retail Traders Increase Pull in the Stock Market," *The Wall Street Journal* (June 18, 2021).

traders,[3] ***for days*** rather than just minutes, Robinhood unlawfully manipulated market prices for the Affected Stocks.

8. Although it was relatively unknown to a national audience before January 28, 2021, Robinhood's name was on everyone's lips after it roiled the markets for the Affected Stocks through the unique and extreme actions it took that day. Not only were there immediate calls for government investigations, and questions raised about whether Robinhood colluded with hedge funds and market makers to stop an alleged short squeeze by retail investors (Robinhood's own customer base), but the impact that this single online broker had on the markets suddenly demonstrated Robinhood's significant market power.

9. Apparently, the adage "no publicity is bad publicity" is true. Despite being pilloried by many in government and in the press, online, and over the airwaves, Robinhood became a venture capital darling overnight. By February 1st, only four days after its severe undercapitalization almost caused Robinhood to close its doors as a result of a major liquidity crisis, Robinhood had raised $3.4 billion in 96 hours – significantly more that it had raised in the eight years since its founding. One of those lining up to inject capital saw Robinhood's new customer metrics and concluded: "Robinhood is still the only game in town." While the national exposure delivered a critical funding boost that propelled Robinhood to its initial public offering ("IPO") in the summer of 2021, Class period investors, many of whom did not trade on the Robinhood app, were left with staggering losses.

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[3] In the first quarter of 2020, Robinhood customers traded nine times as many shares as online retail broker E*Trade's customers and 40 times the number of shares traded by the customers of Charles Schwab. *See* Nathaniel Popper, "Robinhood Has Lured Young Traders, Sometimes With Devastating Results," *The New York Times* (July 8, 2020, last updated Sept. 25, 2021). The numbers are even more skewed with respect to risky options trading.

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