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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN FRANCISCO
CIVIL UNLIMITED

CGC-22-601712

MICHAEL NGUYEN and NADER GEORGE,
individually and on behalf of other similarly
situated individuals,

Plaintiffs,

vs.

OKCOIN USA INC., and DOES 1-10,

Defendants.

Case No.:

CLASS ACTION COMPLAINT FOR
DAMAGES AND DEMAND FOR JURY
TRIAL

Complaint for Violations of:

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

CLASS ACTION COMPLAINT FOR DAMAGES AND DEMAND FOR JURY TRIAL

1 Plaintiffs MICHAEL NGUYEN and NADER GEORGE (“Plaintiffs”), on behalf of
2 themselves and all others similarly situated (the “Class”), bring this class action against
3 Defendant OKCOIN USA INC. (“OKCoin”) and DOES 1-10, whose identities are currently
4 unknown to Plaintiffs, (collectively, “Defendants”) for damages suffered by Plaintiffs and the
5 Class, for injunctive relief, and for other recovery specified herein, and allege upon information
6 and belief, except as to their own actions, the investigation of counsel, and the facts that are a
7 matter of public record, as follows:

8 I. INTRODUCTION

9 1. In the last decade, cryptocurrencies, a form of digital assets, have evolved from a
10 curiosity into a core investment tool. At the start of 2022, the cryptocurrency market
11 capitalization totaled over \$1 trillion with more than one third of all American hedge funds
12 invested in these assets. Approximately 60 million Americans – nearly one quarter of all adults –
13 have owned Bitcoin or some other type of digital assets at one point in time.

14 2. Despite their rise into mainstream, the nature of many cryptocurrencies remains
15 enigmatic. In 2021, CNBC reported on a survey showing one in three investors know “little to
16 nothing” about the cryptocurrency in which they had invested. Consequently, cryptocurrencies’
17 values are speculative and far more volatile and unpredictable than most other investment
18 instruments.

19 3. To hedge against the inherent volatility of cryptocurrencies, some digital asset issuers
20 have designed a class of cryptocurrencies called “stablecoins.” Stablecoins are a distinct type of
21 cryptocurrency whose price is “pegged” to a hard asset, such as a fiat currency (meaning
22 government-issued currency) or commodity, at a rate of one-to-one. If a stablecoin is
23 denominated in U.S. dollars then the price to buy or sell that stablecoin should always be about
24 \$1.00. Investors can buy stablecoins with a fiat currency or by converting a cryptocurrency, and
25 the stablecoins operate as fiat equivalents that can be transferred between accounts or to online
26 exchanges.

1 4. Defendant OKCoin is a web-based cryptocurrency exchange, offering retail investors a
2 marketplace to buy and sell cryptocurrencies of all types, including stablecoins. One way that
3 OKCoin derives revenue is by levying fees when investors transact on its exchange.

4 5. OKCoin also offers investors a way to earn interest (or “yield”) on their digital assets
5 through a program it calls “Earn.” With OKCoin’s Earn platform retail investors can deposit (or
6 “stake”) their cryptocurrencies into the equivalent of interest-bearing accounts that promise
7 annual percentage yield rates sometimes hundreds of times higher than rates offered by U.S.
8 retail banks. In exchange for offering the Earn function to retail investors, OKCoin charges a 3%
9 fee on all yields realized by the investor.

10 6. In 2020, a South Korean company called Terraform Labs began issuing tokens of a
11 cryptocurrency it called TerraUSD (known as “UST”). TerraUSD, as the name suggests, was
12 intended to maintain a one-to-one value with the U.S. dollar. Through a partnership with
13 Terraform Labs, OKCoin created a market where investors could buy and sell UST and could
14 invest UST through OKCoin’s Earn function. OKCoin branded UST in its promotions as a
15 “stablecoin” with “the stability of a fiat currency,” representing to its investors that UST was
16 essentially a digital U.S. dollar which eliminated the volatility risk inherent to more speculative
17 cryptocurrencies.

18 7. Contrary to OKCoin’s characterizations of UST as a stablecoin whose value would trade
19 in tandem with the U.S. dollar, UST was not backed by any hard collateral whatsoever. Instead,
20 it used an algorithm and a complicated interplay with a corollary market for a second
21 cryptocurrency to maintain a theoretical peg to the U.S. dollar. Because of UST’s theoretical
22 algorithmic peg and lack of a hard assets backing its value, it was actually a highly risky asset
23 with only a fragile thread tethering its value to the U.S. dollar.

24 8. In May 2022, UST completely unraveled, losing over 90 percent of its value in a matter
25 of days. Making matters worse, OKCoin restricted users who had invested in UST from trading
26 the asset as it collapsed from a value of \$1.00 on May 8, 2022, to \$0.09 on May 16, 2022.



Source: CoinGecko

9. OKCoin users purchased UST on the understanding that it was a stablecoin whose value was pegged to the U.S. dollar and, unlike traditionally highly volatile cryptocurrencies, its price would remain ‘stable’ throughout market conditions. Because of Defendants’ misrepresentations regarding the stability and financial security of UST, users purchased UST anticipating it would remain priced at \$1.00 and were economically harmed when it fell from this value. Further compounding the harm, OKCoin was completely unprepared to handle users’ demands to redeem their funds from the Earn function, leaving users waiting for days for responses as they tried desperately to save what was left of their investments. Moreover, by restricting retail investors from selling their UST on the exchange, OKCoin prevented those investors from mitigating their losses as the value of their UST vanished. UST holders could only watch helplessly as their investments washed away. The extreme grief and stress caused by the UST’s collapse turned to outrage when investors realized they had been deceived and abandoned by OKCoin.

II. FACTUAL ALLEGATIONS

Cryptocurrencies and Stablecoins

10. Cryptocurrencies are a type of digital asset originally intended to serve as a peer-to-peer medium of exchange that would work like an online analog to fiat currency but without the control or oversight of a centralized government authority or financial institution. A unit of

cryptocurrency is called a token or a coin. Tokens are issued or transferred using an underlying technology known as a “blockchain ledger.” A blockchain ledger is a shared database stored across a network of thousands of computers that each record, verify, and broadcast “blocks” of token transactions. As payment for verifying transactions and generating blocks, the block producers are rewarded with tokens. When generated or acquired, a cryptocurrency token is stored in an owner’s digital account known as a “wallet.” This wallet serves much like a bank account but is maintained by the owner and not by a bank or other intermediary. The wallet’s owner may store or send and receive tokens from other wallets. Thus, cryptocurrency tokens can, in theory, be used to buy and sell goods and services without the involvement of financial institutions or governments. These features led many early proponents to laud cryptocurrency as an end to banks and reliance on centrally issued and controlled fiat currencies.

11. Cryptocurrencies have yet to deliver on the promise of eliminating the need for traditional finance because of inherent price volatility and inefficiencies as a means of exchange. Transactions involving cryptocurrency can be slow while the value of cryptocurrency coins is highly volatile – so volatile that the value of a coin is prone to change in the time it takes for a digital transaction to be completed. As a result, many cryptocurrencies are unreliable as a means of exchange or a store of value.

12. Generally, cryptocurrencies have value because tokens are limited in amount, transferrable, and require effort to produce. To generate new tokens of most cryptocurrencies, block producers, or “miners,” are required to dedicate a tremendous amount of computing resources to the endeavor, making the tokens generated both scarce and expensive. The value of cryptocurrencies relative to fiat currency is highly volatile, with many of the most traded cryptocurrencies fluctuating more than 100 percent in value in a single year. These fluctuations are enticing to investors with a stomach for high risk looking for opportunities to amass fortunes overnight. But these fluctuations also mean that risk averse investors are susceptible to sudden and dramatic losses in the value of their holdings, which they cannot readily convert to a fiat currency from their wallets.

1 13. In 2014, in an attempt to bring stability to cryptocurrency assets and facilitate their
2 original purpose as a means of exchange or a store of value, several companies started issuing
3 cryptocurrency tokens they called “stablecoins,” which, as the name suggests, were intended to
4 add stability to an otherwise volatile cryptocurrency market.

5 14. The value of a stablecoin is “pegged” to that of a currency and backed by national
6 currencies, commodities, or financial instruments, differentiating this class of digital asset from
7 other cryptocurrencies. For each stablecoin token issued, the issuer maintains a pegged value by
8 holding an equal amount of underlying assets, such as fiat currency or a commodity, in reserve as
9 collateral. Stated differently, stablecoins are “collateralized” because they are backed by an
10 underlying hard asset.

11 15. Like many digital assets, stablecoins seemingly have evaded any comprehensive legal
12 framework or government oversight. In recent years, legislators have proposed new laws,
13 administrative guidelines, and proposals for regulating these assets, but it is presently unclear
14 whether cryptocurrencies generally, and stablecoin assets specifically, are legally regarded as
15 commodities, currencies, or some other type of financial instrument. Instead of lumping digital
16 assets into one general category, each subset or type of cryptocurrency must be assessed
17 individually to determine which regulatory framework it fits best.

18 16. While the legal framework within which stablecoins best fit is yet unclear, both
19 legislators and regulators have expressed grave concerns over these digital assets. In November
20 2021, The President’s Working Group on Financial Markets issued a report titled “Report on
21 Stablecoins,” identifying specific concerns relating to “misleading disclosures to the market” and
22 risks associated with trading platforms. More recently, U.S. Treasury Secretary Janet Yellen
23 cautioned in a hearing that stablecoins are a “growing product and there are rapidly growing
24 risks.” As of the filing of this complaint, proposed legislation would grant the Commodities
25 Future Trading Commission full jurisdiction over cryptocurrency, including full regulation of
26 stablecoins. No agency or court of law has issued an opinion regarding the proper classification
27 of UST or which regulatory framework has jurisdiction over it.

Terraform Labs and UST

17. Terraform Labs created the system within which UST operated, which included UST, LUNA (its sister token), the Terra blockchain (the programmatic technology underlying both cryptocurrencies), and the Anchor Protocol (one of the mechanisms Terraform Labs purported would bring about a stable one-to-one U.S. dollar conversion rate).

18. The Terraform white paper published by OKCoin on its website made several affirmative representations about UST, including statements that UST was: (1) “price-stable and growth-driven,” (2) “achieves price-stability via an elastic money supply, enabled by stable mining incentives,” and (3) “the Terra Protocol solves” problems common amongst other digital currencies.

19. The white paper described its digital assets as a solution to market instability, which it described as follows:

Intuitively, nobody wants to pay with a currency that has the potential to double in value in a few days, or wants to be paid in a currency if its value can significantly decline before the transaction is settled.

The white paper represented that UST would solve this issue by maintaining a stable value.

20. The white paper also described the relationship between LUNA and UST, and the mechanisms for maintaining stability. The mechanism was based on a core agreement that one token of UST could always be exchanged (or “burned”) for \$1 of LUNA and \$1 of LUNA could always be exchanged for 1 token of UST. If the price of UST rose to \$1.01 due to increasing demand, LUNA holders were incentivized to exchange (or “burn”) \$1 of LUNA for one token of newly “minted” UST, which could then be sold for \$1.01, thereby profiting the investor by \$0.01 per token. The effect of these transactions was an increase in the total supply of UST, which would, in turn, drive the price of the UST back down to \$1.00. Conversely, if the price of UST dropped to \$0.99, UST holders were incentivized to exchange (or “burn”) their UST at a rate of 1 UST token (worth \$0.99) for \$1 of LUNA, profiting them and, in turn, decreasing the supply of UST so as to drive its price back up to \$1.00. The white paper assured investors that the UST’s stability mechanism had “demonstrated its effectiveness in the most severe economic conditions.”

21. It was this teeter-totter of shifting incentives that was the primary mechanism for “pegging” UST to the U.S. dollar. UST was not, in any way, backed by U.S. dollars, any other traditional fiat currency, or indeed any stable underlying asset whatsoever.

OKCoin’s Definition of a “Stablecoin”

22. OKCoin was founded in 2013 on the wave of cryptocurrency’s popularity. It offered an online marketplace – the equivalent of a stock exchange and a broker-dealer – where investors could buy and sell cryptocurrencies of all types. OKCoin described itself as “building the next generation of tools to help onboard the investors and traders who have been on the fence about crypto.” These were the very same investors and traders the promise of stablecoins was intended to entice.

23. Plaintiffs and Class Members were indeed induced by OKCoin’s calling. Low fees, twenty four hour a day – seven day a week trading, and easy access made the site extremely popular. Part of the attraction of cryptocurrency markets is that, unlike traditional markets that operate on bankers’ hours, digital assets can be bought, sold, or invested instantaneously at any time of day. To entice retail investors to transact on its platform, OKCoin promised consumers they could “[m]ake deposits 365 days a year 24/7 — crypto never closes.”

Crypto markets are open 24/7 and we never want you to miss an opportunity. Our goal is to make it as simple and easy as possible to buy bitcoin, buy XRP, and all of the digital assets available on the OKCoin exchange.

24. OKCoin also represented that users of its platform could trade instantaneously because they would experience “no transaction downtime” using the platform and “fast funds,” “fast gains,” and would “get[] the funds you need when you need them.”

Downtime is so 2020. With no transaction downtime, know your buy is always good as gold.

Fast funds. Fast gains.

From Apple Pay to instant deposits, you've got options for getting the funds you need, when you need them.

1 25. OKCoin’s efforts bore fruit and it soon billed itself as “the fastest growing global
2 cryptocurrency exchange.”

3 26. OKCoin was not registered with the Financial Industry Regulatory Authority (FINRA) or
4 the U.S. Securities and Exchange Commission (SEC) as a broker-dealer or securities exchange.
5 It was, however, a licensed money transmitter and money services business registered with the
6 U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN).

7 27. When OKCoin offered trading of a cryptocurrency, it provided information and data
8 regarding the asset, including the asset’s historical pricing, circulating supply, trading activity,
9 and market cap. It also linked to the asset’s official website, white paper, and Twitter profile,
10 where applicable. OKCoin provided this information to its retail investors and traders, and
11 provided it to Plaintiffs and Class Members, so that they would rely on it in reaching purchase
12 decisions, and Plaintiffs and Class Members did so reasonably rely.

13 28. Stablecoins were a central component of OKCoin’s strategy for growth and success. For
14 example, stablecoins were central to OKCoin’s “Earn Program,” which differentiated OKCoin
15 from many other cryptocurrency exchanges. The Earn Program offered OKCoin users a way to
16 access a type of investing known as “DeFi,” or decentralized finance. Decentralized finance
17 allows cryptocurrency investors to lend, borrow, or invest their digital assets into algorithmic
18 protocols, or “smart contracts,” from their self-hosted wallets. OKCoin’s Earn Program allowed
19 its users access to DeFi smart contracts directly from their OKCoin account, offering new or
20 unsavvy crypto investors a way to invest in DeFi protocols without having to self-custody their
21 own wallets.

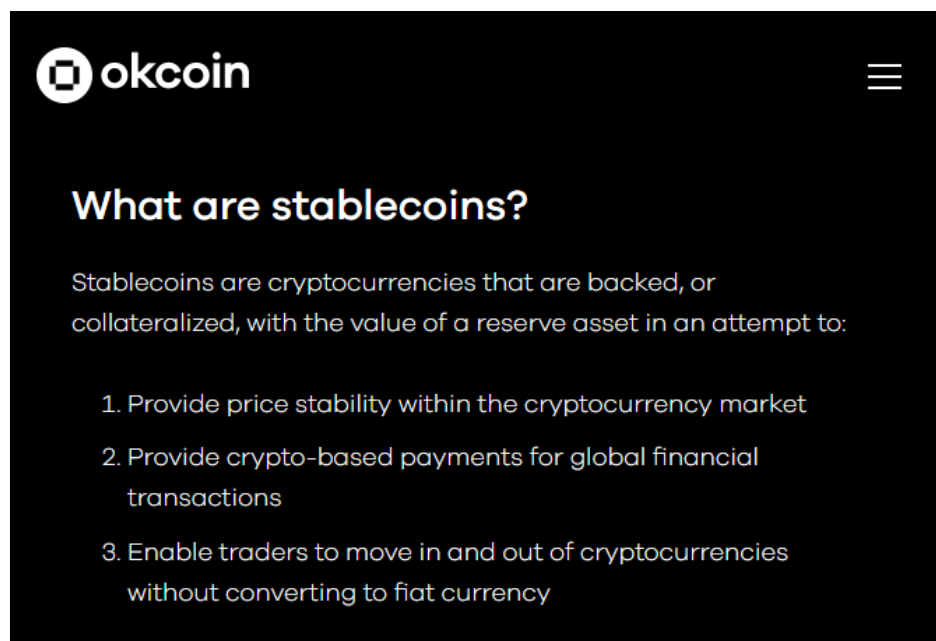
22 29. An OKCoin customer using the Earn Program was offered a selection of third-party
23 lending protocols, including several involving stablecoins, into which they could deposit funds
24 and earn interest (“yield”). Yields through the Earn Program were often hundreds of times higher
25 than those offered by typical U.S. bank deposits.

26 30. In the case of UST, OKCoin customers were encouraged to purchase UST and, through
27 the Earn Program, deposit it into UST’s native smart contract, called the “Anchor” protocol, for
28 annual percentage yields as high as 20 percent. Considering that these investors understood that

1 UST offered the stability and confidence of the US dollar that it was named after, the opportunity
2 to receive 20% returns on the equivalent of a retail bank's saving account was an attractive one.

3 31. The Earn Program and other stablecoin promotions proved popular with OKCoin
4 investors. In the first quarter of 2022, stablecoin transactions accounted for over one-third of
5 OKCoin's trading by volume.

6 32. OKCoin maintained a blog that included a section called, "Crypto 101," where it offered
7 educational resources for its users and potential investors and traders to learn about the
8 fundamentals of cryptocurrencies. It defined stablecoins to its users on a page in its Crypto 101
9 blog titled, "What is a stablecoin?" The page defined stablecoins as "cryptocurrencies that are
10 backed, or collateralized, with the value of a reserve asset." This description was without
11 condition or caveat.



23 33. OKCoin reinforced the idea that stablecoins maintained their stability through
24 collateralization in its "TL;DR" ("too long, didn't read") "summary" of stablecoins, which
25 claimed, "[s]tabilization comes from the backing of an underlying reserve asset."
26
27
28



TL;DR:

First introduced in 2014, stablecoins were created for the cryptocurrency markets in an effort to provide a stable crypto asset and reduce exposure to volatility. Stabilization comes from the backing of an underlying reserve asset. The options for reserve assets have expanded beyond USD to include other fiat, high market cap cryptocurrencies, and commodities.

34. OKCoin’s “What are stablecoins?” and “TL;DR” definitions both represented to its retail investors and traders that stablecoins were collateralized cryptocurrencies, backed by reserve assets, leading them to believe that, if an asset was a stablecoin, it was accordingly collateralized and its value would remain pegged to the fiat currency in which it was denominated.

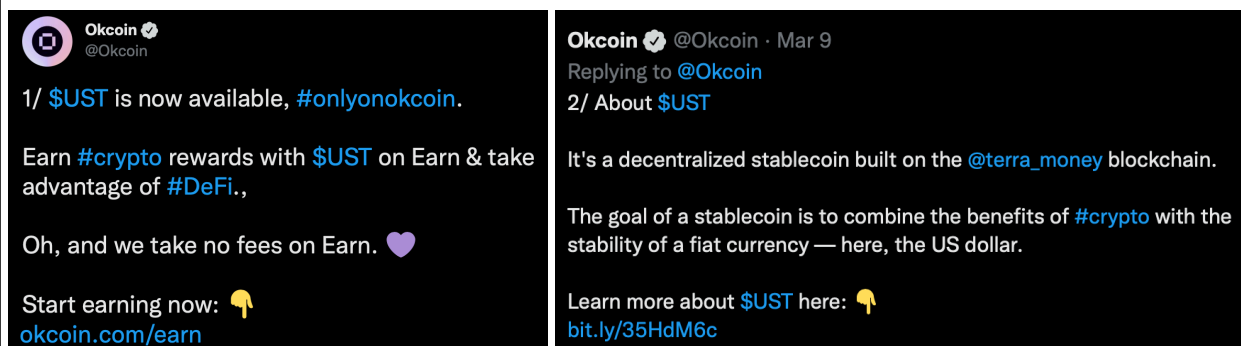
35. OKCoin representatives also made public statements describing the characteristics of stablecoins. In an April 2022 release, OKCoin’s Chief Operating Officer publicly stated:

While stablecoins don’t offer upside appreciation, they also open up access to DeFi yield opportunities and are an ideal mix of stability and liquidity, which is especially appealing to investors today.

OKCoin’s Promotions Mischaracterized UST as a “Stablecoin”

36. OKCoin heavily promoted UST on various online forums and social platforms and on its own site.

37. In March 2022, OKCoin announced on Twitter that it would offer “#crypto rewards” to users who deposited UST in the Earn Program. Through this promotion, users who deposited a certain amount of UST into the Earn Program would receive incentive compensation.



38. OKCoin made identical announcements, all characterizing UST as a “decentralized stablecoin,” on the online forum reddit, the social networking site Facebook, the networking site LinkedIn, and the messaging platform Discord. These targeted promotional statements further claimed that UST offered investors “the benefits of #crypto with the stability of a fiat currency,” indicating it was a hedge against volatility because of its supposed one-to-one peg in value to the U.S. dollar.

39. OKCoin also held out UST as a stablecoin on its website, okcoin.com. From the OKCoin home page, users needed only click on the “Prices” tab, where they would see a listing of all OKCoin’s offerings, including UST. To quickly find UST’s pricing page, users could search “UST,” “USTC,” “Terra,” or any other of several terms, and they were directed to that page. Once on the UST pricing page, users were presented with a description of UST as “the original stablecoin built on the Terra blockchain.”

40. On the UST pricing page, OKCoin also published links to the UST white paper and Terraform Labs’ website. These materials further mischaracterized UST as a “stable-coin” and made fantastic claims of the Anchor Protocol’s “predictable rewards in all economic conditions.” OKCoin adopted Terraform Labs’ statements despite having done nothing to substantiate whether the UST was capable of maintaining its promised \$1.00 value or whether the Anchor Protocol was capable of delivering the promised rewards.

41. The keystone of all OKCoin’s marketing, both on its own site and elsewhere, was its claim that UST was a “stablecoin.” By defining a stablecoin as collateralized without qualification, and referring to UST as a stablecoin, OKCoin was necessarily representing UST as collateralized. This was a false and misleading characterization, which misled Plaintiffs and

1 Class Members into believing that UST was collateralized and inherently stable or, at a
2 minimum, less volatile than traditional cryptocurrencies.

3 42. OKCoin knew that UST was not actually backed by the U.S. dollar or any other hard
4 asset and that a break from its peg was likely, if not certain. Yet OKCoin withheld this
5 information from investors and waged a concerted campaign to represent the exact opposite of
6 this fact to its retail investors, including Plaintiff.

7 43. In addition to affirmatively misrepresenting UST as a stablecoin, OKCoin omitted critical
8 and material details regarding the nature of UST. It failed to explain that the distinctive features
9 that made UST so enticing were also what made it *not* a stablecoin. OKCoin completely omitted
10 from its description of UST that it was uncollateralized by an underlying hard asset, which
11 OKCoin stated elsewhere was the defining characteristic of a stablecoin. The term
12 “uncollateralized” (or any equivalent language) appeared nowhere in OKCoin’s materials
13 describing UST. OKCoin customers would not know from reading OKCoin’s representations
14 that UST was not backed by the U.S. dollar, any other traditional fiat currency, or any stable
15 asset whatsoever. Absent this disclosure, OKCoin never should have described UST as a
16 stablecoin because it lacked the sole defining characteristic of a stablecoin according to
17 OKCoin’s own definition and a feature common across successful stablecoins – tangible assets
18 held in reserve.

19 44. Additionally, OKCoin omitted the fact that UST’s stability and its ability to maintain a
20 one-to-one peg to the U.S. dollar were in fact based on an unproven algorithm. While OKCoin
21 cryptically disclosed that UST was “linked algorithmically to Terra’s other original asset,” it did
22 nothing to explain what this “link” implied, what an “algorithmic stablecoin” was, or that its
23 theoretical “algorithmic” tether and lack of collateral rendered it far riskier than a true stablecoin.

24 45. OKCoin’s presentation of UST was misleading to Plaintiffs and Class Members who
25 reasonably believed that UST was properly categorized as a stablecoin and posed less risk
26 compared to alternative digital assets available to them. These representations and omissions
27 were material to Plaintiffs, and he would not have purchased UST if he had known that UST’s
28

ability to maintain a one-to-one peg was tied to an unproven algorithm rather than tangible assets held in reserve.

46. Cryptocurrency investors rely, in part on their exchanges, to inform them of the nature of the assets available to trade on the exchange. Other cryptocurrency exchanges marketing stablecoins offered more thorough and accurate descriptions of stablecoins to their users, including disclosures of the key differences between stablecoins and uncollateralized algorithmic assets calling themselves stablecoins (like UST).

47. Robinhood, another cryptocurrency exchange defined stablecoins as follows:

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

Algorithmic stablecoins have sometimes raised regulatory concerns, and in at least one instance, millions of dollars in seed money was returned to investors, among them GV and Bain Capital, when the project was cancelled.¹

48. The cryptocurrency exchange Kraken differentiated collateralized stablecoins and uncollateralized algorithmic assets as follows:

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

[...]

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

[...]

Algorithmic stablecoins are digital assets that rely on smart contracts to regulate their stability. Rather than using deposits of cryptocurrencies or issuing and redeeming debt, the software behind algorithmic stablecoins programmatically adjusts the supply of the cryptocurrency as the demand for it fluctuates. If demand

¹ Available at the Way Back Machine, <https://web.archive.org/web/20211229183210/https://learn.robinhood.com/articles/1thUPqVffWfMYJvxthNrHn/what-is-a-cryptocurrency/> (last accessed June 13, 2022).

is high, the price of each stablecoin will exceed the intended peg, and the software will increase the supply. Alternatively, if demand is low, the supply will decrease.²

49. Gemini, another cryptocurrency exchange, explained:

There are four primary stablecoin types, identifiable by their underlying collateral structure: fiat-backed, crypto-backed, commodity-backed, and algorithmic.

[...]

Algorithmic stablecoins do not use fiat or cryptocurrency as collateral. Instead, their price stability results from the use of specialized algorithms and smart contracts that manage the supply of tokens in circulation.³

50. As a result of OKCoin's misleading promotion of the UST as a stablecoin, droves of investors purchased UST. As of May 1, 2022, it had become the world's third largest stablecoin cryptocurrency and was gaining popularity. In the first quarter of 2022, UST purchases on OKCoin increased 470 percent.

The UST Total System Failure

51. Because UST was not actually a stablecoin, it was always susceptible to the high risk of price volatility associated with other cryptocurrencies. That risk materialized in May of 2022.

52. The price of UST showed signs of instability on May 7, 2022 when LUNA, the companion token that was supposed to stabilize UST's price, fell dramatically.

53. On May 8, 2022, UST started losing value, and the mechanisms described above by which UST had maintained its peg to the dollar failed spectacularly. A true stablecoin would have maintained its peg because it could always, in theory, be exchanged one-to-one with the currency in which it was denominated. But with no collateral backing its price peg, UST had nothing to prop it up and no real value.

54. Around the time of the initial signs of the collapse on May 8, 2022, over \$2 billion USD worth of UST were "unstaked" or removed from the Anchor protocol. Next, mass quantities of UST were immediately sold and, as UST started losing its value, retail investors rushed to sell their UST to preserve what remained of their assets.

² Available at the Way Back Machine, <https://web.archive.org/web/20210304131434/https://www.kraken.com/learn/what-are-stablecoins/> (last accessed June 13, 2022).

³ Available at the Way Back Machine, [www.gemini.com/cryptopedia/what-are-stablecoins-how-do-they-work](https://web.archive.org/web/20210304131434/https://www.gemini.com/cryptopedia/what-are-stablecoins-how-do-they-work) (last accessed June 13, 2022).

55. By May 9, 2022, UST was completely unpegged from the U.S. dollar and in freefall. Within a week, the value of UST had dropped from \$1.00 to \$0.09 – a drop in value of over 90 percent.

56. When UST’s value fell, OKCoin’s description of UST as a stablecoin, collateralized by definition, was revealed as a deception. Retail investors’ savings were wiped out. Collectively, Plaintiffs and the Class Members lost millions measured in U.S. dollars.

57. In June 2022, over a month after UST’s collapse, OKCoin posted a statement on its blog titled, “What happened to LUNA?” explaining, for the first time, that UST was uncollateralized.

There are three types of stablecoins: fiat-collateralized stablecoins, crypto-collateralized stablecoins, and non-collateralized stablecoins. Fiat-collateralized and crypto-collateralized stablecoins are backed 1:1 with the reference asset, often USD. [...] Non-collateralized stablecoins, like UST, are also called algorithmic stablecoins because they typically use an algorithm or smart contract instead of collateral to manage the supply of tokens and maintain their value, or peg, to the reference asset.

[...]

Due to the algorithmic nature of UST (and the fact that it was only partially collateralized by BTC), the panic in the market increased as many players understood that UST was only backed by LUNA and that more LUNA had to be minted to burn (decrease the supply of) UST.

58. OKCoin profited from every sale and trade made on its platforms. It also profited from retail investors’ funds staked in the Earn Program, taking a 3% fee on all yield earned. OKCoin derives its revenue from the activity of its users and profits each time they buy, sell, or stake cryptocurrencies on its platform. OKCoin is in the business of encouraging retail investors to engage in increasingly more transactions because each transaction means more revenue to the exchange. OKCoin directly promoted UST and had a vested interest in pushing the crypto asset to investors, particularly as it earned a 3% fee on UST yields its users realized. As a result, OKCoin withheld the true risks inherent to UST and misled Plaintiffs and other investors who reasonably believed that they were purchasing a reserve-backed stablecoin based on OKCoin’s misrepresentations.

OKCoin’s Response Further Harmed Investors

59. OKCoin’s actions during the UST collapse compounded its users’ harm.

60. At the time of the UST collapse, OKCoin’s website promised investors with deposits in the Earn Program that their assets could be redeemed “anytime.” According to OKCoin:

When are deposits and redemptions processed?

Okcoin offers flexible deposit and redemption periods, so you can deposit your funds into Earn and take them out anytime you want. Okcoin adds your deposited crypto to the selected protocol everyday, and we pay out generated rewards to you daily. When you redeem, Okcoin will retrieve all assets and accumulated earnings and automatically return them to your Funding account. With fixed term offers, like STX, funds are automatically returned to your Funding account one day after the end of the term.

61. Despite this clear promise, when Earn Program investors, including Plaintiff Nguyen, attempted to withdraw their funds, the transactions were delayed. OKCoin sent users a pop-up message stating: “your assets or crypto will be available in your trading account within 48 hours.”

62. OKCoin further imposed opaque requirements on users’ ability to liquidate their holdings in UST that were never disclosed to Plaintiffs or Class Members. Unbeknownst to users, the OKCoin exchange was designed to restrict transactions of a particular digital asset and deny orders when the asset price was in high fluctuation. When UST went into freefall, the restriction was triggered and the OKCoin exchange rejected users’ attempts to sell their de-pegged UST.

63. At 12:00 p.m. Pacific Time on May 10, 2022, UST was worth approximately \$0.80 USD. At 12:00 p.m. Pacific Time on May 12, 2022, 48 hours later, the value of UST had fallen to \$0.15 USD.

64. Customers demanding to withdraw their UST from the Earn Program and unsuccessfully trying to sell their UST panicked as many saw their savings evaporate. Seeking guidance and information, they reached out to OKCoin in the only way the site allowed – through chat and email (OKCoin offered no live customer service or support). OKCoin representatives took as long as three days, and likely longer in many instances, to respond. During this time, customers were left helpless as they watched money they thought was safely stored in a stablecoin disappear.

65. When OKCoin representatives finally did respond to users' inquiries, they provided incomplete, often inconsistent explanations regarding why users could not promptly withdraw their UST from the Earn Program, or promptly sell the UST that was in their trading accounts. All explanations, however, stood in stark contrast to OKCoin's representations that users can take funds out of the Earn Program "anytime" they want, and users have access to and use of the digital assets in their trading accounts.

66. Plaintiffs and Class Members incurred damages as a result of OKCoin's misrepresentations about the nature and stability of UST, its material omissions regarding UST's security and lack of collateralization, and its restrictions on users' ability to sell UST and willful delay (in stark contrast to its stated policy) in processing investors' requests to withdraw their money out of the Earn Program as the UST began to fall.

67. As a result of OKCoin's conduct, Plaintiffs and members of the proposed Classes, defined below, have been damaged. Accordingly, Plaintiffs, individually and on behalf of all persons or entities who transacted in UST on OKCoin during the Class Period (the "Class"), bring claims for compensatory damages and other relief. Plaintiff Nguyen also brings claims individually and on behalf of a Subclass consisting of all Class Members who invested UST in the Earn Program (the "Subclass").

III. JURISDICTION AND VENUE

68. This action is brought as a class action for common law negligence and negligent misrepresentations, as well as for violations of California's Consumers Legal Remedies Act ("CLRA") (Cal. Civ. Code §§ 1750, *et seq.*), the Unfair Competition Law ("UCL") (Cal. Bus. & Prof. Code §§ 17200, *et seq.*), and the False Advertising Law ("FAL") (Cal. Bus. & Prof. Code §§ 17500, *et seq.*) for monetary and equitable non-monetary relief due to Defendants' conduct.

69. This Court has personal jurisdiction over Defendants because Defendants and their affiliates do business in the state of California and the claims asserted herein arise from conduct occurring in California.

70. Venue is proper in this Court because, *inter alia*, Defendants engage and perform business activities in and throughout San Francisco County. By its own terms of services,

Defendants identify San Francisco County as the venue for all legal actions against it. Many of the acts committed by Defendants complained of herein occurred in this county.

IV. THE PARTIES

71. Plaintiff MICHAEL NGUYEN is and at all relevant times was a citizen of California residing in San Diego, California. Plaintiff Nguyen has been a customer of OKCoin since 2021. In April 2022, Plaintiff Nguyen made purchases of UST on the OKCoin exchange. At the time of purchase and until the time of the collapse, Plaintiff Nguyen's total UST holdings were worth approximately \$40,100 U.S. dollars. Immediately after purchasing UST, Plaintiff Nguyen invested all of it into the OKCoin Earn Program.

72. Plaintiff Nguyen saw and relied on OKCoin's representations regarding UST (described fully above) as a stablecoin that was pegged in value to the U.S. dollar. He also saw and relied on OKCoin's representations about being able to withdraw his assets from the Earn Program "anytime." Plaintiff Nguyen further held the reasonable expectation that assets in his OKCoin trading account could be sold at will, without unreasonable or undisclosed restrictions imposed by OKCoin. The OKCoin website included representations like, "fast transactions... wherever you are" and "you're a click away from a brand new piece of cryptocurrency," "fast funds," "fast gains," "crypto never closes," "real-time crypto trading," "no transaction downtime," and that "Crypto markets are open 24/7 and we never want you to miss an opportunity." But for Defendants' misrepresentations regarding UST, uninterrupted trading, and the Earn Program, Plaintiff Nguyen would not have used Defendants' products and services.

73. As UST began to fall in value, Plaintiff Nguyen attempted to withdraw his funds from the Earn Program. However, despite OKCoin's representations that he could do so "anytime," Plaintiff Nguyen was not able to immediately withdraw his funds. Instead, when he clicked "withdraw from Earn Program" he got a pop-up message stating, "Your assets will be returned to your Portfolio within 48 hours." Once the UST was finally returned to Plaintiff Nguyen's trading account, he attempted to sell his total UST holdings. However, when attempting the sale, Plaintiff received an automatic "cancel order" message. He contacted customer service at least three times, but OKCoin personnel could not provide an explanation for OKCoin's restriction on

1 the sale of UST. Instead, Plaintiff Nguyen was told to keep trying to sell the UST in different
2 amounts, using a guess-and-check method for what amount OKCoin would allow to be sold.
3 Finally, after several sale attempts, OKCoin permitted approximately seven separate sale
4 transactions, and Plaintiff exhausted his UST holdings. The value of Plaintiff Nguyen's
5 investment fell by over 90 percent. In addition to financial devastation, the loss of his investment
6 resulted in stress, anxiety, and outrage.

7 74. Plaintiff NADER GEORGE is and at all relevant times was a citizen of California
8 residing in Carson, California. Plaintiff George has been a customer of OKCoin since early
9 2022. In April 2022, Plaintiff George made purchases of UST on the OKCoin exchange. At the
10 time of purchase and until the time of the collapse, Plaintiff George's total UST holdings
11 acquired through OKCoin were worth approximately \$400,000 U.S. dollars. Plaintiff George
12 saw and relied on OKCoin's representations regarding UST (described fully above) as a
13 stablecoin that was pegged in value to the U.S. dollar. The value of Plaintiff George's investment
14 fell by over 90 percent. In addition to financial devastation, the loss of his investment resulted in
15 stress, anxiety, and outrage.

16 75. Plaintiff George saw and relied on OKCoin's representations regarding UST (described
17 fully above) as a stablecoin that was pegged in value to the U.S. dollar. Plaintiff George further
18 held the reasonable expectation that assets in his OKCoin trading account could be sold at will,
19 without unreasonable or undisclosed restrictions imposed by OKCoin. The OKCoin website
20 included representations like, "fast transactions...wherever you are" and "you're a click away
21 from a brand new piece of cryptocurrency," "fast funds," "fast gains," "crypto never closes,"
22 "real-time crypto trading," "no transaction downtime," and that "Crypto markets are open 24/7
23 and we never want you to miss an opportunity." But for Defendants' misrepresentations
24 regarding UST and uninterrupted trading Plaintiff George would not have used Defendants'
25 products and services.

26 76. Defendant OKCOIN USA INC. is a Delaware corporation with its principal place of
27 business located in San Francisco, OKCoin created and operates a website from which customers
28

American retail investors can buy and sell digital assets – the OKCoin platform – on which UST was traded and staked.

77. DOES 1 through 10, inclusive, are unknown to Plaintiffs who sue such Defendants by use of such fictitious names. Plaintiffs will amend this complaint to add the true names when they are ascertained. Plaintiffs are informed and believes and thereon alleges that each of the fictitiously named Defendants is legally responsible for the occurrences herein alleged, and that Plaintiffs' damages as herein alleged were proximately caused by their conduct.

78. At all relevant times, all Defendants were and are legally responsible for all of the unlawful conduct, policies, practices, acts, and omissions as described in each and all of the foregoing paragraphs, unless otherwise indicated.

79. At all relevant times, the unlawful conduct against Plaintiffs and Class Members as described in each and all of the foregoing paragraphs was actuated, in whole or in part, by a purpose to serve Defendants. At all relevant times, upon information and belief, the unlawful conduct described in each and all of the foregoing paragraphs was reasonably foreseeable by Defendants and committed under actual or apparent authority granted by Defendants such that all of the aforementioned unlawful conduct is legally attributable to Defendants.

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

V. CLASS ALLEGATIONS

81. Plaintiffs bring this action to seek monetary and equitable non-monetary relief as a class action pursuant to Code of Civil Procedure section 382, on behalf of himself and the following Class:

All persons in the United States who owned tokens of the UST stablecoin on May 9, 2022 that were purchased or acquired through OKCoin.

82. Plaintiff Nguyen also brings this action individually and on behalf of the following Subclass:

1 All Class members who, on or after May 9, 2022, placed a redemption instruction
2 for their UST through the Earn Program by T-Time, and the redemption was not
3 completed at the next occurring T-Time. T-Time means the time each day that
OKCoin is scheduled to redeem user's digital assets and place them in the user's
OKCoin trading account.

4 83. Plaintiffs reserve the right to amend the Class or Subclass definition or add further classes
5 and subclasses if discovery or further investigation demonstrate that they should be expanded or
6 otherwise modified.

7 84. The members of the Classes are so numerous that joinder of all members would be
8 impracticable.

9 85. There are questions of law and fact common to the members of the Classes that
10 predominate over any questions affecting only individual members, including:

- 11 a. Whether OKCoin owed duties to Plaintiffs and the proposed Classes;
- 12 b. Whether OKCoin breached those duties;
- 13 c. Whether OKCoin negligently misrepresented UST to Plaintiffs and the proposed
14 Class;
- 15 d. Whether OKCoin negligently misrepresented the Earn Program to Plaintiff Nguyen
16 and the proposed Subclass;
- 17 e. Whether OKCoin engaged in unlawful, unfair, or fraudulent business practices in
18 connection with UST trading on the OKCoin exchange and UST investing in the
19 OKCoin Earn Program;
- 20 f. Whether OKCoin's actions and omissions violate California law;
- 21 g. Whether OKCoin's conduct violates public policy;
- 22 h. Whether Plaintiffs and members of the proposed Classes are entitled to monetary
23 damages and, if so, the nature of such relief; and

24 86. Whether Plaintiffs and members of the proposed Classes are entitled to equitable,
25 declaratory, or injunctive relief and, if so, the nature of such relief.

26 87. Plaintiffs' claims are typical of the claims of the Classes. Plaintiffs have no interests
27 antagonistic to those of the Classes and are not subject to any unique defenses.
28

1 88. Plaintiffs will fairly and adequately protect the interests of the Classes and has retained
2 attorneys experienced in class action and complex litigation.

3 89. A class action is superior to all other available methods for the fair and efficient
4 adjudication of this controversy for, *inter alia*, the following reasons:

- 5 a. It is economically impractical for members of the Classes to prosecute individual
6 actions;
- 7 b. The Class and Subclass are readily ascertainable and definable;
- 8 c. Prosecution as a class action will eliminate the possibility of repetitious litigation.
- 9 d. A class action will enable claims to be handled in an orderly and expeditious manner,
10 will save time and expense, and will ensure uniformity of decisions.

11 90. Plaintiffs do not anticipate any difficulty in the management of this litigation.

12 VI. CAUSES OF ACTION

13 First Cause of Action

14 (On Behalf of Plaintiffs, the Class, and the Subclass)

15 Negligence

16 91. Plaintiffs incorporate the above allegations as if set forth fully herein.

17 92. Defendants owed a duty to Plaintiffs and the Classes to exercise reasonable care in
18 relation to supporting and promoting UST on the OKCoin platform, including (a) conducting due
19 diligence on UST and its issuer; (b) taking steps to ensure that UST would remain stable and
20 pegged to the U.S. dollar; (c) implementing processes to detect and investigate unexpected price
21 or trading activity for UST; and (d) ensuring the truthfulness of statements to potential investors
22 regarding UST.

23 93. The Defendants owed a duty of reasonable care toward Plaintiffs and the Classes based
24 on Civil Code, section 1714, which requires “everyone” including Defendants, to act in a
25 reasonable manner toward others and to be responsible for injuries caused by one’s willful acts
26 and for injuries caused by one’s lack of ordinary care.

1 94. Additionally, said duty was based on Defendants’ special relationship to Plaintiffs and
2 the Classes, who were Defendants’ customers and who entrusted their funds to Defendants to act
3 as custodians thereof.

4 95. Additionally, said duty is based on custom and practice in the industry in which
5 Defendants were engaged and in the course of conduct that is described herein.

6 96. Additionally, said duty is based on the specific statutory duties imposed on Defendants
7 by operation of Section 5 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 45.
8 Section 5 of the FTC Act, prohibits “unfair or deceptive acts or practices in or affecting
9 commerce.” This prohibition includes acts or practices that are likely to cause substantial injury
10 to consumers, which cannot be reasonably avoided by consumers, and which are not outweighed
11 by countervailing benefits to consumers or competition. It also includes material representations,
12 omissions, or practices that are likely to mislead a reasonable consumer.

13 97. Additionally, said duty is based on section 17200, *et seq.*, of the Code of Business and
14 Professions Code and section 1750, *et seq.* of the Civil Code, which establish a standard of care
15 and a duty of care for Defendants, as described below.

16 98. Plaintiffs and members of the Classes were within the scope of persons the above statutes
17 were intended to protect and the harm complained of herein was the type of harm against which
18 these statutes were intended to guard.

19 99. OKCoin breached its duty and violated Section 5 of the FTC Act (and similar state
20 statutes) by failing to conduct due diligence on Terraform Labs as an issuer and UST as a
21 stablecoin before listing it on the OKCoin exchange, failing to test UST prior to introducing it on
22 the OKCoin exchange to ensure the asset would perform consistent with representations made by
23 Terraform Labs and OKCoin, by listing UST on the OKCoin exchange in conjunction with
24 making representations that it was a stablecoin and other representations as to its stability,
25 collateralization, and one-to-one peg to the U.S. dollar despite a reasonably foreseeable risk that
26 UST would become unpegged and cause harms and losses to Plaintiffs and the Classes, and by
27 restricting the sale of UST on the OKCoin exchange as it collapsed despite a reasonably
28

foreseeable risk that Plaintiffs and the Classes would be harmed by the inability to freely sell their UST during a downturn.

100. OKCoin further breached its duties to the Subclass by not completing redemptions of UST within the promised time period despite a reasonably foreseeable risk that Plaintiff Nguyen and Subclass Members would be harmed by the delayed withdrawal of their UST during a downturn.

101. Defendants' violations constitute negligence *per se*.

102. Plaintiffs and Class Members are consumers within the class of persons the laws cited above are intended to protect.

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

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

Second Cause of Action

(On Behalf of Plaintiffs, the Class, and the Subclass)

Negligent Misrepresentation

105. Plaintiffs incorporate the above allegations by reference as if set forth fully herein.

106. OKCoin represented to Plaintiffs and the Classes, through its statements and categorizations, that UST was a "reserve" backed stablecoin that was less volatile than other cryptocurrencies on the market. OKCoin also represented that the value of UST would remain pegged to the U.S. dollar at a 1-to-1 ratio, and UST constituted a safe investment with virtually no volatility. These statements were false.

107. Defendants also omitted the fact that UST, as an uncollateralized algorithmic digital asset, had the propensity to become unpegged from the U.S. dollar and, as a result, could become worthless. In doing so, Defendants misrepresented material facts regarding UST's nature as a stablecoin (or lack thereof), purpose, value, volatility, and risk. These omissions rendered Defendants' affirmative representations deceptive and likely to mislead potential purchasers.

1 108. Defendants failed to conduct reasonable and diligent investigation of the representations
2 they made to Plaintiffs and the Classes to ensure that those statements were true and that there
3 was no omission of material facts required to make the representations not misleading.
4 Defendants, by making partial representations concerning the security and stability of stablecoins
5 and UST, had a duty to fully disclose the risks known to them. Defendants, in the exercise of
6 reasonable care, should have known their statements and omissions were misleading. For
7 example, Defendants knew that it was improper to categorize UST as a stablecoin when, in
8 reality, it did not meet OKCoin's own definition of a stablecoin and was not collateralized with
9 tangible assets.

10 109. Defendants also represented that Earn Program investors, like Plaintiff Nguyen and the
11 Subclass, were able to withdraw their funds from Earn at "anytime." This statement was false.

12 110. Defendants omitted the fact that, when attempting to withdraw their funds from the Earn
13 Program, investors might be required to wait 48 hours before regaining control over their assets.
14 In doing so, Defendants misrepresented material facts regarding the nature and benefits of the
15 Earn Program. These omissions rendered Defendants' affirmative representations deceptive and
16 likely to mislead potential purchasers.

17 111. Defendants owed a duty to Plaintiffs and the Classes to speak with care and explain fully
18 and truthfully all material facts regarding the UST and regarding the Earn Program. This duty
19 arose from several bases, including section 5 of the FTC Act, which prohibits "deceptive acts or
20 practices in or affecting commerce." This provision encompasses material representations,
21 omissions, or practices that are likely to mislead a reasonable consumer.

22 112. OKCoin's duty to speak with care further arose from their special relationship with
23 Plaintiffs and members of the Classes and its unique position effectuating the sale and trade of
24 digital assets, and serving as a custodian and bailee of digital assets. Because of its role within
25 the cryptocurrency exchange market, OKCoin was in a superior position to protect against the
26 harm suffered by Plaintiffs and the Classes.

27 113. The above-described relationship between Defendants and Plaintiffs is such that, in
28 morals and good conscience, Plaintiffs and the Classes had the right to rely upon Defendants for

information. Defendants were in a special position of confidence and trust with Plaintiffs and the Classes such that their reliance on Defendants' negligent misrepresentations was justified.

114. Defendants knew, or reasonably should have known, that Plaintiffs and the Classes would rely on their misrepresentations and omissions in purchasing UST.

115. Defendants' negligent misrepresentations and omissions regarding UST, upon which Plaintiffs and members of the Classes reasonably and justifiably relied, were intended to induce, and actually induced, Plaintiffs and Class Members to purchase UST. Defendants' negligent misrepresentations and omissions regarding the Earn Program, upon which Plaintiff Nguyen and Subclass Members reasonably and justifiably relied, were intended to induce, and actually induced, Plaintiff Nguyen and Subclass Members to invest UST in the Earn Program.

116. As a direct and proximate cause of their reliance on Defendants' representations, Plaintiffs and members of the Classes have been injured as described herein and are entitled to damages available by law, in an amount to be proven at trial.

Third Cause of Action

(On Behalf of Plaintiffs, the Class, and the Subclass)

Violation of the Consumers Legal Remedies Act

(Cal. Civ. Code §§ 1750, *et seq.* ("CLRA"))

117. Plaintiffs incorporate the above allegations by reference as if set forth fully herein.

118. The conduct described herein took place in the state of California and constitutes unfair methods of competition or deceptive acts or practices in violation of the Consumers Legal Remedies Act ("CLRA"), Civil Code, section 1750, *et seq.*

119. The CLRA applies to all claims of all members of the Classes because the conduct which constitutes violations of the CLRA by Defendants occurred within the state of California and because Defendants designate California law as controlling in its terms of use with all customers.

120. Plaintiffs and members of the Class are "consumers" as defined by Civil Code, section 1761(d) because they purchased UST using OKCoin's services, and did so for personal, family, or household purposes. Plaintiff Nguyen and members of the Subclass are "consumers" as

defined by Civil Code, section 1761(d) because they used OKCoin's investment services to invest digital assets, and did so for personal, family, or household purposes.

121. Defendants are "person[s]" as defined by Civil Code, section 1761(c).

122. Plaintiffs and Class Members' purchases of UST on OKCoin's platform as well as Plaintiff Nguyen and Subclass Members' investments of UST through OKCoin's Earn Program are "transactions" as defined by Civil Code, section 1761(e).

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

124. Defendants' false and misleading policies, acts, and practices were designed to, and did, induce Plaintiffs and Class Members to purchase and exchange UST through the OKCoin platform and were designed to, and did, induce Plaintiff Nguyen and Subclass Members to invest through the OKCoin Earn Program, and violated the following sections of the CLRA:

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

125. Defendants engaged in unfair competition or unfair or deceptive acts or practices in violation of Civil Code, sections 1770(a)(5)-(16) by: (1) characterizing UST as a stablecoin even though it lacks the hallmarks of a stablecoin, and OKCoin is aware of this fact; (2) representing that UST had benefits or characteristics that it did not actually have; and (3) omitting material facts about UST.

126. Defendants also engaged in unfair competition or unfair or deceptive acts or practices in violation of Civil Code, sections 1770(a)(5)-(16) by: (1) representing that Earn investors could

redeem their assets from the Earn Program at “anytime” when, in reality, there was a significant waiting period; and (2) omitting this material fact about the Earn Program.

127. Defendants knew, or should have known, that their representations and advertisements about the nature of UST and their promise to redeem funds invested in the Earn Program at “anytime” were false or misleading and were likely to deceive a reasonable consumer. No reasonable consumer would use Defendants’ products or engage Defendants’ services if they knew the UST was unstable, uncollateralized, and prone to the same volatility or if they knew Defendants would not make good on their promise to redeem funds invested in the Earn Program “anytime.”

128. Defendants generated revenue by way of service fees charged on each transaction of UST by unwary consumers through the use of false, deceptive, misleading, and unlawful advertising. By convincing users to invest UST in the Earn Program through the use of false, deceptive, misleading, and unlawful advertising, Defendants generated further revenue by way of additional service fees charged as a percent of any yield generated through the Earn Program. Defendants’ products and services were of lesser quality and value than Defendants advertised in that UST was not collateralized by a hard asset to ensure a stable price but instead by an unreliable algorithm and that Defendants would not make good on their promise to redeem funds invested in the Earn Program “anytime.” In reliance on Defendants’ misrepresentations about its products and services, Plaintiffs and the Class made purchases of UST on the OKCoin platform that they would not have made but for Defendants’ representations. Also in reliance on Defendants’ misrepresentations about its products and services, Plaintiffs and the Subclass made investments of UST in the Earn Program that they would not have made, or would have paid less for, but for Defendants’ representations.

129. As a direct and proximate consequence of the actions as identified above, Plaintiffs, the Class, and the Subclass suffered injury in fact, harms, and losses including but not limited to economic loss, lost time, anxiety, panic, and physical and mental distress.

130. Defendants’ wrongful business practices constituted, and constitute, a continuing course of conduct in violation of the CLRA.

131. Defendants' conduct described herein was malicious, fraudulent, and wanton in that Defendants intentionally and knowingly provided misleading information to Plaintiffs and the Classes.

132. Pursuant to Civil Code, section 1780, Plaintiffs and the Classes seek injunctive relief, reasonable attorney fees and costs, and any other relief that the Court deems proper.

133. Pursuant to the provisions of Civil Code, section 1782(a), Plaintiffs provided a letter to Defendants concurrently with the filing of this Class Action Complaint notice of its alleged violations of the CLRA, demanding that Defendants correct such violations, and providing them with the opportunity to correct their business practices. If Defendants do not thereafter correct their business practices and offer appropriate relief to Plaintiffs and the Classes within thirty days of receipt, Plaintiffs will amend (or seek leave to amend) the complaint to add claims for monetary relief, including restitution and actual damages under the Consumers Legal Remedies Act.

134. Pursuant to California Civil Code section 1780(d), attached hereto as Exhibit 1 is a declaration on behalf of Plaintiff Nguyen showing that this action has been commenced in the proper forum.

135. Pursuant to California Civil Code section 1780(d), attached hereto as Exhibit 2 is a declaration on behalf of Plaintiff George showing that this action has been commenced in the proper forum.

Fourth Cause of Action

(On Behalf of Plaintiffs, the Class, and the Subclass)

Violation of the Unfair Competition Law

(Cal. Bus. & Prof. Code §§ 17200, *et seq.* ("UCL"))

136. Plaintiffs incorporate the above allegations by reference as if set forth fully herein.

137. The UCL prohibits any "unlawful, unfair or fraudulent business act or practice." (Bus. & Prof. Code §§ 17200, *et seq.*)

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

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

- a. Civil Code §§ 1750, *et seq.*;
- b. Bus. & Prof. Code §§ 17500, *et seq.*;
- c. Section 1714 of the Civil Code; and
- d. Section 5 of the FTC Act.

140. **Unfair:** Defendants’ conduct with respect to the labeling, advertising, and sale of UST and its Earn Program was and is “unfair” because Defendants’ conduct was immoral, unethical, unscrupulous, or substantially injurious to consumers and the utility of their conduct, if any, does not outweigh the gravity of the harm to their victims.

141. Defendants’ conduct with respect to the labeling, advertising, and sale of UST and its Earn Program was and is also unfair because it violates public policy as declared by specific constitutional, statutory or regulatory provisions, including but not limited to Section 5 of the Federal Trade Commission Act (“FTC Act”), 15 U.S.C. § 45.

142. Defendants’ conduct with respect to the labeling, advertising, and sale of UST and its Earn Program was and is unfair because the consumer injury was substantial, not outweighed by benefits to consumers or competition, and not one consumer themselves could reasonably have avoided.

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

144. As set forth herein, Defendants’ representations regarding the nature and stability of UST were false or misleading and were likely to deceive a reasonable consumer.

145. As set forth herein, Defendants’ representations that investors could redeem funds invested in the Earn Program at “anytime” were false or misleading and were likely to deceive a reasonable consumer.

146. Defendants knew, or should have known, that their representations and advertisements about the nature and stability of UST were false or misleading and were likely to deceive a reasonable consumer. No reasonable consumer would use Defendants’ products or engage

1 Defendants' services if they knew the UST was unstable, uncollateralized, and prone to
2 volatility.

3 147. Defendants knew, or should have known, that their representations and advertisements
4 the investors could redeem funds invested in the Earn Program at "anytime" were false or
5 misleading and were likely to deceive a reasonable consumer. No reasonable consumer would
6 use Defendants' products or engage Defendants' services if they knew Defendants would not
7 make good on their promise to allow investors to redeem funds invested in the Earn Program
8 "anytime."

9 148. Defendants generated revenue by way of service fees charged on each transaction of UST
10 by unwary consumers through the use of false, deceptive, misleading, and unlawful advertising.
11 By convincing users to invest UST in the Earn Program through the use of false, deceptive,
12 misleading, and unlawful advertising, Defendants generated further revenue from service fees
13 charged as a percent of any yield generated through the Earn Program.

14 149. Defendants' products and services were of lesser quality and value than Defendants
15 advertised because (a) UST was not collateralized by a hard asset to ensure a stable price but
16 instead by an unreliable algorithm; and (b) Defendants would not make good on their promise to
17 complete redemptions from Earn Program "anytime" investors request, and instead redemptions
18 were substantially delayed.

19 150. Plaintiffs read and relied on Defendants' statements regarding its products and services as
20 described above. In reliance on Defendants' misrepresentations about its products and services,
21 Plaintiffs and the Class made purchases of UST on the OKCoin platform that they would not
22 have made but for Defendants' representations. Also in reliance on Defendants'
23 misrepresentations about its products and services, Plaintiff Nguyen and the Subclass made
24 investments of UST in the Earn Program that they would not have made, or would have paid
25 less, but for Defendants' representations.

26 151. As a direct and proximate consequence of the actions as identified above, Plaintiff, the
27 Class, and the Subclass suffered injury in fact, harms, and losses including but not limited to
28 economic loss, lost time, anxiety, panic, and physical and mental distress. Defendants' conduct

continues to cause substantial injury to Plaintiffs and the other Class Members because they are unable to rely on Defendants continued misleading characterizations of stablecoins, including UST. Plaintiffs have suffered injury in fact as a result of Defendants' unlawful conduct.

152. In accordance with Business & Professions Code, section 17203, Plaintiffs seek an order enjoining Defendants from continuing to conduct business through unlawful, unfair, and fraudulent acts and practices, and to commence a corrective advertising campaign explaining the critical distinctions between collateralized stablecoins and uncollateralized algorithmic digital assets like UST, which is custom and practice in the cryptocurrency exchange industry, as well as the true waiting period imposed when seeking to withdraw funds from the Earn Program.

153. Plaintiffs and the Classes also seek an order for and restitution of all monies unlawfully obtained from them as a result of Defendants' violations of the UCL and any other relief allowed under the UCL, including injunctive relief, pre and post-judgment interest, costs, attorneys' fees pursuant to, *inter alia*, Code of Civil Procedure, section 1021.5, and any other relief as this Court may deem just and proper.

Fifth Cause of Action

(On Behalf of Plaintiffs, the Class, and the Subclass)

Violation of the False Advertising Law

(Cal. Bus. & Prof. Code §§ 17500, *et seq.* ("FAL"))

154. Plaintiffs incorporate the above allegations by reference as if set forth fully herein.

155. The conduct described herein took place within the state of California and constitutes deceptive or false advertising in violation of Business and Professions Code, section 17500, *et seq.*

156. Business and Professions Code, section 17500, *et seq.* prohibits deceptive or misleading practices in connection with advertising or representations made for the purpose of inducing, or which are likely to induce, consumers to purchase products.

157. It is also unlawful under the FAL to disseminate statements concerning property or services that are "untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading." *Id.*

1 158. Defendants violated the FAL when they marketed, advertised, and promoted exchange
2 services in connection with UST by: (1) misleading Plaintiffs and members of the Classes about
3 the benefits of UST, (2) omitting material facts about the volatility and risks of UST, and (3)
4 mischaracterizing UST as a stablecoin when it lacks the qualities and benefits of a stablecoin.
5 Defendants also violated the FAL by: (1) representing that Earn investors could redeem their
6 assets from the Earn Program at “anytime” when, in reality, there was a significant waiting
7 period; and (2) omitting this material fact about the Earn Program.

8 159. At the time of their misrepresentations and omissions, Defendants were either aware of
9 the risks of mischaracterizing UST as a stablecoin or they were aware that they lacked the
10 information and knowledge required to truthfully make this representation. Defendants were
11 further aware of the risks of falsely promising that they would redeem funds invested in the Earn
12 Program at “anytime.”

13 160. Plaintiffs have standing to pursue claims under the FAL because they reasonably
14 reviewed and relied on OKCoin’s statements when purchasing or exchanging UST on OKCoin
15 and when investing UST in the Earn Program.

16 161. In reliance on the statements made in OKCoin’s advertising and marketing materials, and
17 OKCoin’s omissions and concealment of material facts regarding the quality and characteristics
18 of UST, Plaintiffs and members of the Classes purchased or exchanged UST on OKCoin. Had
19 OKCoin disclosed the true nature and characteristics of UST, Plaintiffs and members of the
20 Classes would not have purchased UST.

21 162. In further reliance on the statements made in OKCoin’s advertising and marketing
22 materials, and OKCoin’s omissions and concealment of material facts regarding the quality and
23 characteristics of the Earn Program, Plaintiff Nguyen and members of the Subclass invested UST
24 in the Earn Program. Had OKCoin disclosed the true nature and characteristics of the Earn
25 Program, Plaintiff Nguyen and members of the Subclass would not have invested UST in the
26 Earn Program.

27 163. As a direct and proximate result of Defendants’ actions, as set forth herein, Defendants
28 have received ill-gotten gains and profits.

1 164. As a result, Plaintiffs, the Class Members, the Subclass Members, and the general public
2 are entitled to injunctive and equitable relief, restitution, and an order for the disgorgement of the
3 funds by which Defendants were unjustly enriched.

4 165. Pursuant to Business & Professions Code, section 17535, Plaintiff, on behalf of himself
5 and the Class, seeks an order enjoining Defendants from continuing to engage in deceptive
6 business practices, false advertising, and any other act prohibited by law, including those set
7 forth in this Complaint.

1 **VII. PRAYER FOR RELIEF**

2 Plaintiffs, on behalf of themselves and others similarly situated, pray for relief and
3 judgment against Defendants as follows:

- 4 A. For an order certifying the proposed Class pursuant to Code of Civil Procedure, section
5 382;
- 6 B. For an order appointing Plaintiffs and their counsel to represent the Classes;
- 7 C. For an order directing Defendants to bear the costs of any notice sent to the Classes;
- 8 D. For an order enjoining Defendants, their affiliates, successors, transferees, assignees, and
9 the officers, directors, partners, agents, and employees thereof, and all other persons
10 acting or claiming to act on their behalf or in concert with them, from conducting their
11 business through the unlawful, unfair, and fraudulent acts or practices set forth herein;
- 12 E. For actual and compensatory damages according to proof pursuant to code and all other
13 applicable laws and regulations;
- 14 F. Declaring that Defendants must disgorge, for the benefit of the Classes, all or part of the
15 ill-gotten profits they received from the exchange of UST, or order Defendants to make
16 full restitution to Plaintiff and the members of the Class except that no monetary relief is
17 presently sought for violations of the Consumers Legal Remedies Act;
- 18 G. Declaring that Defendants must disgorge, for the benefit of the Subclass, all or part of the
19 ill-gotten profits they received from the investment of UST in the Earn Program, or order
20 Defendants to make full restitution to Plaintiff and the members of the Subclass except
21 that no monetary relief is presently sought for violations of the Consumers Legal
22 Remedies Act;
- 23 H. Awarding Plaintiffs and members of the Classes damages, as provided by the applicable
24 state consumer protection statutes invoked above, except that no monetary relief is
25 presently sought for violations of the Consumers Legal Remedies Act;
- 26 I. For any other restitution to the extent permitted by applicable law;
- 27 J. For punitive damages pursuant to Civil Code, section 3294(c)(3);
- 28 K. For pre-judgment and post-judgment interest;

1 L. For an award of attorneys' fees, costs, and expenses as authorized by applicable law; and

2 M. For such other and further relief as this Court may deem just and proper.

3 **VIII. DEMAND FOR JURY TRIAL**

4 Plaintiffs, on behalf of themselves and others similarly situated, demand a trial by jury on
5 all issues so triable.

6 Dated: September 9, 2022

ERICKSON KRAMER OSBORNE LLP

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9 Julie Erickson
Elizabeth Kramer
Kevin Osborne
10 *Attorneys for Michael Nguyen*
11 *and Nader George*
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EXHIBIT 1

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Attorneys for Plaintiffs and the Class

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN FRANCISCO

CIVIL UNLIMITED

MICHAEL NGUYEN and NADER
GEORGE, individually and on behalf of all
others similarly situated,

Plaintiffs,

vs.

OKCOIN USA INC., and DOES 1-10

Defendants.

Case No. 3:22-cv-03561-MMC

CLRA VENUE DECLARATION OF
PLAINTIFF MICHAEL NGUYEN
PURSUANT TO CALIFORNIA CIVIL
CODE SECTION 1780(d)

CLRA VENUE DECLARATION OF PLAINTIFF MICHAEL NGUYEN PURSUANT TO CALIFORNIA CIVIL
CODE SECTION 1780(d)

1 I, MICHAEL NGUYEN, hereby declare the following:

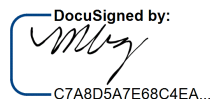
2 1. I am a Plaintiff in the above-captioned action.

3 2. I make this declaration in support of the filing of the Complaint in this action, which is
4 based in part on violations of the Consumers Legal Remedies Act, California Civil Code, section
5 1750, *et seq.*

6 3. The Defendant's principal address is in San Francisco, California. I confirmed this through
7 the Defendant's statements of information, available from the California Secretary of State, on
8 September 8, 2022.

9 4. Accordingly, pursuant to California Code of Civil Procedure, section 1780, the United
10 States District Court for the Northern District of California is the proper venue for Plaintiffs'
11 California Consumer Legal Remedies Act claims.

12 I declare under penalty of perjury under the laws of the United States of America that the
13 foregoing is true and correct, that I have personal knowledge of the facts stated herein, and that I
14 could verify the accuracy of the same if called upon to testify. This document was executed on
15 September 9, 2022 in San Diego, California.

16  DocuSigned by:
C7A8D5A7E68C4EA...

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18 _____
19 MICHAEL NGUYEN
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EXHIBIT 2

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OKCOIN USA INC., and DOES 1-10

Defendants.

Case No. 3:22-cv-03561-MMC

CLRA VENUE DECLARATION OF
PLAINTIFF NADER GEORGE PURSUANT
TO CALIFORNIA CIVIL CODE SECTION
1780(d)

CLRA VENUE DECLARATION OF PLAINTIFF NADER GEORGE PURSUANT TO CALIFORNIA CIVIL
CODE SECTION 1780(d)

1 I, NADER GEORGE, hereby declare the following:

2 1. I am a Plaintiff in the above-captioned action.

3 2. I make this declaration in support of the filing of the Complaint in this action, which is
4 based in part on violations of the Consumers Legal Remedies Act, California Civil Code, section
5 1750, *et seq.*

6 3. The Defendant's principal address is in San Francisco, California. I confirmed this through
7 the Defendant's statements of information, available from the California Secretary of State, on
8 September 8, 2022.

9 4. Accordingly, pursuant to California Code of Civil Procedure, section 1780, the United
10 States District Court for the Northern District of California is the proper venue for Plaintiffs'
11 California Consumer Legal Remedies Act claims.

12 I declare under penalty of perjury under the laws of the United States of America that the
13 foregoing is true and correct, that I have personal knowledge of the facts stated herein, and that I
14 could verify the accuracy of the same if called upon to testify. This document was executed on
15 September 9, 2022 in Carson, California.

DocuSigned by:
Nader George
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NADER GEORGE