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

13 LARRY PEARL and ERIC
14 VLADIMIRSKY, individually and on
15 behalf of all others similarly situated,

16 Plaintiffs,

17 v.

18 COINBASE GLOBAL, INC. and
19 COINBASE INC.,

20 Defendants.
21
22
23
24

Case No.: 3:22-cv-3561

CLASS ACTION COMPLAINT
FOR:

1. Negligence
2. Negligence *Per Se*
3. Negligent Misrepresentation
4. Violation of Cal. Bus. & Prof. Code §§ 17500, *et seq.*
5. Violation of Cal. Civ. Code §§ 1750, *et seq.*
6. Violation of Cal. Bus. & Prof. Code §§ 17200, *et seq.*

JURY TRIAL DEMANDED

1 **CLASS ACTION COMPLAINT**

2 Plaintiffs, LARRY PEARL and ERIC VLADIMIRSKY (“**Plaintiffs**”), on
3 behalf of themselves and all others similarly situated, bring this class action against
4 Defendants Coinbase Global, Inc. and Coinbase Inc. (collectively “**Coinbase**” or
5 “**Defendants**”), and allege on personal knowledge, investigation of their counsel,
6 and on information and belief as follows:

7 **INTRODUCTION**

8 1. Since Bitcoin launched in 2008, the cryptocurrency market has grown
9 to include over 6,000 digital currencies and other financial instruments that are
10 used by millions of Americans.¹

11 2. Defendants promoted and categorized the TerraUSD (also referred to
12 as “UST”) as a “stablecoin”—a distinct type of cryptocurrency that is generally
13 less volatile than its counterparts—despite the fact that TerraUSD lacks the
14 qualities and characteristics which distinguish stablecoins from other types of
15 cryptocurrencies.

16 3. When the value of TerraUSD plummeted in May of 2022, investors
17 lost an estimated \$18 billion in a matter of days.

18 4. Stablecoins differ from other cryptocurrencies, such as Bitcoin,
19 because they are backed by an underlying tangible asset. TerraUSD claims to be
20 “pegged” to the United States dollar (“USD”) at a rate of one-to-one. That is,
21 TerraUSD is designed to maintain a value of \$1.00 per coin. Because it is
22 purportedly “pegged” to a government-issued currency, and specifically the
23 world’s reserve currency, it is marketed as a type of investment that can “virtually
24 eliminate volatility.”

25
26
27 ¹ Total market capitalization for the 11,000 digital asset tokens in existence is over \$1.5 trillion.

1 5. In reality, TerraUSD is not backed by actual US dollars or any other
2 tangible assets held in reserve. Nonetheless, Defendants referred to it, and continue
3 to refer to it, as a “decentralized stablecoin” in their representations and marketing
4 materials.² This was misleading to Plaintiffs and Class Members who reasonably
5 believed that TerraUSD was properly categorized as a stablecoin and posed less
6 risks as compared to alternative digital assets available to them. Moreover,
7 Defendants omitted material facts about TerraUSD, including the fact that
8 Terraform Labs did not hold *any* tangible assets—such as another fiat currency or
9 commodity—in reserve. Accordingly, the digital currency was never truly pegged
10 to the US dollar.

11 6. Coinbase holds itself out as a centralized marketplace for
12 cryptocurrency traders. It is also a significant venture capital investor in early-
13 phase cryptocurrency companies and one of the largest financial backers of
14 Terraform Labs. In 2021, Terraform Labs used exchanges, including Coinbase, to
15 create markets where TerraUSD could be traded. Terraform Labs’ partnership with
16 Coinbase allowed it to issue TerraUSD tokens to more investors and generated
17 commissions and other profits for Defendants.

18 7. To promote TerraUSD, Coinbase joined Terraform Labs in
19 broadcasting claims that TerraUSD was pegged one-to-one in value to the US
20 dollar. Coinbase knew, however, that TerraUSD was not actually backed by the
21 US dollar and that a break from its peg was likely, if not certain. Yet Coinbase
22 withheld this information from investors.

23 8. TerraUSD would purportedly maintain its value at \$1 through an
24 arbitrage trading strategy involving its sister cryptocurrency, Luna:

26
27 ² TerraUSD was designed to maintain its peg to the US dollar through Bitcoin reserves and programmatic
mechanisms for maintaining the currency.

1 The way UST was intended to work was that whenever UST dropped
2 below \$1, traders could remove UST from circulation by exchanging it
3 for a Luna stablecoin, which would reduce the supply of UST
4 stablecoins, thereby raising the price. When the price of UST exceeded
5 \$1, traders were incentivized to remove Luna from circulation by
6 exchanging Luna for UST, increasing the supply of UST and lowering
7 the price.³

8
9 9. On May 8, 2022, TerraUSD started losing value, and the mechanisms
10 described above failed. Within weeks, TerraUSD and Luna became practically
11 worthless.

12 10. Around the time of the collapse, over \$2 billion US worth of
13 TerraUSD were “unstaked” or removed from the anchor protocol that was
14 allegedly capable of maintaining the stated 1:1 value or “peg” to the US dollar.
15 Next, mass quantities of TerraUSD were immediately sold and, as TerraUSD
16 started losing its value, risk-averse investors rushed to sell. By May 19, the value
17 of TerraUSD had dropped below \$0.08.

18 11. Collectively, Plaintiffs and the Class Members lost millions—
19 measured in terms of US dollars—in a matter of hours.

20 12. Coinbase profits from every sale and trade made on its platforms. It is
21 in the business of encouraging investors to buy cryptocurrencies. Moreover, it
22 spent millions backing TerraUSD and had a vested interest in its success. As a
23 result, Coinbase withheld the true risks inherent to TerraUSD and misled Plaintiffs
24 and Class members who reasonably believed that they were purchasing a reserve-
25 backed stablecoin.

26 13. As a result of Coinbase’s conduct, Plaintiffs and Class members have
27 been damaged. Accordingly, Plaintiff, individually and on behalf of all persons or
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³ Expert Analysis: Stablecoin Legal Risks to Consider in Light of Terra Collapse. Perrie Weiner and David Sverdlo, June 8, 2022. Online article: <https://www.law360.com/articles/1498216/stablecoin-legal-risks-to-consider-in-light-of-terra-collapse?copied=1> (last accessed June 9, 2022).

1 entities who transacted in TerraUSD on Coinbase during the Class Period (the
2 “Class”), brings claims for equitable relief and to recover damages.

3 **THE PARTIES**

4 14. Plaintiff LARRY PEARL is and at all relevant times was a citizen of
5 California residing in Huntington Beach, California.

6 15. Plaintiff ERIC VLADIMIRSKY is and at all relevant times was a
7 citizen of California residing in Studio City, California.

8 16. Defendant Coinbase Global, Inc. is a Delaware corporation.

9 17. Defendant Coinbase Inc. is a Delaware corporation headquartered in
10 San Francisco, California and is a wholly-owned subsidiary of Coinbase Global,
11 Inc.

12 18. Coinbase Global, Inc. and Coinbase Inc. operate as a single company
13 and users have no clear insight about which entity they are transacting with.
14 Coinbase refers to the two entities jointly as the “Company” in its SEC filings.
15 Coinbase created and operates a website from which customers can buy and sell
16 digital assets – the Coinbase platform, on which TerraUSD was traded.

17 19. Plaintiffs reserve the right to amend this Complaint to add different or
18 additional defendants, including without limitation any officer, director, employee,
19 supplier, or distributor of Defendants who has knowingly and willfully aided,
20 abetted, or conspired in the false and deceptive conduct alleged herein.

21 **JURISDICTION AND VENUE**

22 20. This Court has general jurisdiction over Defendants because Coinbase
23 is headquartered in California. Further, this Court has specific jurisdiction for the
24 claims set forth herein because it has, at all times relevant to this matter,
25 individually or through its agents, subsidiaries, officers or representatives,
26 operated, conducted, engaged in and carried on a business venture in this state and
27

1 maintained an office or agency in this state, and marketed, advertised, distributed
2 and sold products in this state, committed a statutory violation within this state
3 related to the allegations made herein, directed at consumers in this state, and
4 caused injuries to Plaintiffs and proposed Class Members, which arose out of the
5 acts and omissions that occurred in the state of California, during the relevant time
6 period, at which time Defendants were engaged in business activities in the state
7 of California.

8 16. This Court has subject matter jurisdiction over this matter pursuant to
9 28 U.S.C. § 1332 of the Class Action Fairness Act of 2005 because: (i) there are 100
10 or more proposed Class Members, (ii) the aggregate amount in controversy exceeds
11 \$5,000,000, exclusive of interest and costs, and (iii) there is minimal diversity
12 because a substantial number of proposed Class Members are citizens of states
13 different from Defendants. This Court has supplemental jurisdiction over Plaintiffs’
14 state law claims pursuant to 28 U.S.C. § 1367.

15 17. Pursuant to 28 U.S.C. § 1391(b)(1), venue is proper because Coinbase
16 is headquartered in this District. Venue is also proper pursuant to 28 U.S.C. §
17 1391(b)(2) because a substantial part of the events giving rise to the claims asserted
18 occurred in this District. Venue is also proper pursuant to 28 U.S.C. § 1391(c)
19 because Defendants conduct substantial business in this District, have sufficient
20 minimum contacts with this District, and otherwise purposely avail themselves of
21 the markets in this District, through the promotion, sale, and marketing of digital
22 assets in this District. Furthermore, Plaintiff HAN resided in this District for a
23 substantial portion of the relevant time period.

1 **FACTS COMMON TO ALL CLASS**

2 **MEMBERS**

3 **A. Stablecoins Are a Distinct Type of Cryptocurrency**

4 18. Cryptocurrency is a type of digital asset originally intended to serve
5 as a medium of exchange designed to work like fiat currency but without the control
6 or oversight of a centralized government authority.

7 19. The inception of cryptocurrency was lauded as an end to banks and
8 centralized currency because it offers the same anonymity as physical cash. Despite
9 its potential, cryptocurrency has yet to deliver on its promise to end traditional
10 banking. Moreover, as compared to fiat currency, such as the US dollar or euro, the
11 value of cryptocurrency is highly volatile, with many of the top-traded
12 cryptocurrencies fluctuating more than 100 percent in value in a single year.

13 20. In 2014, several companies started issuing “stablecoins” which, as the
14 name suggests, are intended to add stability to an otherwise volatile cryptocurrency
15 market.

16 21. Stablecoins differ from other cryptocurrencies because their value is
17 “pegged, or tied, to that of another currency, commodity or financial instrument.”⁴
18 For each coin issued, the issuer maintains a pegged value by holding an equal
19 amount of underlying hard assets in reserve as collateral. Stated differently,
20 stablecoins are “collateralized” because they are backed by an underlying tangible
21 asset. Traditional cryptocurrencies are generally “uncollateralized,” and their value
22 is based on the market for the asset itself, contributing to their highly volatility.

23 22. Like many digital assets, stablecoins seemingly evade any
24 comprehensive legal framework or government oversight. In recent years,
25 legislators have proposed new laws, administrative guidelines, and proposals for
26

27 ⁴ <https://www.investopedia.com/terms/s/stablecoin.asp> (last accessed May 23, 2022).

1 regulating these assets, but it is presently unclear whether cryptocurrencies
2 generally, and stablecoin assets specifically, are legally regarded as commodities,
3 currencies, or some other type of financial instrument. Instead of lumping digital
4 assets into one general category, each subset or type of cryptocurrency must be
5 assessed individually to determine which regulatory framework is the best fit.

6 23. While the legal framework within which stablecoins best fit is yet
7 unclear, both legislators and regulators have expressed grave concerns over these
8 digital assets. In November 2021, The President’s Working Group on Financial
9 Markets issued a report titled “Report on Stablecoins,” identifying specific concerns
10 relating to “misleading disclosures to the market” and risks associated with trading
11 platforms.⁵ More recently, US Treasury secretary Janet Yellen cautioned in a
12 hearing that stablecoins are a “growing product and there are rapidly growing
13 risks.”

14 24. As of the filing of this complaint, a proposed legislation would grant
15 the Commodities Future Trading Commission full jurisdiction over cryptocurrency,
16 including full regulation of stablecoins.⁶

17 25. Based on information and belief, no agency or court of law has issued
18 an opinion regarding the status of TerraUSD.

19 **B. Terraform Labs**

20 26. Terraform Labs⁷ created the system within which TerraUSD
21 operates, which includes TerraUSD, Luna (its sister token), the Terra blockchain
22 (the programmatic technology underlying both cryptocurrencies), and the Anchor
23
24

25 ⁵ https://home.treasury.gov/system/files/136/StableCoinReport_Nov1_508.pdf (last accessed June 14, 2022).

26 ⁶ <https://apnews.com/article/cryptocurrency-technology-congress-government-and-politics-7d2e5c6ba2bfc66cc7b77954074d6c57> (last accessed June 14, 2022).

27 ⁷ Terraform Labs was founded by Do Kwon and Daniel Shin in 2018 and is a Seoul, South Korea-based internet
28 services industry company.

1 Protocol (one of the mechanisms Terraform Labs purported would bring about a
2 stable 1:1 US dollar conversion rate).

3 27. The Terraform whitepaper Coinbase published on its website makes
4 several affirmative representations about the TerraUSD, including statements that
5 TerraUSD is: (1) “price-stable and growth-driven,” (2) “achieves price-stability via
6 an elastic money supply, enabled by stable mining incentives,” and (3) “the Terra
7 Protocol solves” problems common amongst other digital currencies.

8 28. But several statements within the whitepaper also appear to contradict
9 one another. Terraform Labs describes its digital assets as a solution to market
10 instability, which it describes as follows: “Intuitively, nobody wants to pay with a
11 currency that has the potential to double in value in a few days, or wants to be paid
12 in a currency if its value can significantly decline before the transaction is settled.”
13 Terraform purported that TerraUSD would solve this, but later states, that “[t]he
14 existential objection of a stable-coin is to retain its purchasing power.”

15 29. The white paper also describes the relationship between Luna and
16 TerraUSD, and the mechanisms for maintaining stability:

17
18 The system uses Luna to make the price for Terra by agreeing to be
19 counter-party to anyone looking to swap Terra and Luna at Terra’s
20 target exchange rate. ... The system’s willingness to respect the target
21 exchange rate irrespective of market conditions keeps the market
22 exchange rate of Terra at a tight band around the target exchange rate.

23 Stable demand for mining is a core requirement for the security and
24 stability of Terra. Unite mining rewards are the primary consideration
25 and the biggest source of risk for miners. They are by default highly
26 cyclical, hence highly uncertain. Reducing that uncertainty in the face
27 of volatile conditions is the key to stable mining demand. We have
28 outlined a simple mechanism that uses transaction fees and Luna burn
as levers to achieve this, and demonstrated its effectiveness in the most
severe economic conditions.

1 30. Stated differently, when the prices of TerraUSD rises above \$1 due
2 to increasing demand, Luna holders can “mint” additional TerraUSD—and increase
3 the total supply of TerraUSD—by exchanging \$1 of Luna. Luna holders are
4 incentivized to engage in these exchanges because the newly-minted TerraUSD can
5 be sold for more than \$1. Conversely, if the demand for TerraUSD decreases and
6 its price dips below \$1, TerraUSD holders can create \$1 of Luna by exchanging
7 their TerraUSD for Luna (which in turn decreases that supply of TerraUSD and
8 increases the supply of Luna).

9 **C. Coinbase Categorized TerraUSD as a “Stablecoin,” Promoted the Asset,**
10 **and Offered TerraUSD for Sale on Its Trading Platforms**

11 31. Coinbase is an online marketplace that operates two digital asset
12 exchanges, “Coinbase” and “Coinbase Pro,” and describes itself as “building the
13 cryptoeconomy—a more fair, accessible, efficient, and transparent financial system
14 enabled by crypto.” For Plaintiffs and Class members, that promise has proved
15 illusory.

16 32. Customers place orders to buy and sell cryptocurrencies through
17 Coinbase’s platforms, and Coinbase acts as a custodian of users’ digital assets,
18 holding asset encryption keys on behalf of its users. As an alternative, the company
19 offers “Coinbase Wallet” which purportedly gives customers control and custody
20 over their cryptocurrencies and corresponding encryption keys.

21 33. Coinbase offers its US customers the power to trade over 150
22 cryptocurrencies and was at all relevant times the largest cryptocurrency exchange
23 in the US by volume.

24 34. Coinbase is not registered with FINRA or the SEC as a securities
25 exchange or broker-dealer. It is, however, the holder of a “Virtual Currency &
26 Money Transmitter” license under the New York Department of Financial
27

1 Services' Virtual Currency Law.

2 35. When Coinbase offers trading of a cryptocurrency, it publicly posts
3 information regarding the asset, including a description of the asset and which
4 Coinbase products support it (i.e. Coinbase, Coinbase Pro, or Coinbase Wallet). In
5 a separate branch of the Coinbase website referred to as "Price charts," Coinbase
6 provides historical data regarding the asset, including the asset's historical pricing,
7 trading activity, market cap, and the number of times the asset has been mentioned
8 on social media in recent days. It also links to the asset's white paper and website,
9 where applicable.

10 36. Coinbase users, including Plaintiffs and Class members, reasonably
11 rely on this information in reaching their purchase decisions.

12 37. Coinbase also offers educational resources for its customers to learn
13 about the fundamentals of cryptocurrencies. Since 2021, and as of the present date,
14 Coinbase has defined stablecoins to its customers on a page of its website titled,
15 "What is a stablecoin?"⁸ This page defined a stablecoin as "a digital currency that
16 is pegged to a 'stable' *reserve* asset like the U.S. dollar or gold" (emphasis added).
17 It further stated, "[s]tablecoins are free from the volatility of non-pegged
18 cryptocurrencies" and "[a]n asset that's pegged to a more stable currency can give
19 buyers and sellers certainty that the value of their tokens won't rise or crash
20 unpredictably in the near future."

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27 ⁸ <https://web.archive.org/web/20211023101553/https://www.coinbase.com/learn/crypto-basics/what-is-a-stablecoin>
(last accessed June 13, 2022).

1
2 **Definition**

3 A stablecoin is a digital currency that is pegged to a “stable” reserve asset like the U.S.
4 dollar or gold. Stablecoins are designed to reduce volatility relative to unpegged
5 cryptocurrencies like Bitcoin.
6

7 38. Coinbase’s definition of a stablecoin omits critically important facts
8 about the family of digital assets that are marketed as stablecoins. Chiefly, the
9 definition neglects to inform customers not all stablecoins use “reserve” assets to
10 maintain a peg. It neglects to state that some digital assets that are referred to
11 stablecoins are uncollateralized by any reserve asset and are instead designed to
12 maintain a peg through an algorithm.

13 39. Other cryptocurrency exchanges marketing stablecoins offer more
14 thorough and accurate descriptions of stablecoins, including references to the key
15 differences between stablecoins and uncollateralized algorithmic assets calling
16 themselves stablecoins.

17 40. Robinhood, another exchange where cryptocurrencies are traded, has
18 since 2021 offered customers the following definition of stablecoins:

19 What are stablecoins?

20
21 Stablecoins attempt to peg their price to a specific value, such as the
22 US dollar. This is sought in two ways: 1) by tying the coins to a pool of
23 reserve assets or 2) by algorithmically controlling the stablecoin’s
24 supply. At various points though, some stablecoins have deviated from
their intended values, in some cases resulting in losses for holders. [...]

25 Algorithmic stablecoins have sometimes raised regulatory concerns,
26 and in at least one instance, millions of dollars in seed money was
27 returned to investors, among them GV and Bain Capital, when the
28

1 project was cancelled.⁹

2 41. Also since 2021, cryptocurrency exchange Kraken has explained to
3 its users the fundamental difference between collateralized stablecoins and
4 uncollateralized algorithmic assets as follows:

5 What are Stablecoins?

6
7 The Beginner's Guide

8 Stablecoins are a type of cryptocurrency programmed to track the value of
9 another asset like government monies or gold. Many investors are
10 drawn to stablecoins because they offer the efficiency and transparency
11 of cryptocurrencies, while providing relief from the sometimes extreme
12 volatility of these assets. However, traders and investors should note
13 that not all stablecoins are created equal.

14 [...]

15 How Do Stablecoins Work?

16 All stablecoins seek to mimic the price of another asset, but they don't
17 all accomplish this in the same way. This means that some stablecoins
18 may be riskier than others and more prone to the price fluctuations they
19 claim to provide safety from.

20 [...]

21 Algorithmic stablecoins are digital assets that rely on smart contracts to
22 regulate their stability. Rather than using deposits of cryptocurrencies
23 or issuing and redeeming debt, the software behind algorithmic
24 stablecoins programmatically adjusts the supply of the cryptocurrency
25 as the demand for it fluctuates. If demand is high, the price of each
26 stablecoin will exceed the intended peg, and the software will increase
27 the supply. Alternatively, if demand is low, the supply will decrease.¹⁰

28 ⁹ <https://web.archive.org/web/20211229183210/https://learn.robinhood.com/articles/1thUPqVffWfMYJvxthNrHn/w hat-is-a-cryptocurrency/> (last accessed June 13, 2022).

¹⁰ <https://web.archive.org/web/20210304131434/https://www.kraken.com/learn/what-are-stablecoins/> (last accessed June 13, 2022).

1 44. Although Coinbase’s website stated that TerraUSD is not “backed by
2 US dollars in a bank account,” it failed to explain that TerraUSD is not backed by
3 *any* fiat currency or other tangible asset. This omission is and was material to
4 Plaintiffs and Class Members, and it was misleading because it implied that
5 TerraUSD had benefits and qualities which it did not actually have.

6 45. Coinbase’s representations about the TerraUSD and its sister coin
7 Luna misled Plaintiffs and Class members into believing that the TerraUSD was
8 inherently stable or, at a minimum, less volatile than traditional cryptocurrencies.

9 46. Moreover, Coinbase omitted the fact that TerraUSD’s stability—and
10 its ability to maintain a 1:1 peg to the USD—were in fact based on an untested
11 algorithm. This fact was material to Plaintiffs, and they would not have purchased
12 TerraUSD if they had known that its ability to maintain a 1:1 peg was tied to an
13 algorithm rather than tangible assets held in reserve.

14 47. Moreover, Coinbase negligently adopted Terraform Labs statements
15 without substantiating whether the anchor protocol was capable of maintaining the
16 value of TerraUSD.

17 48. Coinbase also omitted a key connection between itself and
18 TerraUSD’s issuer, Terraform Labs.

19 49. One of the largest financial backers of Terraform Labs was the
20 investment arm of Coinbase referred to as Coinbase Ventures. Coinbase Ventures
21 is a division of Coinbase dedicated to identifying and funding profitable
22 cryptocurrency ventures. In 2021 and again in 2022, Coinbase Ventures invested
23 millions of dollars in Terraform Labs. Such “interlinkages” between stablecoin
24 issuers and the cryptocurrency exchanges where they are traded was identified as a
25 “risk of particular focus” by the President’s Working Group on Financial Markets’
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1 “Report on Stablecoins” from November 2021. This link motivated Coinbase to
2 promote and sell TerraUSD without disclosing its volatile nature.

3 **D. TerraUSD and LUNA Crash**

4 50. TerraUSD promoters, such as Coinbase, assured investors that the
5 interplay between Terraform Labs’ systems and TerraUSD offered a stable
6 alternative to traditional cryptocurrency investments. As a result, the popularity of
7 TerraUSD grew, and it became “the world’s third-biggest stablecoin before it lost
8 its peg to the dollar.”¹²

9 51. The price of TerraUSD—which was intended to maintain a \$1 peg—
10 showed signs of instability on May 7, 2022 and dropped to 35 cents by May 9,
11 2022.¹³ LUNA, the companion token that was supposed to stabilize TerraUSD’s
12 price, “fell from \$80 to a few cents by May 12.”¹⁴ Over \$10 billion was wiped out
13 in the collapse.

14 On May 20, 2022, several sources reported that “South Korean prosecutors are
15 actively investigating whether they could make additional Ponzi scheme charges
16 against Terraform Labs CEO Do Kwon, adding to the complaints already filed
17 against the entrepreneur over Terra’s dramatic implosion.”

18 52. Plaintiffs and Class members incurred damages as a result of
19 Coinbase’s actions, including its misrepresentations about the nature and stability
20 of TerraUSD and its material omissions regarding TerraUSD’s stability and lack of
21 collateralization.

22 **PLAINTIFFS’ FACTUAL ALLEGATIONS**

23 53. Plaintiff PEARL has been a customer of Coinbase since 2019.

24
25 ¹² <https://markets.businessinsider.com/news/currencies/terrausd-luna-crash-ethereum-vitalik-buterin-do-kwon-stablecoin-crypto-2022-5> (last accessed May 20, 2022).

26 ¹³ <https://www.coindesk.com/learn/the-fall-of-terra-a-timeline-of-the-meteoric-rise-and-crash-of-ust-and-luna/> (last accessed May 23, 2022).

27 ¹⁴ *Id.*

1 54. In May 2022, Plaintiff PEARL made purchases of TerraUSD on the
2 Coinbase exchange.

3 55. At the time of the collapse, Plaintiff PEARL'S total TerraUSD
4 holdings were approximately \$13,064.

5 56. When TerraUSD collapsed, the value of Plaintiff PEARL'S
6 investment fell in value by over 90 percent. In addition to financial devastation, the
7 loss of his investment resulted in stress, anxiety, and outrage.

8 57. Plaintiff VLADIMIRSKY has been a customer of Coinbase since
9 2015.

10 58. In April 2022, Plaintiff VLADIMIRSKY made purchases of
11 TerraUSD on the Coinbase exchange.

12 59. At the time of the collapse, Plaintiff VLADIMIRSKY'S total
13 TerraUSD holdings were approximately \$1,462,065.

14 60. When TerraUSD collapsed, the value of Plaintiff VLADIMIRSKY'S
15 investment fell in value by over 90 percent. In addition to financial devastation, the
16 loss of his investment resulted in stress, anxiety, and outrage.

17 **CLASS ACTION ALLEGATIONS**

18 61. Plaintiffs bring this action on behalf of themselves and the following
19 Classes pursuant to Federal Rule of Civil Procedure 23(a), (b)(2) and (b)(3).
20 Specifically, the Classes are defined as:

21 **National Class:** During the fullest period allowed by
22 law, all persons in the United States who purchased or
23 acquired TerraUSD in the United States or its territories
24 and whose transactions of TerraUSD were conducted
through Coinbase.

25 **California Subclass:** During the fullest period allowed
26 by law, all persons in the State of California who
27 purchased or acquired TerraUSD in California and
28

1 whose transactions of TerraUSD were conducted
2 through Coinbase.

3 62. Excluded from the Classes are (a) any person who signed a release of
4 any Defendant in exchange for consideration, (b) any officers, directors or
5 employees, or immediate family members of the officers, directors or employees,
6 of any Defendant or any entity in which a Defendant has a controlling interest, (c)
7 any legal counsel or employee of legal counsel for any Defendant, and (d) the
8 presiding Judge in this lawsuit, as well as the Judge's staff and their immediate
9 family members.

10 63. Plaintiffs reserve the right to amend the definition of the Classes if
11 discovery or further investigation reveals that the Classes should be expanded or
12 otherwise modified.

13 64. **Numerosity – Federal Rule of Civil Procedure 23(a)(1).** Class
14 Members are so numerous and geographically dispersed that joinder of all Class
15 Members is impracticable. While the exact number of Class Members remains
16 unknown at this time, upon information and belief, there are thousands, if not
17 hundreds of thousands, of proposed Class Members. Moreover, the number of
18 members of the Classes may be ascertained from Defendants' books and records.
19 Class Members may be notified of the pendency of this action by mail or electronic
20 mail, which can be supplemented if deemed necessary or appropriate by the Court
21 with published notice.

22 65. **Predominance of Common Questions of Law and Fact – Federal**
23 **Rule of Civil Procedure 23(a)(2) and 23(b)(3).** Common questions of law and fact
24 exist as to all Class Members and predominate over any questions affecting only
25 individual Class Members. These common legal and factual questions include, but
26 are limited to, the following:
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- 1 a. Whether Coinbase owed duties to Plaintiffs and the proposed Class;
- 2 b. Whether Coinbase breached those duties;
- 3 c. Whether Coinbase negligently misrepresented TerraUSD to Plaintiffs
- 4 and the proposed Class;
- 5 d. Whether Coinbase engaged in unlawful, unfair, or fraudulent business
- 6 practices in connection with TerraUSD trading on the Coinbase
- 7 exchange;
- 8 e. Whether Coinbase's actions and omissions violate California law;
- 9 f. Whether Coinbase's conduct violates public policy;
- 10 g. Whether TerraUSD constitutes a security under the federal securities
- 11 laws;
- 12 h. Whether Coinbase sold or facilitated the sale or delivery of TerraUSD
- 13 by interstate means;
- 14 i. Whether Coinbase made misstatements and omissions in offering
- 15 documents and communications in connection with the offer or sale
- 16 of TerraUSD;
- 17 j. Whether Plaintiffs and members of the proposed Class are entitled to
- 18 monetary damages and, if so, the nature of such relief; and
- 19 k. Whether Plaintiffs and members of the proposed Class are entitled to
- 20 equitable, declaratory or injunctive relief and, if so, the nature of such
- 21 relief.

22 66. Pursuant to Rule 23(b)(2), Defendants have acted or refused to act on
23 grounds generally applicable to the proposed Class, thereby making final injunctive
24 or corresponding declaratory relief appropriate with respect to the proposed Class
25 as a whole. In particular, Defendants have marketed, advertised, distributed, and
26 facilitated the sale of TerraUSD on the Coinbase platform and such marketing and
27

1 advertising was materially misleading.

2 **67. Typicality – Federal Rule of Civil Procedure 23(a)(3).** Plaintiffs’
3 claims are typical of those of the absent Class Members in that Plaintiffs and the
4 Class Members each purchased TerraUSD on the Coinbase platform and each
5 sustained damages arising from Defendants’ wrongful conduct, as alleged more
6 fully herein. Plaintiffs share the aforementioned facts and legal claims or questions
7 with proposed members of the Class, and Plaintiffs and all members of the proposed
8 Class have been similarly affected by Defendants’ common course of conduct
9 alleged herein. Plaintiffs and all members of the proposed Class sustained monetary
10 and economic injuries including, but not limited to, ascertainable loss arising out of
11 Defendants’ conduct and the subsequent fall in value of TerraUSD.

12 **68. Adequacy – Federal Rule of Civil Procedure 23(a)(4).** Plaintiffs
13 will fairly and adequately represent and protect the interests of the members of
14 the proposed Class. Plaintiffs have retained counsel with substantial experience in
15 handling complex class action litigation, including complex questions that arise in
16 this type of consumer protection litigation. Further, Plaintiffs and their counsel are
17 committed to the vigorous prosecution of this action. Plaintiffs do not have any
18 conflicts of interest or interests adverse to those of proposed Class.

19 **69. Insufficiency of Separate Actions – Federal Rule of Civil**
20 **Procedure 23(b)(1).** Absent a class action, Plaintiffs and members of the Classes
21 will continue to suffer the harm described herein, for which they would have no
22 remedy. Even if separate actions could be brought by individual consumers, the
23 resulting multiplicity of lawsuits would cause undue burden and expense for both
24 the Court and the litigants, as well as create a risk of inconsistent rulings and
25 adjudications that might be dispositive of the interests of similarly situated
26 consumers, substantially impeding their ability to protect their interests, while
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1 establishing incompatible standards of conduct for Defendants. Accordingly, the
2 proposed Classes satisfy the requirements of Fed. R. Civ. P. 23(b)(1).

3 70. **Declaratory and Injunctive Relief – Federal Rule of Civil**
4 **Procedure 23(b)(2).** Defendants have acted or refused to act on grounds generally
5 applicable to Plaintiffs and all proposed Class Members, thereby making
6 appropriate final injunctive relief and declaratory relief, as described below, with
7 respect to the members of the Classes as a whole.

8 71. **Superiority – Federal Rule of Civil Procedure 23(b)(3).** A class
9 action is superior to any other available methods for the fair and efficient
10 adjudication of the present controversy for at least the following reasons:

- 11 a. The damages suffered by each individual members of the proposed
12 Class do not justify the burden and expense of individual prosecution
13 of the complex and extensive litigation necessitated by Defendants’
14 conduct;
- 15 b. Even if individual members of the Class had the resources to pursue
16 individual litigation, it would be unduly burdensome to the courts in
17 which the individual litigation would proceed;
- 18 c. The claims presented in this case predominate over any questions of
19 law or fact affecting individual members of the Class;
- 20 d. Individual joinder of all members of the Class is impracticable;
- 21 e. Absent a Class, Plaintiffs and members of the proposed Class will
22 continue to suffer harm as a result of Defendants’ unlawful conduct;
23 and
- 24 f. This action presents no difficulty that would impede its management
25 by the Court as a class action, which is the best available means by
26 which Plaintiffs and members of the proposed Class can seek redress
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1 for the harm caused by Defendants.

2 72. In the alternative, the Classes may be certified for the following
3 reasons:

- 4 a. The prosecution of separate actions by individual members of the
5 Class would create a risk of inconsistent or varying adjudication with
6 respect to individual members of the Class, which would establish
7 incompatible standards of conduct for Defendants;
- 8 b. Adjudications of claims of the individual members of the Class against
9 Defendants would, as a practical matter, be dispositive of the interests
10 of other members of the proposed Class who are not parties to the
11 adjudication and may substantially impair or impede the ability of
12 other proposed Class Members to protect their interests; and
- 13 c. Defendants have acted or refused to act on grounds generally
14 applicable to the members of the proposed Class, thereby making
15 appropriate final and injunctive relief with respect to the proposed
16 Class as a whole.

17
18 **CLAIMS FOR RELIEF**

19 **COUNT 1**

20 **Negligence**

21 **(against Coinbase on behalf of the National Class)**

22 73. Plaintiffs re-allege and incorporate by reference the allegations
23 contained in the previous paragraphs as though set forth fully herein.

24 74. Coinbase owed a duty to Plaintiffs and Class members to exercise
25 reasonable care in investigating and monitoring TerraForm Labs and the TerraUSD
26 and in truthfully and accurately describing, defining, marketing, advertising, and
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1 selling TerraUSD to its customers. More specifically, this duty included, among
2 other things: (a) conducting due diligence on TerraForm Labs as an issuer and
3 TerraUSD as a stablecoin before listing it on the Coinbase exchange; (b) testing the
4 TerraUSD token prior to introducing it on the Coinbase exchange to ensure its value
5 would remain stable and pegged to the US dollar; (c) implementing processes that
6 would detect if the TerraUSD became unpegged from US dollar; (d) timely acting
7 upon warnings and alerts regarding the TerraUSD becoming unpegged; and (f)
8 ensuring the truthfulness of its statements made to its users and potential users.

9 75. Coinbase's duty to use reasonable care arose from several sources,
10 including but not limited to those described below.

11 76. Coinbase had a common law duty to prevent foreseeable harm to
12 others. A duty existed here because it was foreseeable that TerraUSD would become
13 unpegged from the US dollar and that Plaintiffs and Class members would be
14 harmed thereby. Coinbase was aware of the likelihood that the TerraUSD would
15 become unpegged as evidenced by the historical volatility of algorithmic
16 stablecoins, including the Basis Cash, Empty Set, and Iron Finance algorithmic
17 stablecoin, all of which collapsed in 2021. Several other stablecoins have
18 destabilized and ultimately failed, including the SafeCoin, BitUSD, DigitalDollar,
19 NuBits, and CK USD stablecoins. As such, Coinbase had a duty to exercise
20 reasonable care to prevent these foreseeable harms.

21 77. Coinbase's duty also arose under the statutory requirements of
22 California Civil Code § 1714, requiring all "persons," including Coinbase, to act in
23 a reasonable manner toward others.

24 78. Coinbase's duty also arose under custom and practice in the
25 cryptocurrency exchange industry, where exchanges consistently disclose the
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1 critical distinctions between collateralized stablecoins and uncollateralized
2 algorithmic digital assets like TerraUSD.

3 79. Coinbase’s duty of care arose under Section 5 of the Federal Trade
4 Commission Act (“FTC Act”), 15 U.S.C. § 45, which prohibits “unfair or deceptive
5 acts or practices in or affecting commerce.” This includes acts or practices that are
6 likely to cause substantial injury to consumers, which cannot be reasonably avoided
7 by consumers, and which are not outweighed by countervailing benefits to
8 consumers or competition. It also includes material representations, omissions, or
9 practices that are likely to mislead a reasonable consumer. In addition, individual
10 states have enacted statutes based upon the FTC Act that also created a duty.

11 80. Coinbase’s duty also arose under Section 200.18(d) of the State of
12 New York Department of Financial Services’ Virtual Currency law, under which
13 Coinbase is licensed, and which prohibits “false, misleading, or deceptive
14 representations or omissions” in advertising and marketing materials. 23 CRR-NY
15 § 200.18(d). As an entity engaged in a virtual currency business activity, Coinbase
16 is subject to this duty, along with all other duties imposed by the Virtual Currency
17 Law. See 23 CRR-NY §§ 200.2(q), 200.3(a).

18 81. Coinbase’s duty also arose from Coinbase’s relationship with
19 Plaintiffs and Class members. Coinbase held the unique position as the largest third-
20 party exchange to offer TerraUSD. Because of its critical role within the
21 cryptocurrency exchange market, Coinbase was in a superior position to protect
22 against the harm suffered by Plaintiffs and Class members.

23 82. Coinbase breached the duties it owed Plaintiffs and Class members by,
24 among other things, failing to conduct due diligence on Terraform Labs as the issuer
25 and TerraUSD as a stablecoin before listing it on the Coinbase exchange, and failing
26 to test the TerraUSD token prior to introducing it on the Coinbase exchange to ensure
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1 the asset would perform consistent with representation made by Terraform Labs and
2 Coinbase, characterizing TerraUSD as a stablecoin backed by reserves, omitting
3 from its materials that TerraUSD was uncollateralized and differentiating it from
4 other collateralized stablecoins, failing to disclose that TerraUSD was an algorithmic
5 stablecoin and therefore more volatile than collateralized stablecoins, and making
6 representations as to TerraUSD's stability and 1-to-1 peg to the US dollar despite a
7 reasonably foreseeable risk that the TerraUSD would become unpegged and cause
8 harms and losses to Plaintiffs and Class members. Coinbase also breached its duties
9 by failing to reasonably act upon warnings and alerts regarding the TerraUSD
10 becoming unpegged.

11 83. Coinbase's wrongful actions caused Plaintiffs and the Class to believe
12 that TerraUSD was a collateralized digital asset, as other stablecoins are. These
13 actions also caused Plaintiffs and the Class to believe TerraUSD was a sound
14 investment vehicle and caused them to buy TerraUSD from the Coinbase exchange
15 and hold TerraUSD at the time it collapsed in May 2022. These wrongful actions
16 resulted in Plaintiffs and Class members' damages in the form of monetary losses,
17 time spent attempting to understand and seek recourse for Coinbase's negligent acts,
18 and emotional harm resulting from the sudden, unexpected, and catastrophic losses
19 TerraUSD incurred.

20 84. As a direct and proximate cause of Coinbase's negligence, Plaintiffs
21 and Class members have been injured as described herein and are entitled to damages
22 available by law, in an amount to be proven at trial.

23 **COUNT II**

24 **Negligence *Per Se***

25 **(on Behalf of the National Class)**

26 85. Plaintiffs re-allege and incorporate by reference the allegations
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1 contained in the previous paragraphs as though set forth fully herein.

2 86. Defendants owed Plaintiffs and the Class a statutorily imposed duties,
3 including compliance with Section 5 of the FTC Act and 23 CRR-NY § 200.18(d).

4 87. Section 5 of the Federal Trade Commission Act (“FTC Act”), 15
5 U.S.C. § 45, prohibits “unfair or deceptive acts or practices in or affecting
6 commerce.” This prohibition includes acts or practices that are likely to cause
7 substantial injury to consumers, which cannot be reasonably avoided by consumers,
8 and which are not outweighed by countervailing benefits to consumers or
9 competition. It also includes material representations, omissions, or practices that
10 are likely to mislead a reasonable consumer.

11 88. Coinbase violated Section 5 of the FTC Act (and similar state statutes)
12 by failing to conduct due diligence on Terraform Labs as an issuer and TerraUSD as
13 a stablecoin before listing it on the Coinbase exchange, and failing to test the
14 TerraUSD or token prior to introducing it on the Coinbase exchange to ensure the
15 asset would perform consistent with representations made by Terraform Labs and
16 Coinbase, and by listing Terraform on the Coinbase exchange and making
17 representations as to its stability and 1-to-1 peg to the US dollar despite a reasonably
18 foreseeable risk that the TerraUSD would become unpegged and cause harms and
19 losses to Plaintiffs and Class members.

20 89. Section 200.18(d) of the New York Virtual Currency Law states that
21 “[i]n all advertising and marketing materials, each licensee and any person or entity
22 acting on its behalf, shall not, directly or by implication, make any false, misleading,
23 or deceptive representations or omissions.” 23 CRR-NY § 200.18(d).

24 90. Defendants violated Section 200.18(d) of the New York Virtual
25 Currency Law by (i) falsely representing that TerraUSD was a stablecoin backed by
26 “reserve” assets such as fiat currency or commodities and used this reserve to
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1 maintain a peg to the US dollar at a 1-to-1 ratio, and therefore constituted a safe
2 investment with virtually no volatility; and (ii) omitting that TerraUSD was in fact
3 an uncollateralized algorithmic digital asset with no reserves of any tangible asset
4 with the propensity to become unpegged from the US dollar, thereby failing to
5 disclose fully and truthfully all material facts regarding the TerraUSD's nature,
6 purpose, value, volatility, and risk.

7 91. Defendants' violations of the above cited laws constitute negligence
8 *per se*.

9 92. Plaintiffs and Class members are consumers within the class of
10 persons the laws cited above are intended to protect.

11 93. Moreover, the harm that has occurred is the type of harm the laws cited
12 above are intended to guard against.

13 94. As a direct and proximate result of Defendants' negligence, Plaintiffs
14 and the Class members have been damaged in an amount to be determined at trial.

15 **COUNT III**

16 **Negligent Misrepresentation**

17 **(on Behalf of the National Class)**

18 95. Plaintiffs re-allege and incorporate by reference the allegations
19 contained in the previous paragraphs as though set forth fully herein.

20 96. Coinbase represented to Plaintiffs and the Class, through its statements
21 and categorizations, that TerraUSD was a "reserve" backed stablecoin that was less
22 volatile than other cryptocurrencies on the market.

23 97. Coinbase also represented that the value of TerraUSD would remain
24 pegged to the US dollar at a 1-to-1 ratio, and TerraUSD constituted a safe investment
25 with virtually no volatility. These statements were false.

26 98. Defendants also omitted the fact that TerraUSD, as an uncollateralized
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1 algorithmic digital assets, had the propensity to become unpegged from the US
2 dollar and, as a result, could become worthless. In doing so, Defendants
3 misrepresented material facts regarding TerraUSD stablecoin’s nature, purpose,
4 value, volatility, and risk. These omissions rendered Defendants’ affirmative
5 representations deceptive and likely to mislead potential purchasers.

6 99. Defendants failed to conduct reasonable and diligent investigation of
7 the representations they made to Plaintiffs and the Class to ensure that those
8 statements were true and that there was no omission of material facts required to
9 make the representations not misleading. Defendants, in the exercise of reasonable
10 care, should have known its statements and omissions were misleading. For
11 example, Defendants knew that it was improper to categorize TerraUSD as a
12 stablecoin when, in all reality, it was not collateralized with tangible assets.

13 100. Defendants owed a duty to Plaintiffs and Class members to speak with
14 care and explain fully and truthfully all material facts regarding the TerraUSD. This
15 duty arose from several bases, including Section 5 of the FTC Act, which prohibits
16 “deceptive acts or practices in or affecting commerce.” This provision encompasses
17 material representations, omissions, or practices that are likely to mislead a
18 reasonable consumer.

19 101. Defendants’ duty to speak truthfully and with care also arose under
20 Section 200.18(d) of the State of New York Department of Financial Services’
21 Virtual Currency law, which prohibits “false, misleading, or deceptive
22 representations or omissions” in advertising and marketing materials. 23 CRR-NY
23 § 200.18(d). As entities engaged in virtual currency business activities, Defendants
24 are subject to this duty, along with all other duties imposed by the Virtual Currency
25 Law. *See* 23 CRR-NY §§ 200.2(q), 200.3(a).

26 102. Coinbase’s duty to speak with care arose from their special
27
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1 relationship with Plaintiffs and Class members and its unique position as a broker-
2 dealer. Because of its critical role within the cryptocurrency exchange market,
3 Coinbase was in a superior position to protect against the harm suffered by Plaintiffs
4 and Class members. Additionally, Coinbase’s duty to disclose arose from its privity
5 relationship with Plaintiffs and Class members.

6 103. The above-described relationship between Defendants and Plaintiffs
7 is such that, in morals and good conscience, Plaintiffs and the Class had the right to
8 rely upon Defendants for information. Defendants were in a special position of
9 confidence and trust with Plaintiffs and the Class such that their reliance on
10 Defendants’ negligent misrepresentations was justified.

11 104. Defendants knew, or reasonably should have known, that Plaintiffs
12 and the Class would rely on its misrepresentations and omissions in purchasing
13 TerraUSD.

14 105. Defendants’ negligent misrepresentations and omissions, upon which
15 Plaintiffs and Class members reasonably and justifiably relied, were intended to
16 induce, and actually induced, Plaintiffs and Class members to purchase TerraUSD.

17 106. As a direct and proximate cause of their reliance on Defendants’
18 representations, Plaintiffs and Class members have been injured as described herein
19 and are entitled to damages available by law, in an amount to be proven at trial.

20 **COUNT IV**

21 **California’s Unfair Competition Law**
22 **Cal. Bus. & Prof. Code § 17200 et seq. (“UCL”)**
23 **(on Behalf of the California Subclass)**

24 107. Plaintiffs re-allege and incorporate by reference the allegations
25 contained in the previous paragraphs as though set forth fully herein.

26 108. The UCL prohibits any “unlawful, unfair or fraudulent business act
27 or practice.” Cal. Bus. & Prof. Code § 17200, et seq.

1 109. The acts, omissions, misrepresentations, practices, and non-
2 disclosures of Defendants as alleged herein constitute business acts and practices.

3 110. **Unlawful:** The acts alleged herein are “unlawful” under the UCL in
4 that they violate at least the following laws:

- 5 • Section 1714 of the California Civil Code;
- 6 • Section 5 of the FTC Act;
- 7 • Section 200.18(d) of the State of New York Department of Financial
8 Services’ Virtual Currency law

9 111. **Unfair:** Defendants’ conduct with respect to the labeling, advertising,
10 and sale of TerraUSD was “unfair” because Defendants’ conduct was immoral,
11 unethical, unscrupulous, or substantially injurious to consumers and the utility of
12 their conduct, if any, does not outweigh the gravity of the harm to their victims.

13 112. Defendants’ conduct with respect to the labeling, advertising, and
14 sale of TerraUSD was and is also unfair because it violates public policy as declared
15 by specific constitutional, statutory or regulatory provisions, including but not
16 limited to the applicable sections of the federal Securities Act.

17 113. Defendants’ conduct with respect to the labeling, advertising, and
18 sale of TerraUSD was and is unfair because the consumer injury was substantial,
19 not outweighed by benefits to consumers or competition, and not one consumer
20 themselves could reasonably have avoided.

21 114. **Fraudulent:** A statement or practice is “fraudulent” under the UCL
22 if it is likely to mislead or deceive the public, applying an objective reasonable
23 consumer test.

24 115. As set forth herein, Defendants’ representations regarding the
25 stability of TerraUSD are likely to mislead reasonable consumers to believe the
26 claims of TerraUSD’s stability are true.

1 116. Defendants profited from the sale of the falsely, deceptively, and
2 unlawfully advertised TerraUSD.

3 117. Defendants' conduct caused and continues to cause substantial injury
4 to Plaintiffs and the other Class Members. Defendants continue to publish
5 misleading characterizations of stablecoins, including the TerraUSD. Plaintiffs
6 have suffered injury in fact as a result of Defendants' unlawful conduct.

7 118. In accordance with Bus. & Prof. Code § 17203, Plaintiffs seek an
8 order enjoining Defendants from continuing to conduct business through unlawful,
9 unfair, and fraudulent acts and practices, and to commence a corrective advertising
10 campaign explaining the critical distinctions between collateralized stablecoins and
11 uncollateralized algorithmic digital assets like TerraUSD, which is custom and
12 practice in the cryptocurrency exchange industry.

13 119. Plaintiffs and the Class also seek an order for and restitution of all
14 monies from the sale of TerraUSD, which were unjustly acquired through acts of
15 unlawful competition, and any other relief allowed under the UCL, including
16 interest and attorneys' fees pursuant to, *inter alia*, Code of Civil Procedure §
17 1021.5, and to such other and further relief as this Court may deem just and proper.

18
19 **COUNT V**

20 **California's False Advertising Law**
21 **Cal. Bus. & Prof. Code § 17500, et seq. ("FAL")**
22 **(on Behalf of the California Subclass)**

23 120. Plaintiffs repeat and reallege the allegations in the previous
24 paragraphs as if fully set forth herein. Plaintiffs bring this cause of action against
25 Defendants individually and on behalf of the California Subclass.

26 121. The conduct described herein took place within the state of California
27 and constitutes deceptive or false advertising in violation of California Business
28 and Professions Code §§ 17500, et seq.

1 purchased TerraUSD.

2 129. As a direct and proximate result of Defendants’ actions, as set forth
3 herein, Defendants have received ill-gotten gains and profits.

4 130. As a result, Plaintiffs, the California Subclass members, and the
5 general public are entitled to injunctive and equitable relief, restitution, and an order
6 for the disgorgement of the funds by which Defendants were unjustly enriched.

7 131. Pursuant to Cal. Bus. & Prof. Code § 17535, Plaintiff, on behalf of
8 himself and the California Subclass, seeks an order enjoining Defendants from
9 continuing to engage in deceptive business practices, false advertising, and any
10 other act prohibited by law, including those set forth in this Complaint.

11
12 **COUNT VI**

13 **California’s Consumer Legal Remedies Act**
14 **Cal. Civ. Code § 1750, et seq. (“CLRA”)**
15 **(on Behalf of the California Subclass)**

16 132. Plaintiffs repeat and reallege the allegations in the previous
17 paragraphs as if fully set forth herein. Plaintiffs bring this cause of action against
18 Defendants individually and on behalf of the California Subclass.

19 133. The conduct described herein took place in the state of California and
20 constitutes unfair methods of competition or deceptive acts or practices in violation
21 of the Consumers Legal Remedies Act (“CLRA”), Civil Code §§ 1750, et seq.

22 134. The CLRA applies to all claims of all members of the California
23 Subclass because the conduct which constitutes violations of the CLRA by
24 Defendants occurred within the state of California.

25 135. Plaintiffs and members of the California Subclass are “consumers” as
26 defined by Civil Code § 1761(d) because they purchased TerraUSD using
27 Coinbase’s services, and did so for personal, family, or household purposes.

28 136. Defendants are “person[s]” as defined by Civil Code § 1761(c).

1 137. Plaintiffs and California Subclass members’ purchases of TerraUSD
2 on Coinbase’s platforms are “transactions” as defined by Civil Code § 1761(e).

3 138. The CLRA prohibits deceptive practices in connection with the
4 conduct of a business that provides goods, property, or services primarily for
5 personal, family, or household purposes.

6 139. Defendants’ false and misleading policies, acts, and practices were
7 designed to, and did, induce the Plaintiffs and Class members to purchase and
8 exchange TerraUSD, and violated the following sections of the CLRA:

- 9 a. § 1770(a)(5): representing that goods, property, and services have
10 sponsorship, approval, characteristics, uses, or benefits which they
11 do not have;
- 12 b. § 1770(a)(7): representing that goods, property, and services are
13 of a particular standard, quality, or grade, or that goods are of a
14 particular style or model, if they are of another;
- 15 c. § 1770(a)(9): advertising goods, property, and services with intent
16 not to sell them as advertised; and
- 17 d. § 1770(a)(16): representing the subject of a transaction has been
18 supplied in accordance with a previous representation when it has
19 not.

20 140. Defendants engaged in unfair competition or unfair or deceptive acts
21 or practices in violation of Civil Code §§ 1770(a)(5)-(16) by: (1) characterizing
22 TerraUSD as a stablecoin although it lacks the hallmarks of a stablecoin, and
23 Coinbase is aware of this fact; (2) representing that TerraUSD had benefits or
24 characteristics that it did not actually have; and (3) omitting material facts about
25 TerraUSD.

26 141. Defendants profited by selling TerraUSD to unwary consumers
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1 through the use of false, deceptive, misleading, and unlawful advertising.

2 142. Defendants' wrongful business practices constituted, and constitute,
3 a continuing course of conduct in violation of the CLRA.

4 143. Pursuant to the provisions of Cal. Civ. Code § 1782(a), Plaintiffs will
5 provide a letter to Defendants concurrently with the filing of this Class Action
6 Complaint or shortly thereafter with notice of its alleged violations of the CLRA,
7 demanding that Defendants correct such violations, and providing them with the
8 opportunity to correct their business practices. If Defendants do not thereafter
9 correct their business practices, Plaintiffs will amend (or seek leave to amend) the
10 complaint to add claims for monetary relief, including restitution and actual
11 damages under the Consumers Legal Remedies Act.

12 144. Pursuant to California Civil Code § 1780, Plaintiffs seek injunctive
13 relief, reasonable attorney fees and costs, and any other relief that the Court deems
14 proper.

15
16 **PRAYER FOR RELIEF**

17 WHEREFORE, Plaintiff, individually and on behalf of all others similarly
18 situated members of the Classes, prays for relief and judgment, including entry of
19 an order:

20 A. Declaring that this action is properly maintained as a class action, certifying
21 the proposed Class, appointing Plaintiffs as Class Representatives and
22 appointing Plaintiffs' counsel as Class Counsel;

23 B. Directing that Defendants bear the costs of any notice sent to the Class;

24 C. Declaring that Defendants must disgorge, for the benefit of the Class, all or
25 part of the ill-gotten profits they received from the exchange of TerraUSD,
26 or order Defendants to make full restitution to Plaintiffs and the members of
27

1 the Class except that no monetary relief is presently sought for violations of
2 the Consumers Legal Remedies Act;

3 D. Awarding restitution and other appropriate equitable relief;

4 E. Granting an injunction against Defendants to enjoin them from conducting
5 their business through the unlawful, unfair, and fraudulent acts or practices
6 set forth herein;

7 F. Ordering a jury trial and damages according to proof;

8 G. Awarding Plaintiffs and members of the Class statutory damages, as
9 provided by the applicable state consumer protection statutes invoked above,
10 except that no monetary relief is presently sought for violations of the
11 Consumers Legal Remedies Act;

12 H. Awarding attorneys' fees and litigation costs to Plaintiffs and members of
13 the Class;

14 I. Awarding civil penalties, prejudgment interest and punitive damages as
15 permitted by law; and

16 J. Ordering such other and further relief as the Court deems just and proper.

17 **JURY DEMAND**

18 Plaintiffs demand a trial by jury of all claims in this Complaint so triable.

19
20 Dated: June 16, 2022

Respectfully submitted,

21 */s/ Trenton R. Kashima*

22 Trenton R. Kashima (SBN 291405)

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28 *Attorneys for Plaintiffs and the Class*

1 **CLRA Venue Declaration Pursuant to California Civil Code Section 1780(d)**

2
3 I, Trenton R. Kashima, declare as follows:

4 1. I am an attorney at law licensed to practice in the State of California
5 and a member of the bar of this Court. I am an attorney at Milberg Coleman Bryson
6 Phillips Grossman PLLC, counsel of record for Plaintiffs in this action. I have
7 personal knowledge of the facts set forth in this declaration and, if call as a witness,
8 I could and would competently testify thereto under oath.

9 2. The Complaint filed in this action is filed in the proper place for trial
10 under Civil Code Section 1780(d) in that a substantial portion of the events alleged
11 in the Complaint occurred in the Northern District of California.

12 I declare under the penalty of perjury under the laws of the State of California
13 and the United States that the foregoing is true and correct and that this declaration
14 was executed at San Diego, California this 16th day of June 2022.

15
16 /s/ Trenton R. Kashima
17 Trenton R. Kashima