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*Counsel for Plaintiff Elliott Lam, individually  
and on behalf of all others similarly situated*

**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION**

18 ELLIOTT LAM, individually  
 19 and on behalf of all others similarly situated,  
 20  
 Plaintiff,  
 21  
 v.  
 22 SAM BANKMAN-FRIED, CAROLINE  
 ELLISON, and GOLDEN STATE  
 23 WARRIORS, LLC,  
 24  
 Defendants.

**Case No:**  
**CLASS ACTION COMPLAINT**  
**JURY TRIAL DEMAND**

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1 ELLIOTT LAM, by and through undersigned counsel, brings this action on behalf of  
2 himself and on behalf of all others similarly situated (“Plaintiff” and the “Class”) against SAM  
3 BANKMAN-FRIED, CAROLINE ELLISON, and GOLDEN STATE WARRIORS, LLC,  
4 (together, “Defendants”). Plaintiff make the following allegations based on personal knowledge of  
5 the facts pertaining to themselves and on information and belief upon investigation that is  
6 reasonable as to all other matters. Plaintiff alleges as follows:

7 **NATURE OF ACTION**

8 1. An “unprecedented” situation has occurred involving fraud and deceit at a scale  
9 rarely seen – causing billions of dollars in value and financial equity to ostensibly disappear  
10 overnight.

11 2. FTX Trading LTD d/b/a FTX’s (“FTX”) and West Realm Shires Services Inc. d/b/a  
12 FTX US’s (“FTX US”) (collectively, the “FTX Entities”), was collectively valued at over \$32  
13 billion at one recent point and was known for offering and selling unregistered securities in the  
14 form of yield-bearing accounts (“YBAs”) to residents of the United States and other countries  
15 around the world.

16 3. The FTX Entities imploded in early November when they filed for bankruptcy in the  
17 aftermath of a seemingly massive and nearly unprecedented liquidity crisis. The FTX Entities, and  
18 its billionaire co-founder and Defendant herein, Sam Bankman-Fried, are reportedly now under  
19 investigation by the US Department of Justice and the Securities and Exchange Commission for  
20 severely mismanaging billions of dollars in client funds. When FTX’s troubles drew more and more  
21 headlines and customers started taking out funds, the FTX Entities halted withdrawals, and the  
22 companies and related entities filed for bankruptcy days later.

23 4. As a result of this crisis, CEO Bankman-Fried resigned on Nov. 11, and was  
24 replaced by John Ray III (“Ray”), who previously oversaw the Enron bankruptcy. On Nov. 17, Ray  
25 submitted a filing with the United States Bankruptcy Court, District of Delaware, stating:

26 “Never in my career [over 40 years of legal and restructuring experience] have I seen  
27 such a **complete failure of corporate controls** and such a **complete absence of**  
28 **trustworthy financial information** as occurred here. From compromised systems  
integrity and faulty regulatory oversight abroad, to the concentration of control in the

1 hands of a very small group of inexperienced, unsophisticated and potentially  
2 compromised individuals, **this situation is unprecedented.**”

3 *In re: FTX TRADING LTD., et al.*, No. 22-11068-JTD, Dkt. #24 at ¶ 5 (Bankr. D. Del., Nov.  
4 17, 2022) (emphasis added).

5 5. Ray also published a sprawling, overly complicated organizational chart of FTX’s  
6 financial and investment empire, offering a glimpse of the maze-like web of legal entities  
7 Bankman-Fried had created to run his empire. *In re: FTX TRADING LTD., et al.*, No. 22-11068-  
8 JTD, Dkt. #24 at Ex. B (Bankr. D. Del., Nov. 17, 2022) (“Preliminary Corporate Structure Chart”).

9 6. Nick Mancini, director of research for the crypto data firm Trade the Chain has  
10 described the complex structure as likely intentional and created to aid Defendant Bankman-Fried’s  
11 misconduct within his companies: “It’s clear Sam [Bankman-Fried] designed the organizational  
12 structure to be intentionally convoluted in order to keep various employees and companies in the  
13 dark about what was happening outside of their specific walled garden within the greater structure.  
14 Reports of fraud, lack of accounting, and special privileges between subsidiaries are examples of  
15 reasons that you would create such an intentionally confusing structure.”<sup>1</sup>

16 7. In addition to using convoluted organizational structures to hide its malfeasance,  
17 reports have started to emerge about how Bankman Fried enabled the secret transfer of \$10 billion  
18 from FTX Entities to Alameda Research LLC, Bankman-Fried’s venture-capital and trading firm  
19 affiliate of FTX, and that at least \$1 billion of those funds have disappeared.<sup>2</sup>

20 8. Separately, according to paperwork filed by Ray with the U.S. Bankruptcy Court for  
21 the District of Delaware, Alameda Research had \$4.1 billion in related-party loans. Among those  
22 were \$1 billion to Defendant Bankman-Fried.

23 9. The scale of this Ponzi-scheme-like fraud was matched only by the scale of the  
24 publicity campaign employed by Bankman-Fried and the FTX Entities to conjure up an illusion of  
25 financial and corporate success. Flush with money from unwitting investors and seeking to further

26 \_\_\_\_\_  
27 <sup>1</sup> <https://www.yahoo.com/now/ftx-bankruptcy-filing-reveals-remarkably-193200722.html> (last  
28 accessed: Nov. 20, 2022)

<sup>2</sup> <https://www.reuters.com/markets/currencies/exclusive-least-1-billion-client-funds-missing-failed-crypto-firm-ftx-sources-2022-11-12/> (last accessed: Nov. 20, 2022)

1 increase their customer reach, Bankman-Fried and the FTX Entities began signing branding deals  
2 with sports institutions and advertising on television prolifically to entice new customers.

3 10. FTX Entities bought the naming rights for the National Basketball Association  
4 (“NBA”) franchise Miami Heat’s stadium, signing a 19-year deal with the team and Miami-Dade  
5 County, Florida, for \$135 million. The Mercedes-AMG Petronas Formula 1 team named FTX its  
6 cryptocurrency exchange partner. And a professional e-sports team, TSM, agreed to be paid \$210  
7 million from FTX over 10 years to change its name to TSM FTX. The FTX Entities continued to  
8 spend lavishly over the last couple years on nonfungible token (“NFTs”) and crypto partnerships  
9 with teams including the Golden State Warriors and the Washington Capitals. Major League  
10 Baseball (“MLB”) and the FTX Entities announced what they were calling a long-term, global  
11 partnership deal that came with swag: the umpires would wear patches with the logo of FTX.US.  
12 Other sponsorships included the title sponsorships of the first season of MLB Home Run Derby X,  
13 and the title sponsorship of the tournaments FTX Road to Miami and FTX Crypto Cup as part of  
14 the Champions Chess Tour 2022. In August 2021, it was announced FTX secured naming rights to  
15 UC Berkeley’s California Memorial Stadium in a \$17.5 million deal. In addition to the naming  
16 rights, FTX will receive on-field branding and branding on athletics press backdrops, along with  
17 social integration, likely exposing a substantial number of foreign students to FTX Entities’ trading  
18 platform, offers of YBAs, and other services. FTX also ran Super Bowl ads to gain U.S. and  
19 international exposure for new customers.

20 11. FTX Entities’ publicity and commercial campaign also involved the personal  
21 endorsements of internationally-known celebrity, entertainment, and sports figures through FTX’s  
22 own celebrity brand ambassadors. These ‘brand ambassadors,’ used their social media reach and  
23 personal brands to induce unsophisticated investors and consumers into a relationship with the FTX  
24 Entities.

25 12. As a result of the willful misconduct alleged above, and in more detail below,  
26 Plaintiff brings this action on behalf of himself and the Class seeking to recover damages,  
27  
28

1 declaratory and/or injunctive relief stemming from fraudulent and deceitful conduct of Defendants  
2 and their promotion and marketing of FTX Entities' trading platform and their YBAs.

3 **PARTIES**

4 13. Plaintiff Elliott Lam is a citizen of Canada and resident of Hong Kong, China. He is  
5 a natural person over the age of 21. Plaintiff Lam purchased an unregistered security from FTX in  
6 the form of a YBA and funded the account with a sufficient amounts to earn interest on his  
7 holdings. Plaintiff Lam did so after being exposed to some or all of Defendants' misrepresentations  
8 and omissions regarding the FTX Entities and their related trading platforms as detailed in this  
9 complaint, and executed trades in reliance on those misrepresentations and omissions. As a result,  
10 Plaintiff Lam has sustained damages approximated at \$750,000.00 for which Defendants are liable.

11 14. Defendant Sam Bankman-Fried, founder and former CEO of FTX, is a citizen and  
12 resident of the Bahamas.

13 15. Defendant Caroline Ellison is the CEO of Alameda Research, LLC, a trading firm  
14 launched by Defendant Sam Bankman-Fried. She oversaw many of the risky bets Alameda took  
15 with regard to FTX customers' crypto tokens. Defendant Ellison is a resident of Hong Kong.

16 16. Defendant Golden State Warriors LLC is a professional basketball team in the NBA  
17 that partnered with FTX in 2022, unveiling an FTX logo on the court at its home arena, Chase  
18 Center, and is a corporation operating and existing under the laws of the State of California and  
19 headquartered in San Francisco, California.

20 **JURISDICTION & VENUE**

21 17. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §  
22 1332(d)(2)(A) because this is a class action for a sum exceeding \$5,000,000.00, exclusive of  
23 interest and costs, and in which at least one class member is a citizen of a state different than the  
24 Defendants.

25 18. This Court has personal jurisdiction against Defendants because at least one  
26 Defendant conducts business in California, and/or have otherwise intentionally availed themselves  
27 of the State of California's consumer market through the promotion, marketing, and sale of FTX's  
28

1 YBAs in California, which constitutes committing a tortious act within the state of California.  
2 Defendants have also marketed and participated and/or assisted in the sale of FTX's unregistered  
3 securities to consumers in California. This purposeful availment renders the exercise of jurisdiction  
4 by this Court over Defendants permissible under traditional notions of fair play and substantial  
5 justice.

6 19. Venue is proper in this District under 28 U.S.C. § 1391 because Defendants engaged  
7 in business in this District; a substantial part of the events or omissions giving rise to the claims at  
8 issue occurred in this District; and because Defendants entered into transactions and/or received  
9 substantial profits from those who reside in this District.

10 20. Alternatively, venue is proper in this District under 28 U.S.C. § 1391(b)(3) as there  
11 is no single district in which all Defendants reside; because a substantial part of the events or  
12 omissions giving rise to the claims at issue occurred outside of the United States in the Bahamas,  
13 the home of Sam Bankman-Fried and FTX; and because Defendants entered into transactions  
14 and/or received substantial profits from those who reside in this District. As established, this district  
15 has personal jurisdiction over Defendants, rendering venue here appropriate. Further, Sam  
16 Defendants Bankman-Fried and FTX contracted with additional Defendant Golden State Warriors,  
17 who is headquartered and conduct business in this district.

18 21. All conditions precedent to the institution and maintenance of this action have been  
19 performed, excused, waived, or have otherwise occurred.

## 20 **FACTUAL ALLEGATIONS**

### 21 **I. THE RISE OF FTX**

22 22. In May 2019, former Wall Street trader Defendant Sam Bankman-Fried and ex-  
23 Google employee Zixiao "Gary" Wang founded 'FTX,' the owner and operator of the FTX.COM  
24 cryptocurrency exchange.

25 23. In little more than two years, by July 2021, the darling startup has reached an  
26 astronomical valuation of \$18 billion due to raising \$900 million during a funding round that  
27 included financial support from Wall Street titans like SoftBank Group Corp, venture capital firm  
28

1 Sequoia Capital, private equity giant Thoma Bravo, Daniel Loeb's Third Point, the Paul Tudor  
2 Jones family, British hedge fund manager Alan Howard, and 50-plus additional investors. The  
3 company reportedly had at the time more than 1 million users and averaged about \$10 billion in  
4 trading volume per day, with revenue surging more than tenfold in the past year.

5 24. In a mere 3 months, by October 2021, the value of FTX had soared again to \$25  
6 billion. This funding round saw an infusion of \$420 million from reputable investor institutions and  
7 firms like Ontario Teachers' Pension Plan Board, Temasek, Tiger Global and more than 60 other  
8 investors.

9 25. In January 2022, FTX's smaller related entity, FTX.US, was valued at \$8 billion  
10 stemming from a \$400 million first-round funding from reputable investors like Softbank Group  
11 Corp, and Singapore's Temasek Holdings. Combined, the FTX Entities' value exceeded \$32  
12 billion.

13 26. Flush with cash, the FTX Entities and related companies, continued and even  
14 expanded its significant marketing and promotional efforts, as detailed below, to entice consumers  
15 from around the world to adopt, use, or otherwise learn about its services and the crypto-industry.

16 27. The FTX Entities primary product was a platform service provider that served as a  
17 mobile application for cryptocurrency investment and allowed users to place cryptocurrency trade  
18 orders on behalf of users like Plaintiff and Class and to use interest bearing or yield-bearing  
19 accounts (YBA). The trading platform sought to be both user-friendly for first time investors but  
20 also with enough robust features for professional traders.

21 28. At its peak, the FTX.com exchange was extremely successful, and in 2022, around  
22 \$15 billion in assets were traded daily on the platform, which represented 10% of global volume for  
23 crypto trading. This made FTX one of the largest crypto-trading companies in the world. The FTX  
24 team had grown to over 300 individuals from all over the globe. Although the FTX Entities'  
25 primary international headquarters is in the Bahamas, it maintained a US base of operations in  
26 Miami, Florida that significantly affected all parts of the United States, including California.

1           29. FTX quickly became one of the most utilized avenues for nascent investors to  
2 purchase cryptocurrency. By the time FTX filed for bankruptcy protection in November 2022,  
3 customers had entrusted a purported \$10 to \$50 billion dollars to the platform.

4           30. Defendant Bankman-Fried got rich off FTX (and an intertwined company called  
5 Alameda Research, LLC), with the two companies providing him income of more than \$1 billion in  
6 2020 alone.

7           31. Before the house-of-cards empire collapsed, Defendant Bankman-Fried reached a  
8 net worth of \$26 billion. Bankman-Fried unabashedly used his wealth to become a major political  
9 donor and force, secured celebrity endorsements like Defendant Golden State Warriors named  
10 herein, and spent lavish sums of money on not just promotional materials for his companies but for  
11 his personal use as well.

## 12           **II. THE FALL OF FTX**

13           32. In the fall of 2022, trouble began for Defendants Bankman-Fried and FTX. On  
14 August 19, 2022, a U.S. bank regulator ordered the FTX platform to halt “false and misleading”  
15 information about whether funds at the company were insured by the government (they were not).

16           33. On November 2, 2022, popular crypto news publication CoinDesk released a  
17 devastating report, with leaked financial documents, showcasing that Bankman-Fried’s other  
18 company, Alameda Research, was heavily dependent on FTX’s native token, FTT.

19           34. CEO Changpeng “CZ” Zhao, who oversaw a competitor to FTX in Binance, in  
20 learning about the substantial amount that Alameda Research depended on FTT, decided to quickly  
21 and politely liquidate holdings of FTT worth more than \$500 million. Given CZ’s prominence in  
22 the crypto-trading sphere, other consumers quickly followed.

23           35. FTX saw a staggering \$6 billion in withdrawals over 3 days; FTX struggled to fulfill  
24 these withdrawals given their speed and volume. As a result of FTX’s situation, the related native  
25 coin FTT plummeted nearly a third in value.

26           36. On November 8, 2022, Defendant Bankman-Fried announced that Binance would  
27 come to the rescue and become a white-knight by bailing the company out. However, one day later,  
28

1 on November 9, 2022, Binance announced it was withdrawing from the deal citing “due diligence”  
2 concerns and additional reports about mismanagement and mishandling of funds within the FTX  
3 Entities. FTT plunged even faster and even deeper.

4 37. On November 11th, unable to obtain a bailout from Binance or others, FTX filed for  
5 Chapter 11 bankruptcy and Bankman-Fried resigned as CEO and in a social media posting, publicly  
6 acknowledged that he had messed up.

7 **III. ALAMEDA RESEARCH AND THE QUESTIONABLE ROLE IT HAD IN FTX’S COLLAPSE**

8 38. According to recent reports, another explanation contributing to the precarious  
9 situation the FTX Entities and their trading platform was facing stems from mismanagement of  
10 funds. Earlier this year, Bankman-Fried secretly transferred at least \$4 billion in customer funds  
11 from FTX to Alameda to apparently cover for Alameda after it faced a series of losses. The FTX  
12 entities lent as much as \$8 billion, of which more than half belong to customers, to Alameda with  
13 more than \$10 billion in loans still outstanding. Alameda Research has a checkered and conflicting  
14 history with Defendant Bankman-Fried.

15 39. Alameda Research, LLC (“Alameda Research”) is a quantitative trading firm that  
16 was founded in November of 2017 by Defendant Bankman-Fried. Quantitative trading consists of  
17 trading strategies based on quantitative analysis, which rely on mathematical computations and  
18 number crunching to identify trading opportunities.

19 40. At the time, Defendant Bankman-Fried started moving up to \$25 million a day in  
20 arbitrage trades (using two or more markets to capitalize on the difference of price on the stock or  
21 commodity in different markets) to take advantage of the higher price of Bitcoin in Japan compared  
22 to the price in the U.S. The Company earned about \$20 million from that arbitrage opportunity.<sup>3</sup>

23 41. By 2018, Defendant Bankman-Fried had persuaded Defendant Ellison to join him at  
24 Alameda Research. Defendant Ellison described the recruitment as follows: “This was very much  
25  
26

27 <sup>3</sup> Parloff, Roger. *Portrait of a 29-year-old billionaire: Can Sam Bankman-Fried make his risky*  
28 *crypto business work?* <https://finance.yahoo.com/news/ftx-ceo-sam-bankman-fried-profile-085444366.html> (Yahoo! Finance, August 12, 2021)

1 like, 'oh, yeah, we don't really know what we're doing,'" Ellison told Forbes magazine in an  
2 interview regarding her initial impressions of Alameda.

3 42. In late 2018, the headquarters of Alameda Research was relocated to Hong Kong.  
4 The team at Alameda Research included Defendant Bankman-Fried's close friends (and later co-  
5 founders for FTX) Nishad Singh and Gary Wang. Defendant Caroline Ellison and Sam Trabucco  
6 were also part of the group and upon moving to Hong Kong the group lived like college students  
7 and fiercely traded crypto.

8 43. After Defendant Bankman-Fried established FTX in 2019, Defendant Ellison began  
9 taking more responsibility at Alameda Research along with Sam Trabucco, who served as CEO.  
10 Defendant Ellison rose swiftly at Alameda Research, becoming co-CEO of Alameda alongside Sam  
11 Trabucco in the summer of 2021.

12 44. As of August 2021, Bankman-Fried owned approximately 90% of Alameda  
13 Research.

14 45. Between early 2021 and March 2022, Alameda Research amassed crypto tokens  
15 ahead of FTX announcing that it would list them, totaling about \$60 million worth of tokens in the  
16 Ethereum blockchain.<sup>4</sup>

17 46. In and around April 2022, Sam Trabucco stepped down as co-CEO of Alameda  
18 Research, months before he publicly announced his departure in August, according to a former  
19 Alameda employee.<sup>5</sup>

20 47. In May and June of 2022, Alameda Research suffered significant losses. Anonymous  
21 sources cited by the Wall Street Journal indicated that those losses led to FTX loaning Alameda  
22 Research more than half of its customer funds. When Sam Bankman-Fried stated publicly that he  
23 made a poor judgment call, the anonymous sources cited by the Wall Street Journal indicated that it  
24

25 <sup>4</sup> Ostroff, Caitlin. *Alameda Amassed Crypto Tokens Ahead of FTX Listings, Public Data Shows*.  
26 <https://www.wsj.com/livecoverage/stock-market-news-today-11-14-2022/card/alameda-amassed-crypto-tokens-ahead-of-ftx-listings-public-data-shows-z6KFN051ToEpFohTXA89> (Wall Street  
27 Journal, November 14, 2022)

28 <sup>5</sup> Jeans, David, et al. 'Queen Caroline': The 'Fake Charity Nerd Girl' Behind The FTX Collapse.  
<https://www.forbes.com/sites/davidjeans/2022/11/18/queen-caroline-the-risk-loving-29-year-old-embroiled-in-the-ftx-collapse> (Forbes Digital Assets, November 18, 2022).

1 was a decision to loan funds from FTX to Alameda Research that he was referencing. This conduct  
2 was explicitly forbidden by the terms of service of FTX.<sup>6</sup> Some estimates are that Bankman-Fried  
3 secretly transferred at least \$4 billion in customer funds from FTX to Alameda to apparently cover  
4 for Alameda after it faced a series of losses. The FTX Entities lent apparently billions to a company  
5 that Defendant Bankman-Fried also owned in the past year. This misconduct and mismanagement  
6 raises significant ethical, legal, and conflicts of interest problems for Defendants.

#### 7 **IV. YIELD-BEARING ACCOUNTS (YBAS) AND VIOLATIONS OF LAW**

8 48. Other violations of law stem from FTX's use of YBAs. Early on in its inception, the  
9 FTX Entities offered interest-bearing cryptocurrency accounts to public investors called yield-  
10 bearing accounts (YBAs). Plaintiff and the Class invested in FTX's YBAs.

11 49. The YBAs were "securities" as defined by the United States securities laws. The  
12 FTX Entities offered variable interest rewards on crypto assets held in the YBAs, which rates were  
13 determined by the FTX Entities in their sole discretion. In order to generate revenue to fund the  
14 promised interest, the FTX Entities pooled the YBA assets to engage in lending and staking  
15 activities from which they derived revenue to pay interest on the YBAs. These activities make the  
16 YBAs a "security" under state and federal law.

17 50. In October 2022, Director of Enforcement of the Texas State Securities Board,  
18 Joseph Rotunda, filed a declaration in which he explained how the YBAs are in fact "an offering of  
19 unregistered securities in the form of yield-bearing accounts to the residents of the United States."

20 51. Mr. Rotunda's declaration supported the notion that (i) users appear able to  
21 download the FTX trading app even when they reside in the United States; (ii) default settings were  
22 automatically configured to enable the earning of yield; (iii) FTX may not be fully disclosing all  
23 known material facts to clients prior to opening accounts and earning yield, thereby possibly  
24 engaging in fraud and/or making offers containing statements that are materially misleading or  
25

26  
27 <sup>6</sup> Salmon, Brady, *FTX's terms-of-service forbid trading with customer funds*.  
28 <https://www.axios.com/2022/11/12/ftx-terms-service-trading-customer-funds> (Axios, November 13, 2022)

1 otherwise likely to deceive the public; and (iv) potentially violating securities laws in various  
2 jurisdictions.

3 **V. LEVERAGING INTERNATIONAL REACH OF GOLDEN STATE WARRIORS TO MARKET**  
4 **FTX’S PLATFORM AND SERVICES**

5 52. Defendant Sam Bankman-Fried, along with his company FTX, needed to continue  
6 growing the userbase for its crypto-trading platform and enlisted, at great expense, some of the  
7 marquee influencers and talents in the sports, entertainment, and celebrity arenas. These A-list  
8 celebrities have not only been brand ambassadors for FTX, but some have also invested or sought  
9 equity as part of his or her compensation. Most of these influencers conducted marketing and  
10 promotional campaigns for Bankman-Fried and FTX and also further raised awareness and  
11 encouraged the adoption of the FTX platform in social media, interviews, or other direct  
12 engagement channels. As a result of their concerted actions, adoption, use, and money being spent  
13 on the platform rose.

14 53. Defendant Bankman-Fried and FTX, in conjunction with the use of A-list celebrities  
15 to promote FTX’s platform and products, also sought a stratospheric rise in publicity and consumer  
16 awareness by spending, again lavishly, on partnerships with sports and entertainment entities like  
17 the Golden State Warriors or slapping their name on an entire NBA arena for the storied Miami  
18 Heat franchise.

19 54. These actions had one goal: outcompeting competitor trading platforms and getting  
20 consumers to use the FTX platform technology instead. As then-FTX.US President Brett Harrison  
21 explains, using A-list celebrities and mass branding campaigns would “familiarize consumers with  
22 its technology, customer service and offerings” and with FTX brand. The company “need[ed]” to  
23 attract new consumers to continue funneling them (and the money they put into the FTX system) as  
24 part of an elaborate scheme to prompt up the businesses.

25 55. Defendants continued to drive unwitting investors and consumers into a Ponzi-like-  
26 scheme, substantially assisting in the sale of the YBAs, which are unregistered securities. The A-list  
27 celebrity brand ambassadors, including a Defendant herein, made representations, solicitations, or  
28 other forms of promotions.



1 affiliates, representatives, agents and employees to the Defendants, including Defendants  
2 themselves, or any of its direct or indirect subsidiaries; (iii) any immediate family members of the  
3 above two groups; and (iv) all those otherwise in the Class who timely and properly exclude  
4 themselves therefrom in such manner as the Court may direct.

5 61. Any notices to the Class(es) directed by the Court shall comply with all provisions of  
6 Rule 23 and applicable court rulings regarding notice(s). Class members may be notified of the  
7 pendency, certification and/or other important steps in this action under Fed. R. Civ. P. 23, as  
8 appropriate, through a Court-approved combination of direct and indirect methods, including print,  
9 broadcast, social media, posting, and other physical and electronic means. All Class members  
10 should be identifiable and reachable based on corporate records in the possession, custody and  
11 control of Defendants and once made available, Plaintiff anticipates ease of publishing, mailing and  
12 emailing notice at minimum.

13 62. Plaintiff reserves the right to modify or amend the definition of the proposed  
14 *Transnational Class*, or to include additional classes or subclasses, before or after the Court  
15 determines whether such certification is appropriate as discovery progresses. Plaintiff seeks  
16 certification of the *Transnational Class* in part because a significant portion of the offers of FTX  
17 YBAs to Plaintiff and the Class members (in which Defendants each substantially participated)  
18 were made by FTX to persons and entities outside the United States.

## 19 II. REQUIREMENTS OF RULE 23(A) MET

### 20 A. Numerosity

21 63. The Class is comprised of thousands, if not millions, of consumers internationally, to  
22 whom FTX offered and/or sold YBAs. Moreover, thousands, if not millions, of consumers  
23 internationally have executed trades on the FTX Platform within the applicable limitations period.  
24 Membership in the Classes is thus so numerous that joinder of all members is impracticable. The  
25 precise number and nature of class members is currently unknown to Plaintiff but readily  
26 identifiable through discovery and review of FTX's corporate records.  
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1                   **B. Commonality and Predominance**

2           64. Common questions of law and fact predominate over any questions affecting  
3 individual class members. These common legal and factual questions include, but are not limited to,  
4 the following:

- 5           a. whether the YBAs were unregistered securities under federal or applicable law;
- 6           b. whether Defendants’ participation and/or actions related to FTX’s offerings and  
7 sales of YBAs violate the provisions of the Securities Act and under federal or  
8 applicable law;
- 9           c. what the type and measure of damages suffered by Plaintiff and the Classes may be;
- 10          d. whether Plaintiff and Class members have sustained monetary loss and the proper  
11 measure of that loss;
- 12          e. whether Plaintiff and Class members are entitled to injunctive and/or declaratory  
13 relief;
- 14          f. whether Plaintiff and Class members are entitled to consequential damages, punitive  
15 damages, statutory damages, disgorgement, and/or other legal or equitable  
16 appropriate remedies as a result of Defendants’ conduct.

17                   **C. Typicality**

18          65. Plaintiff’s claims are typical of the claims of the members of the Class because all  
19 members were injured through the uniform misconduct described above, namely that Plaintiff and  
20 the Class were offered and/or sold FTX’s YBAs as a result of Defendants’ actions and/or  
21 participation in the offering and sale of these unregistered securities, and Plaintiff is advancing the  
22 same claims and legal theories on behalf of themselves and all such members. Further, there are no  
23 defenses available to either Defendant that are unique to Plaintiff.

24                   **D. Adequacy**

25          66. Plaintiff will fairly and adequately protect the interests of the members of the  
26 Classes. Plaintiff has retained counsel experienced in complex consumer class action litigation, and  
27 Plaintiff intends to prosecute this action vigorously. Plaintiff has no adverse or antagonistic interests  
28

1 to those of the Classes. Plaintiff anticipates no difficulty in the management of this litigation as a  
2 class action. To prosecute this case, Plaintiff has chosen the undersigned law firms, which have the  
3 financial and legal resources to meet the substantial costs and legal issues associated with this type  
4 of consumer class litigation.

5 **E. Superiority**

6 67. A class action is superior to individual actions for the proposed Class, and also  
7 superior to actions outside the United States, in part due to the following factors:

- 8 a. Joinder of all Class members would create extreme hardship and inconvenience for  
9 the affected customers as they reside across the globe;
- 10 b. There are no known individual Class members who are interested in individually  
11 controlling the prosecution of separate actions;
- 12 c. The interests of justice will be well served by resolving the common disputes of  
13 potential Class members efficiently in one forum;
- 14 d. Extraterritorial litigation will unlikely provide the any, let alone the requested relief  
15 for the proposed Class herein but by contrast, litigation of common questions as a  
16 class action in a single, unitary proceeding will materially advance the disposition of  
17 the litigation and is consistent with the purposes and goals of class actions;
- 18 e. Individual suits would not be cost effective or economically maintainable as  
19 individual actions; and
- 20 f. The action is manageable as a class action.

21 **III. REQUIREMENTS OF RULE 23(B)(3) MET**

22 68. The questions of law or fact common to Plaintiff's and each Classes member's  
23 claims predominate over any questions of law or fact affecting only individual members of the  
24 Class. All claims by Plaintiff and the unnamed members of the Classes are based on the common  
25 course of conduct by Defendants in marketing, offering, and/or selling the YBAs, which are  
26 unregistered securities.

1           69. Common issues predominate when, as here, liability can be determined on a class-  
2 wide basis, even when there will be some individualized damages determinations.

3           70. As a result, when determining whether common questions predominate, courts focus  
4 on the liability issue, and if the liability issue is common to the Classes as is in the instant action,  
5 common questions will be held to predominate over individual questions.

6           **IV. REQUIREMENTS OF RULE 23(B)(2) MET**

7           71. Alternatively, Plaintiff will seek certification under 23(b)(2) for injunctive and/or  
8 declaratory relief for the Class. Defendants have acted and refused to act on grounds generally  
9 applicable to the classes by engaging in a common course of conduct of aiding and abetting the  
10 offering and/or selling the YBAs, which are unregistered securities, thereby making appropriate  
11 final injunctive relief or declaratory relief with respect to the classes as a whole.

12           72. Defendants have acted and refused to act on grounds generally applicable to the  
13 classes by engaging in a common course of conduct of uniformly identical and uniform  
14 misrepresentations and omissions in receiving secret undisclosed compensation for their promotion  
15 of the FTX Entities' trading platform, thereby making appropriate final injunctive relief or  
16 declaratory relief with respect to the classes as a whole.

17           **V. REQUIREMENTS OF RULE 23(C)(4) MET**

18           73. One of the predominant issues regarding Defendants' liability is whether the YBAs  
19 FTX offered and/or sold are unregistered securities in violation of federal and/or applicable law,  
20 utilizing Rule 23(c)(4) to certify the Classes for a class wide adjudication on this or other issues  
21 would materially advance the disposition of the litigation as a whole.

22           74. Another predominant issue regarding Defendants' liability is whether they have  
23 violated the consumer protection and securities laws in making identical and uniform  
24 misrepresentations and omissions regarding the functionality of the FTX Entities' trading platform,  
25 and utilizing Rule 23(c)(4) to certify the Classes for a class wide adjudication on this or other issues  
26 would materially advance the disposition of the litigation as a whole.

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**CAUSES OF ACTION**

**COUNT I**

**Violation of California’s Unfair Competition Law, Cal. Bus. & Prof. Code § 17200, *et seq.*  
(Individually and on Behalf of the Class)**

75. Plaintiff repeats and realleges each and every allegation contained above, as though fully set forth herein.

76. The Unfair Competition Law (“UCL”) prohibits any “unlawful, unfair, or fraudulent business act or practice.” Cal. Bus. & Prof. Code §17200.

77. Defendants unfair and deceptive practices described herein are likely to mislead – and clearly have misled – consumers acting reasonably in the circumstances into purchasing YBAs and transacting with FTX.

78. Unlawful: Defendants have advertised the Products using false and/or misleading claims, such that Defendant’s actions as alleged herein violate at least the following laws:

- The False Advertising Law, California Business & Professions Code § 17500, *et seq.*

79. Fraudulent: A practice is “fraudulent” if members of the general public were or are likely to be deceived. Defendants’ statements regarding the legality, nature and viability of YBAs are deceptive to the public. Further, Defendant Bankman-Fried and FTX’s operation of FTX and Ponzi-scheme type behavior is further fraudulent and deceptive to the public related to the viability and nature of FTX.

80. Unfair: The UCL gives courts maximum discretion to address improper business practices that are “unfair” Defendants’ collective conduct with respect to the marketing and sale of YBAs is unfair because Defendant’s conduct was immoral, unethical, unscrupulous, or substantially injurious to consumers in inducing them to transact with FTX and purchase YBAs and the utility of their conduct, if any, does not remotely outweigh the gravity of the harm to its victims. Plaintiff and the Class would not have transacted with FTX and purchased YBAs had they known that the statements were misrepresentations and deliberately deceiving.

1 81. Defendant Bankman-Fried and FTX’s conduct with respect to the operation of FTX is  
2 also unfair because the consumer injury is substantial, not outweighed by benefits to consumers or  
3 competition, and not one that consumers, can reasonably avoid.

4 82. The harm suffered by Plaintiff and the Class was directly and proximately caused by  
5 the deceptive and unfair practices of Defendants related to YBAs and the operation of FTX, as  
6 described herein.

7 83. In accordance with California Business & Professions Code § 17203, Plaintiff seeks  
8 an order enjoining Defendants from continuing to conduct business through fraudulent or unlawful  
9 acts and practices and to commence a corrective advertising campaign. On behalf of the Class,  
10 Plaintiff also seeks an order for the restitution of all monies from the sales of YBAs, which were  
11 unjustly acquired through acts of fraudulent, unfair, or unlawful competition.

12  
13 **COUNT II**  
14 **Violation of California’s False Advertising Law, Cal. Bus. & Prof. Code § 17500, *et seq.***  
15 **(Individually and on Behalf of the Class)**

16 84. Plaintiff repeats and realleges each and every allegation contained above, as though  
17 fully set forth herein.

18 85. California’s False Advertising Law (“FAL”) prohibits any statement in connection  
19 with the sale of goods “which is untrue or misleading.” Cal. Bus. & Prof. Code § 17500.

20 86. As set forth herein, Defendants made statements regarding YBAs and FTX that were  
21 untrue or misleading. They publicly represented that FTX and YBAs were a viable and safe way to  
22 invest in crypto, a statement designed to deceive consumers into investing with FTX.

23 87. Defendants’ claims that YBAs and FTX were viable and safe for investing in crypto  
24 are untrue due to the house of cards nature of FTX’s business and movement of funds, as evidenced  
25 by the immense collapse in fall 2022.

26 88. Defendants knew, or reasonably should have known, that all these claims relating to  
27 the viability and safety of YBA and FTX were untrue or misleading. Defendants failed to adequately  
28 inform Plaintiff and the Class of the true nature of YBAs and FTX.

1 89. When the true nature of FTX and YBAs became publicly known in the fall of 2022,  
2 the immediate public outrage, bankruptcy proceedings, and government investigation reflected the  
3 degree to which consumers and the public at large felt they were deceived by Defendants and FTX's  
4 business practices.

5 90. Plaintiff and members of the Class are entitled to injunctive and equitable relief, and  
6 restitution in the amount of moneys spent on YBAs.

7  
8 **COUNT III**  
9 **Fraudulent Concealment**  
10 **(Individually and on Behalf of the Class)**

11 91. Plaintiff repeats and realleges each and every allegation contained above, as though  
12 fully set forth herein.

13 92. Defendants omitted an existing fact about FTX and YBAs when it failed to disclose  
14 information regarding the true nature of FTX and YBAs.

15 93. The omission is material because Plaintiff and the Class would not have transacted  
16 with FTX had they known true nature of FTX and YBAs

17 94. Defendants marketed and sold to Plaintiff and the Class despite having knowledge of  
18 the true nature of FTX and YBAs.

19 95. Defendants intended that consumers and purchasers would rely on Defendants'  
20 statements regarding the safety and nature of FTX and YBAs to bolster sales.

21 96. Plaintiff and the Class were not aware of the true nature and safety of YBAs and  
22 FTX's platform and could not reasonably have discovered those true characteristics.

23 97. Plaintiff and the Class relied on Defendants' statements in that they paid any amount  
24 of money for YBAs, which they would not have done had they known the true risky and Ponzi  
25 scheme nature of the products.

26 98. Plaintiff and the Class had the right to rely on Defendants' statements and omissions  
27 that created the false impression that FTX and YBAs were safe and reliable investment accounts  
28 based on reasonable purchaser expectations that the exchange would remain solvent.

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1 99. Defendants had an affirmative duty to disclose the true nature of FTX and YBAs to  
2 potential purchasers and investors because they were in a superior position to know the true nature of  
3 FTX and YBAs.

4 100. Defendants fraudulently concealed the nature of FTX and YBAs, causing damages to  
5 Plaintiff and the class.

6  
7 **COUNT IV**  
8 **Civil Conspiracy**  
9 **(Individually and on Behalf of the Class)**

10 101. Plaintiff repeats and realleges each and every allegation contained above, as though  
11 fully set forth herein.

12 102. Defendants made innumerable misrepresentations and omissions to Plaintiff and  
13 Class Members regarding the nature and safety of FTX and YBAs in order to induce confidence in  
14 the platform and convince consumers to invest in what was a patently misleading and deceptive  
15 scheme, thus deceiving consumers and potential customers that their investments in FTX were safe.

16 103. FTX and Defendant Sam Bankman-Fried entered into at least one agreement with  
17 the other Defendants for the express purpose of making misrepresentations or omissions in order to  
18 induce and convince Plaintiff and consumers to invest in YBAs and put their money in FTX.

19 104. Defendants engaged in concerted unlawful acts, particularly in the form of  
20 misrepresentations and omissions made to Plaintiff and the Class for the purposes of inducing them  
21 to invest with FTX and in YBAs.

22 105. The conspiracy substantially aided the wrongdoing conducted by FTX and  
23 Defendant Sam Bankman-Fried. Additionally, the non-FTX Defendant had knowledge of the fraud  
24 and wrongdoing by FTX as a result of their experience and relationship with FTX, and thus knew or  
25 should have known that the representations they made were deceitful and fraudulent.

26 106. This conspiracy caused damages to Plaintiff and the Class in the amount of the  
27 money they invested in FTX that was lost as a result of the insolvency.  
28

**COUNT V**

**Declaratory Judgment, Cal. Code Civ. Proc. § 1060  
(Individually and on Behalf of the Class)**

107. Plaintiff repeats and realleges each and every allegation contained above, as though fully set forth herein.

108. This Count is asserted against all Defendants under Cal. Code Civ. Proc. § 1060.

109. There is a bona fide, actual, and present need for the declaratory relief requested herein; the declaratory relief prayed for herein deals with a present, ascertained or ascertainable state of facts and a present controversy as to that state of facts; contractual and statutory duties and rights are dependent on those facts and law applicable to the facts; the parties have an actual, present, adverse, and directly antagonistic interest in the subject matter; and the antagonistic and adverse interests are all before this Court by proper process for final resolution.

110. Plaintiff and the Class have an obvious and significant interest in the outcome of this lawsuit.

111. Plaintiff and the Class purchased YBAs and invested with FTX, based in part on justifiable reliance on Defendants' statements and misrepresentations regarding the nature of YBAs and the FTX platform.

112. If Plaintiff and the Class knew the true facts surrounding YBAs and FTX, including but not limited to that YBAs are unregistered securities, Plaintiff and the Class would not have purchased YBAs or invested with FTX in the first place.

113. Thus, there is a justiciable controversy over whether the YBAs were sold illegally and whether the Defendants illegally solicited their purchase from Plaintiff and the Class.

114. Plaintiff and the Class thus seek an order declaring that the YBAs were unregistered securities and needed to be registered with the SEC and state regulatory authorities, that FTX did not work as represented, and that Defendants were paid to misrepresent FTX and YBAs to the nation at large.

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**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for a judgment on behalf of themselves and the Class(es):

- a. Certifying the proposed Class(es) as requested herein;
- b. Awarding actual, direct and compensatory damages;
- c. Awarding restitution and disgorgement of revenues if warranted;
- d. Awarding declaratory relief as permitted by law or equity, including declaring the Defendants’ practices as set forth herein to be unlawful;
- e. Awarding injunctive relief as permitted by law or equity, including enjoining the Defendants from continuing any unlawful practices as set forth herein, and directing the Defendants to identify, with Court supervision, victims of their conduct and pay them all money they are required to pay;
- f. Awarding statutory and multiple damages, as appropriate;
- g. Awarding attorneys’ fees and expenses; and
- h. Providing any such further relief as the Court deems just and proper

**JURY TRIAL DEMAND**

Plaintiff hereby demands a jury trial as to all claims so triable.

Dated: November 20, 2022

Respectfully submitted,

By:           s/ William Audet          

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*\*Pro hac vice forthcoming*

*Counsel for Plaintiff Elliott Lam, individually  
and on behalf of all others similarly situated*