

**U.S. District Court
California Northern District (San Francisco)
CIVIL DOCKET FOR CASE #: 3:22-cv-07666-JSC**

Jessup v. Bankman-Fried et al
Assigned to: Judge Jacqueline Scott Corley
Demand: \$5,000,000,000
Relate Case Cases: [3:22-cv-07336-JSC](#)
[3:22-cv-07620-JSC](#)

Date Filed: 12/05/2022
Jury Demand: Plaintiff
Nature of Suit: 370 Other Fraud
Jurisdiction: Diversity

Cause: 28:1332 Diversity-Fraud

Plaintiff

Michael Elliott Jessup
*individually and on behalf of all others
similarly situated*

represented by **P. Solange Hilfinger-Pardo**
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V.

Defendant

Samuel Bankman-Fried
an individual

Defendant

Caroline Ellison
an individual

Defendant

Nishad Singh
an individual

Defendant

Gary Wang
an individual

Defendant

Sam Trabucco
an individual

Date Filed	#	Docket Text
12/05/2022	1	COMPLAINT against Samuel Bankman-Fried, Caroline Ellison, Nishad Singh, Sam Trabucco, Gary Wang (Filing fee \$ 402, receipt number ACANDC-17785799.). Filed by Michael Elliott Jessup. (Attachments: # 1 Civil Cover Sheet)(Logan, Todd) (Filed on 12/5/2022) (Entered: 12/05/2022)
12/05/2022	2	Proposed Summons. (Logan, Todd) (Filed on 12/5/2022) (Entered: 12/05/2022)
12/06/2022	3	Case assigned to Magistrate Judge Donna M. Ryu. Counsel for plaintiff or the removing party is responsible for serving the Complaint or Notice of Removal, Summons and the assigned judge's standing orders and all other new case documents upon the opposing parties. For information, visit <i>E-Filing A New Civil Case</i> at http://cand.uscourts.gov/ecf/caseopening . Standing orders can be downloaded from the court's web page at www.cand.uscourts.gov/judges . Upon receipt, the summons will be issued and returned electronically. A scheduling order will be sent by Notice of Electronic Filing (NEF) within two business days. Consent/Declination due by 12/20/2022. (mbc, COURT STAFF) (Filed on 12/6/2022) (Entered: 12/06/2022)
12/06/2022	4	Initial Case Management Scheduling Order with ADR Deadlines: Case Management Statement due by 3/22/2023. Initial Case Management Conference set for 3/29/2023 01:30 PM in Oakland, Courtroom 4, 3rd Floor. (far, COURT STAFF) (Filed on 12/6/2022) (Entered: 12/06/2022)
12/06/2022		Electronic filing error . ONLY ONE SUMMONS TO BE ISSUED PER CASE, USE AN ATTACHMENT TO SUMMONS IF NEEDED TO LIST ADDITIONAL DEFENDANTS INFORMATION [err201]. This filing will not be processed by the clerks office. Please re-file in its entirety. Re: 2 Proposed Summons filed by Michael Elliott Jessup (far, COURT STAFF) (Filed on 12/6/2022) (Entered: 12/06/2022)
12/06/2022	5	Proposed Summons. (Logan, Todd) (Filed on 12/6/2022) (Entered: 12/06/2022)
12/07/2022	6	Summons Issued as to Samuel Bankman-Fried, Caroline Ellison, Nishad Singh, Sam Trabucco, Gary Wang. (ecg, COURT STAFF) (Filed on 12/7/2022) (Entered: 12/07/2022)
12/14/2022	7	CONSENT/DECLINATION to Proceed Before a US Magistrate Judge by Michael Elliott Jessup.. (Logan, Todd) (Filed on 12/14/2022) (Entered: 12/14/2022)
12/15/2022	8	CLERK'S NOTICE OF IMPENDING REASSIGNMENT TO A U.S. DISTRICT COURT JUDGE: The Clerk of this Court will now randomly reassign this case to a District Judge because either (1) a party has not consented to the jurisdiction of a Magistrate Judge, or (2) time is of the essence in deciding a pending judicial action for which the necessary consents to Magistrate Judge jurisdiction have not been secured. You will be informed by separate notice of the district judge to whom this case is reassigned. ALL HEARING DATES PRESENTLY SCHEDULED BEFORE THE CURRENT MAGISTRATE JUDGE ARE VACATED AND SHOULD BE RE-NOTICED FOR HEARING BEFORE THE JUDGE TO WHOM THIS CASE IS REASSIGNED.

		<i>This is a text only docket entry; there is no document associated with this notice. (ig, COURT STAFF) (Filed on 12/15/2022) (Entered: 12/15/2022)</i>
12/16/2022	9	ORDER REASSIGNING CASE. Case reassigned using a proportionate, random, and blind system pursuant to General Order No. 44 to Judge Vince Chhabria for all further proceedings. Magistrate Judge Donna M. Ryu no longer assigned to case. Notice: The assigned judge participates in the Cameras in the Courtroom Pilot Project. See General Order No. 65 and http://cand.uscourts.gov/cameras. Signed by The Clerk on December 16, 2022. (Attachments: # 1 Notice of Eligibility for Video Recording)(cjl, COURT STAFF) (Filed on 12/16/2022) (Entered: 12/16/2022)
12/19/2022	10	ORDER RELATING CASE. Signed by Judge Jacqueline Scott Corley on 12/19/2022. (22-cv-7444, 22-cv-7620, and 22-cv-7666 are related to this action.) (ahm, COURT STAFF) (Filed on 12/19/2022) Modified on 12/19/2022 (ahm, COURT STAFF). (Entered: 12/19/2022)
12/19/2022	11	CLERK'S NOTICE CONTINUING INITIAL CASE MANAGEMENT CONFERENCE. Please take notice that the case management conference set for March 2, 2023 is continued to April 6, 2023 at 1:30 p.m. before Judge Jacqueline Scott Corley via a Zoom webinar. Joint Case Management Statement is due by 3/30/2023. Webinar Access: All counsel, members of the public, and media may access the webinar information at https://www.cand.uscourts.gov/jsc Court Appearances: Advanced notice is required of counsel or parties who wish to be identified by the court as making an appearance or will be participating in the argument at the hearing. A list of names must be sent to the CRD at jsccrd@cand.uscourts.gov no later than noon 4/5/2023. General Order 58. Persons granted access to court proceedings held by telephone or videoconference are reminded that photographing, recording, and rebroadcasting of court proceedings, including screenshots or other visual copying of a hearing, is absolutely prohibited. Zoom Guidance and Setup: https://www.cand.uscourts.gov/zoom/ . (This is a text-only entry generated by the court. There is no document associated with this entry.) (ahm, COURT STAFF) (Filed on 12/19/2022) (Entered: 12/19/2022)
12/19/2022	12	Case Reassigned to Judge Jacqueline Scott Corley. Judge Vince Chhabria no longer assigned to the case. Notice: The assigned judge participates in the Cameras in the Courtroom Pilot Project. See General Order No. 65 and http://cand.uscourts.gov/cameras . (mbc, COURT STAFF) (Filed on 12/19/2022) (Entered: 12/19/2022)
12/20/2022	13	Certificate of Interested Entities by Michael Elliott Jessup (Hilfinger-Pardo, P. Solange) (Filed on 12/20/2022) (Entered: 12/20/2022)

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9 **UNITED STATES DISTRICT COURT**
 10 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**
 11 **SAN FRANCISCO DIVISION**

12 MICHAEL ELLIOTT JESSUP, individually
 and on behalf of all others similarly situated,

13 *Plaintiff,*

14 v.

15 SAMUEL BANKMAN-FRIED, an individual,
 16 CAROLINE ELLISON, an individual,
 17 NISHAD SINGH, an individual, GARY
 WANG, an individual, and SAM
 TRABUCCO, an individual,

18 *Defendants.*

Case No.

CLASS ACTION COMPLAINT FOR:

- 19 **(1) FRAUD;**
- (2) UNJUST ENRICHMENT; and**
- (3) CONVERSION.**

DEMAND FOR JURY TRIAL

20 Plaintiff Michael Elliott Jessup, individually and on behalf of a proposed class, brings
 21 this Class Action Complaint against Defendants Samuel Bankman-Fried, Caroline Ellison,
 22 Nishad Singh, Gary Wang, and Sam Trabucco. Plaintiff alleges as follows upon personal
 23 knowledge as to himself and his own acts and experiences, and as to all other matters, upon
 24 information and belief.

25 **NATURE OF THE ACTION**

26 1. In just over a decade, the crypto market has become a trillion-dollar industry.
 27 These new forms of digital assets and currencies are unlike any form of traditional financial
 28 instruments. They are not issued by any governments, not regulated by any central authorities,

1 and essentially any person with specialized hardware and computer software could create them.
2 Young people throughout the world raced to buy crypto in hopes that this new form of “Internet
3 money” could make them rich and, for many, it did. But crypto remained a mystery for most,
4 especially bigger financial institutions and governments. Crypto needed a proper spokesperson
5 who could convince society that cryptocurrencies were smart, stable, and safe investments.
6 That’s where Defendant Samuel Bankman-Fried (or “SBF”) came in, a then twenty-something
7 year-old self-promoted eccentric genius.

8 2 In 2019, Defendant SBF launched a cryptocurrency exchange called FTX, where
9 users could buy and sell crypto and exchange them for traditional currencies, like United States
10 Dollars. SBF successfully convinced millions of users, hedge funds, regulators, and other major
11 institutions that he was the new era of crypto and that they should believe in him and invest in
12 his platform. And it worked. At its peak, FTX became one of the largest crypto exchanges in the
13 world valued at over \$32 billion, with its logo adorning everything from Formula 1 race cars to a
14 Miami basketball arena.

15 3 Not even thirty-years-old at this point, SBF had become the leader of one of the
16 biggest crypto markets in the world, a celebrated philanthropist worth an estimated \$26 billion,
17 and a major political donor who quickly became a power player in Washington.

18 4 But all of this was a mirage that came crashing down on November 11, 2022,
19 when FTX abruptly filed for bankruptcy.

20 5 Overnight, billions of dollars belonging to Plaintiff and the Class evaporated.
21 Users could no longer withdraw their crypto or money. While SBF had been publicly trying to
22 convince users everything was fine, in reality, it was not.

23 6 The days following FTX’s collapse revealed that it was not the traditional crypto
24 market volatility or instability that tanked FTX, but rather one of the most spectacular financial
25 frauds since Bernie Madoff, deliberately carried out by SBF and his inner circle at FTX and
26 Alameda Research (or “Alameda”); Defendants Caroline Ellison, Nishad Singh, Gary Wang, and
27 Sam Trabucco (together, the “Inner Circle”).

28 7. As explained in more detail below, SBF tricked people into thinking FTX was

1 worth far more than it was and essentially used FTX—and his customers' deposits, in
2 particular—as his personal slush fund. First, SBF effectively paid investors, employees, and
3 vendors shares of the company in his own crypto currency, FTT, which he controlled and
4 inflated the value of, and loaned out FTX customer deposits to his (supposedly separate) crypto
5 hedge fund, Alameda Research. SBF had even written a secret back door into FTX's code that
6 allowed him to siphon off customer deposits and move them to Alameda, where he could cover
7 Alameda's major trading losses. He also regularly used FTX's assets to fund his own personal
8 investments (like his half billion-dollar investment into Robinhood), purchase \$300 million
9 worth of real estate, and become the second most prolific funder of political candidates after
10 George Soros.

11 8 In the end, SBF was not the altruistic savior to the crypto industry that he held
12 himself out to be. He instead chose to capitalize on the lack of effective regulatory oversight of
13 the crypto market and defraud his customers out of billions of dollars.

14 9 Plaintiff Jessup is just one consumer who had crypto invested in FTX and who
15 has lost money as a result of Defendants' conduct. Accordingly, Jessup brings suit on behalf of
16 himself and all others similarly situated, to seek both monetary and equitable relief for
17 Defendants' deceptive and unlawful conduct.

18 PARTIES

19 10 Plaintiff Michael Elliott Jessup is a natural person and a citizen of the State of
20 California. He resides in Marin, California.

21 11 Defendant Samuel Bankman-Fried is a natural person and citizen of the United
22 States. Bankman-Fried was co-founder and CEO of FTX, which had offices in Berkeley,
23 California.

24 12 Defendant Caroline Ellison is a natural person and citizen of the United States.
25 Ellison was co-CEO of Alameda Research, which had offices in Berkeley, California.

26 13 Defendant Gary Wang is a natural person and citizen of the United States. Wang
27 was co-founder and Chief Technology Officer of FTX, which had offices in Berkeley,
28 California. Wang also co-founded Alameda Research with SBF.

1 state, including from some investment firms in the District, such as Sequoia Capital, which is
2 headquartered in Menlo Park, California

3 21 Plaintiff was induced to engage in his transactions with FTX in the District.

4 22 Venue is proper in this District under 28 U.S.C. § 1391(b) because a substantial
5 part of the events or omissions giving rise to the unlawful conduct alleged in the Complaint
6 occurred in, was directed to, and/or emanated from this District

7 DIVISIONAL ASSIGNMENT

8 23 Pursuant to Civil Local Rule 3-2(d), this case should be assigned to the San
9 Francisco Division

10 GENERAL ALLEGATIONS

11 I. FTX's Backstory.

12 24 Defendants SBF and Wang co-founded FTX in 2019 as a cryptocurrency
13 exchange. SBF developed the FTX exchange to support all major cryptocurrencies, leveraged
14 tokens, and facilitate over-the-counter trading. FTX's stated mission, spearheaded by SBF, was
15 to build a crypto exchange with greater consumer protections and better user experiences.
16 FTX.com offered traders outside the US crypto tokens meant to mirror the performance of
17 specific stocks. By 2019, FTX was handling about \$1 billion daily trades. FTX US, which allows
18 access to US users, also launched equity trading in 2022.

19 25 The company invested millions in ad campaigns and sport and celebrity
20 partnerships to imbue it with a veil of legitimacy. FTX ran a \$30 million Superbowl ad in
21 2021 featuring comedian Larry David. It purchased naming rights to the Miami Heat arena,
22 along with the naming rights to the University of California Berkeley's football field for \$17.5
23 million in 2021. In April 2022, SBF sat on a stage with Bill Clinton and Tony Blair at an FTX-
24 sponsored crypto conference in the Bahamas.

25 26 SBF held himself out as a liaison between the crypto world and Congress, and
26 even the White House. On December 8, 2021, SBF testified in front of the House Financial
27 Services Committee, touting FTX as a consumer-friendly, safe investment platform. "FTX has
28 designed and offered a platform with a market structure that is risk reducing," he told members

1 of Congress, while claiming FTX embraced regulatory oversight.¹ In an October 2021 press
 2 release, SBF bragged of being able to “partner with investors that prioritize positioning FTX as
 3 the world’s most transparent and compliant cryptocurrency exchange.”²

4 27 This investment in image-setting paid off as many consumers were taken in by the
 5 rise. Consumers believed FTX was safer than alternative cryptocurrency exchanges and that
 6 there were regulations in place to protect their investments. In 2021, FTX was handling around
 7 10% of the \$3.4 trillion face value of derivatives traded by crypto investors each month.

8 28 Consumers were not alone in thinking FTX was on the up and up. FTX was one
 9 of the fastest growing crypto exchanges in the world. FTX grew from \$25 billion in value in
 10 October 2021, to a \$32 billion valuation by January 2022. FTX’s smaller, United States
 11 component, FTX US, reached an \$8 billion valuation in January 2022, raising \$400 million in its
 12 first external fundraising round.

13 29 But less than eleven months later, FTX would come crashing down. To help
 14 understand SBF and the Inner Circle’s scheme, a brief introduction to SBF’s supposedly separate
 15 hedge fund, Alameda Research follows.

16 II. Alameda Research.

17 30 Before FTX, SBF founded the cryptocurrency hedge fund Alameda Research in
 18 his apartment in 2017. Gary Wang, a member of the Inner Circle who became CTO of FTX, co-
 19 founded the startup with SBF. The two have long had ties, beginning with meeting at a math
 20 camp in high school, and going on to be college roommates. When Alameda was first started,
 21 they ran the company out of a three-bedroom apartment in Berkeley—the downstairs their
 22 dedicated office space. When SBF left Alameda to start FTX, he brought Gary Wang and
 23 another member of the Inner Circle, Nishad Singh, with him.

24 31 In 2021, SBF handed over the reins of Alameda to two relatively inexperienced

26 ¹ *Digital Assets and the Future of Finance: Understanding the Challenges and Benefits of Financial Innovation in
 the United States Before the H. Comm. on Fin. Servs., 117th Cong. (2021)* (Testimony of Sam Bankman-Fried Co-
 27 Founder and CEO of FTX), [https://financialservices.house.gov/uploadedfiles/hlrg-117-ba00-wstare-bankman-
 frieds-20211208.pdf](https://financialservices.house.gov/uploadedfiles/hlrg-117-ba00-wstare-bankman-frieds-20211208.pdf).

28 ² Harriet Agnew et al., *FTX hires blue-chip investors in funding round, valuing crypto group at \$25bn*, FINANCIAL
 TIMES (Oct. 21, 2021), <https://www.ft.com/content/56b35970-de1e-41a6-9fb1-b482075e092b>.

1 traders, Defendants Caroline Ellison and Sam Trabucco. Between the two of them, they only had
2 a few years of experience trading in conventional markets.

3 32 Trabucco had a penchant for gambling and bragged about how he applied his
4 gambler's instincts to Alameda's crypto trading. Trabucco bragged that he had been banned from
5 multiple casinos for counting cards in blackjack. In a January 2021 Twitter thread, Trabucco
6 claimed, "Bigger is Bigger (when Betting is Better)" in both betting and trading. Trabucco
7 encouraged aggressive trading and embracing risk as co-CEO of Alameda. This risk-loving
8 strategy ultimately led Alameda to make many bad investments that led to its downfall. In
9 August 2022, Trabucco abruptly left Alameda, stepping down as co-CEO just before the house
10 of cards collapsed.

11 33 SBF claimed there were adequate firewalls between Alameda and FTX. In an
12 August 2022 interview with Bloomberg, SBF stated, "Alameda is a wholly separate entity," and
13 claimed, "They're different offices, like different principal offices. We don't have any shared
14 personnel. We're also not the same company."³ Ellison made similar misrepresentations in
15 September 2022, stating, "[w]e're arm's length and don't get any different treatment from other
16 market makers."⁴ But these, too, were lies.

17 34 For a period, Wang, Singh, Ellison, and SBF all lived in the same house in the
18 Bahamas. The FTX and Alameda offices in the Bahamas were very nearby. The Inner Circle was
19 socially and romantically entangled, with Ellison and SBF having dated in the past. Wang,
20 Singh, and Ellison were also all on the board of SBF's FTX Foundation. There was nothing
21 arm's length about the relationship between the executives at FTX and Alameda.

22 35 FTX and Alameda had a history of propping each other up. Even before FTX
23 became embroiled in Alameda's bad bets in 2022, Alameda had loaned FTX money to shelter it
24 from a \$1 billion loss after a customer trade on the exchange blew up. Early in 2021, Alameda
25

26 ³ Annie Massa et al., *What FTX's Bankman-Fried Said When We Asked Him About Red Flags*, BLOOMBERG NEWS
(Nov. 17, 2022), <https://www.bloomberg.com/news/articles/2022-11-18/what-ftx-s-sam-bankman-fried-said-when-we-asked-him-about-red-flags-at-alameda>.

27 ⁴ Annie Massa et al., *Crypto Quant Shop With Ties to FTX Powers Bankman-Fried's Empire*, BLOOMBERG NEWS
28 (Sept. 14, 2022), https://www.bloomberg.com/news/articles/2022-09-14/trading-firm-alameda-research-powers-ftx-ceo-sam-bankman-fried-s-crypto-empire?utm_source=twitter&utm_

1 took on much of FTX's exposure when a client's leveraged bet on an obscure token broke
2 through the guardrails designed to shield the exchange from sustaining losses when trades went
3 south. This was yet another example of how SBF and the Inner Circle used Alameda and FTX to
4 prop each other up, even while publicly maintaining that the exchange and the hedge fund acted
5 separately.

6 36 Alameda made more than 150 investments across the crypto industry, including in
7 the now-bankrupt crypto broker Voyager Digital. FTX executives also took out billions of
8 dollars in loans from Alameda to fund all manner of activities, from SBF's political contributions
9 to his purchase of a 7.6% stake in Robinhood for \$650 million.

10 III. SBF and the Inner Circle's Fraud.

11 37 SBF made sure to get paid at both Alameda and FTX, while outwardly claiming
12 to live a frugal lifestyle. SBF once claimed he lived off \$100,000 a year, when in reality, he was
13 taking in much more. In October 2021, FTX raised over \$420 million from several well-known
14 investors. But instead of making its way to the exchange, \$300 million went to SBF himself
15 when he sold his stake in FTX. This cash out dwarfs the normal amounts startup founders award
16 themselves. SBF attempted to justify this payoff by claiming it was a partial reimbursement for
17 money he spent to buy out Binance's stake in FTX. Instead, this was yet another example of how
18 SBF took money that was meant for the exchange and its customers and used it for himself.

19 38 At age 30, SBF was briefly worth \$26 billion. Alameda Research was reported to
20 have made \$1 billion in profit in 2020, and the newly founded FTX was making \$350 million in
21 profit off trading fees. These profits played into SBF's "effective altruism" endgame, in which he
22 believed himself better situated to solve the world's problems as a billionaire capable of giving
23 away vast sums of his wealth. SBF promised to give away almost all his money, yet as of March
24 2021, he had only given away about 0.1% of his fortune. He claimed he would ramp up his
25 giving once he became more liquid.

26 39 The relationship between FTX and Alameda had always been murky, as described
27 above. In the traditional finance world, there are clear regulations and laws limiting the use of
28 depository funds for trading. In 1933, Congress passed the Glass-Steagall Act which required

1 that commercial banks refrain from investment banking activities. This was to protect depositors
2 from potential losses caused by bank speculation in stocks. But in the crypto world, no such
3 regulations exist to protect customer deposits.

4 40 While it appeared from the outside that SBF was funding his spending and
5 lending in part from profits he made at Alameda, in reality, the hedge fund was surviving only
6 because SBF was loaning Alameda billions of dollars of FTX customer deposits. SBF claimed
7 publicly that Alameda (the hedge fund) and FTX (the exchange) were kept separate. But this was
8 hardly the case. SBF owned more than half of FTX and almost all of Alameda. The two
9 companies shared office space in Berkeley, California, and both were housed in the Bahamas on
10 the same corporate campus. In the Bahamas, Bankman-Fried lived in the same apartment as
11 Alameda CEO Caroline Ellison, along with other roommates.

12 41 In the spring of 2022, the crypto market was shaken by its own Great Recession-
13 like financial crisis. The popular stablecoin (meaning it was supposed to always be worth about
14 \$1) TerraUSD crashed to 2¢. A large crypto hedge fund, Three Arrows Capital, collapsed.
15 Crypto asset prices began to crash, and several crypto companies failed in rapid succession. SBF
16 stepped in and began scooping up distressed crypto companies as a lender of last resort. FTX US
17 bailed out BlockFi Inc., a digital-asset lender, with a \$400 million credit after BlockFi took an
18 \$80 million hit from bad Three Arrows debt. Alameda extended a \$500 million emergency credit
19 line to the crypto brokerage Voyager Digital Ltd. Despite the injection of capital, Voyager went
20 under.

21 42 Ultimately, none of these investments panned out. Alameda had borrowed money
22 to make investments, then got FTX to bail it out to help make payments on those loans. SBF
23 used customer deposits to fund Alameda's bailout without the permission of those customers.
24 Alameda's loan to Voyager was wiped out once the brokerage firm filed for bankruptcy. To help
25 prop up Alameda and its failed investments, SBF transferred at least \$4 billion from FTX to
26 Alameda in 2022. The money SBF transferred from FTX was, in large part, FTX customer
27 deposits.

28 43 SBF transferred these funds without using normal methods that would be

1 traceable by employees outside the Inner Circle. The company's books had a "back door" built-
2 in using bespoke software. This backdoor allowed SBF to alter the company's financial records
3 without alerting other people in the company. Upon information and belief, Defendants Wang,
4 Singh, and Ellison knew about SBF's decision to send customer funds to Alameda.

5 44 Defendants Wang and Singh controlled the code for the exchange's matching
6 engine and funds. SBF also had control of the code, but with subpar skills, he relied on Wang
7 and Singh for their technical know-how. With their control of the code governing funds, they
8 were able to move funds around without others noticing.

9 45 Along with the substantial funds (largely comprised of customer deposits) that
10 were transferred from FTX to Alameda, substantial amounts of money were spent on things not
11 related to the business, as well. This includes approximately \$300 million worth of Bahamas real
12 estate consisting of homes and vacation properties for FTX senior executives. In 2022, SBF
13 spent more than \$40 million on political campaigns, and donated \$5 million to the investigative
14 news outlet ProPublica. At no point did consumers consent or were even made aware that their
15 deposits were being misused in this way

16 46 What looked from the outside like a wunderkind using a competitive advantage to
17 make billions, was actually a group of inexperienced people mismanaging a multibillion-dollar
18 company. When SBF's ventures failed, he took consumers' deposits and tried to gamble them to
19 recoup his losses

20 **IV. SBF and the Inner Circle's Misrepresentations.**

21 47 Throughout their time as executives of FTX and Alameda Research, SBF and the
22 Inner Circle made regular and calculated misrepresentations about how FTX customer funds
23 were used, including:

- 24 a. Even as the FTX rouse was coming undone, SBF publicly lied about how customer
25 assets were used to try to prevent people from withdrawing their deposits. On
26 November 7, 2022, SBF tweeted that "FTX has enough to cover all client
27
28

1 holdings. We don't invest client assets (even in treasuries) ⁵ He said this while
 2 knowing FTX had sent billions of dollars in customer deposits to Alameda to be
 3 invested.

- 4 b. In July 2022, an FTX US employee tweeted that "direct deposits from employers
 5 to FTX US are stored in individually FDIC-insured bank accounts in the users'
 6 names" and that "stocks are held in FDIC-insured and SIPC-insured brokerage
 7 accounts."⁶ The FDIC subsequently sent FTX a warning letter to stop
 8 misrepresenting that FTX accounts were FDIC insured.
- 9 c. SBF publicly claimed Alameda and FTX were wholly separate entities, even after
 10 using a back door to send billions of FTX customer funds to Alameda. Ellison
 11 similarly misrepresented that Alameda and FTX were kept at arm's length and that
 12 Alameda received the same treatment from FTX as any other exchange, even after
 13 having illicitly received billions of FTX customer funds.
- 14 d. In December 2021, and again in May 2022, SBF testified in front of Congress,
 15 taking the position that FTX was in favor of regulatory oversight. On October 19,
 16 2022, SBF tweeted that "we need regulatory oversight and customer protection"
 17 and "we should establish regulation."⁷ But after he stepped down as CEO, SBF
 18 admitted that claiming to want regulation was "just PR." "[F]--- regulators[]
 19 [T]hey make everything worse ⁸ This, too, was a lie SBF and his Inner Circle
 20 perpetuated in order to make consumers feel safe depositing their money in FTX.

21 48. All these misrepresentations had the goal of tricking consumers into believing
 22

23 ⁵ Britney Nguyen, *Sam Bankman-Fried deleted his tweet saying FTX "assets are fine" on the day he announced his*
 24 *Binance deal*, BUSINESS INSIDER (Nov. 9, 2022), [https://www.businessinsider.com/ftx-sam-bankman-fried-deleted-](https://www.businessinsider.com/ftx-sam-bankman-fried-deleted-assets-fine-tweet-binance-deal-2022-11)
[assets-fine-tweet-binance-deal-2022-11](https://www.businessinsider.com/ftx-sam-bankman-fried-deleted-assets-fine-tweet-binance-deal-2022-11).

25 ⁶ Letter from Fed. Deposit Ins. Corp. to Brett Harrison, Individually and as President of FTX US and Dan Friedberg,
 26 Chief Regulatory Officer of FTX US (Aug. 18, 2022), [https://www.fdic.gov/news/press-releases/2022/ftx-harrison-](https://www.fdic.gov/news/press-releases/2022/ftx-harrison-letter.pdf)
[letter.pdf](https://www.fdic.gov/news/press-releases/2022/ftx-harrison-letter.pdf).

27 ⁷ Samuel Bankman-Fried (@SBF_FTX), TWITTER (Oct. 19, 2022),
https://twitter.com/SBF_FTX/status/1582835490515927041.

28 ⁸ Kelsey Piper, *Sam Bankman-Fried tries to explain himself*, VOX (Nov. 16, 2022), [https://www.vox.com/future-](https://www.vox.com/future-perfect/23462333/sam-bankman-fried-ftx-cryptocurrency-effective-altruism-crypto-bahamas-philanthropy)
[perfect/23462333/sam-bankman-fried-ftx-cryptocurrency-effective-altruism-crypto-bahamas-philanthropy](https://www.vox.com/future-perfect/23462333/sam-bankman-fried-ftx-cryptocurrency-effective-altruism-crypto-bahamas-philanthropy).

1 depositing money on FTX was a “safe and easy way to get into crypto,” rather than a scheme
2 implemented by SBF and the Inner Circle to funnel money to Alameda.

3 V. The Fall of FTX.

4 49 On November 2, 2022, CoinDesk ran a story about a leaked balance sheet from
5 Alameda, which purportedly operated separately from FTX. The leaked document demonstrated
6 a significant portion of Alameda’s assets were in SBF’s crypto token, FTT (issued by FTX).
7 Alameda, despite its supposed sophistication, was invested heavily in a token minted from thin
8 air by SBF

9 50 On November 6, 2022, CEO of rival exchange Binance, Changpeng Zhao tweeted
10 that “[d]ue to recent revelations” it would be selling off its FTT.⁹ A run on the bank followed as
11 consumers desperately attempted to withdraw their assets from FTX. Were FTX simply holding
12 consumers’ assets and functioning as a middleman in trades, it would have had no problem
13 fulfilling customers’ requests to withdraw. But the assets were gone. FTX had to halt customer
14 withdrawals after about \$5 billion worth of withdrawal requests flooded in.

15 51 On November 7, 2022, SBF tweeted that “FTX is fine. Assets are fine.” He also
16 stated, “FTX has enough to cover all client holdings. We don’t invest client assets (even in
17 treasuries).”¹⁰ These were lies.

18 52 On November 8, 2022, SBF announced that Binance would be taking over FTX to
19 ensure consumers could regain access to their assets. But one day later, on November 9, 2022,
20 Binance pulled out of the deal. A Binance spokesperson told CoinDesk that “[a]s a result of
21 corporate due diligence, as well as the latest news reports regarding mishandled customer funds
22 and alleged U.S. agency investigations, we have decided that we will not pursue the potential
23 acquisition of FTX.com.”¹¹

24 53 On November 11, 2022, FTX, FTX US, and Alameda all filed for bankruptcy as
25

26 ⁹ Changpeng Zhao (@cz_binance), TWITTER (Nov. 6, 2022 at 7:47 AM),
https://twitter.com/cz_binance/status/1589283421704290306?lang=en.

27 ¹⁰ Nguyen, *supra* note 5.

28 ¹¹ Kevin Reynolds, *Binance Walks Away From Deal to Acquire FTX*, COINDESK (Nov. 9, 2022),
<https://www.coindesk.com/business/2022/11/09/binance-walks-away-from-ftx-deal-wsj/>.

1 SBF resigned. A day after FTX filed for bankruptcy, an unauthorized withdrawal of crypto worth
 2 more than \$400 million occurred as a result of a hack, leading to more losses. Even weeks after
 3 entering Chapter 11, it is unclear exactly where all FTX's missing assets are. At least \$1 billion
 4 in FTX customers' funds disappeared from the collapsed exchange. John Ray, who has taken
 5 over FTX in an attempt to right the dangerously listing ship, filed a scathing statement that
 6 assessed SBF and his leadership of FTX, namely stating that the exchange was controlled by "a
 7 very small group of inexperienced, unsophisticated and potentially compromised individuals."¹²
 8 What is clear is that SBF took \$10 billion in customer funds from FTX and transferred much of it
 9 to its sister trading company, Alameda Research, without customer permission, and now a large
 10 portion of that total is missing.

11 **FACTS SPECIFIC TO PLAINTIFF MICHAEL ELLIOTT JESSUP**

12 54. Plaintiff Michael Elliott Jessup joined FTX in 2022. Having seen SBF's public
 13 statements (Jessup followed SBF on Twitter), he believed FTX was a safe platform and that SBF
 14 was a trustworthy person at the helm of the exchange. This was particularly appealing as SBF's
 15 stated mission was to help move the crypto space to become more institutionalized.

16 55. Trusting that FTX would do the simple task of holding on to his digital assets,
 17 Jessup placed nearly two Bitcoins (valued at approximately \$32,000 on November 10, 2022) and
 18 about forty Solana (valued at approximately \$1000 on November 10, 2022) in an FTX US
 19 account.

20 56. But that soon changed. As news reports began to reveal trouble with FTX, Jessup
 21 grew concerned.

22 57. Amidst the chaos, Jessup logged on to his FTX US account and attempted to
 23 withdraw his assets. But FTX would not allow him to do so. Indeed, a leaked FTX balance sheet
 24 indicated that FTX owned exactly zero (0) Bitcoins by the time it filed for bankruptcy.

25 58. Had Plaintiff Jessup known of SBF's fraud, he would never have deposited his
 26 Bitcoin on the FTX exchange.

27 ¹² Elior Brown et al., *FTX's Sam Bankman-Fried Cashed Out \$300 Million During Funding Spree*, WALL ST. J.
 28 (Nov. 18, 2022), <https://www.wsj.com/articles/ftx-sam-bankman-fried-cashed-out-300-million-during-funding-spree-11668799774>.

CLASS ALLEGATIONS

1
2 **59 Class Definition:** Plaintiff brings this action pursuant to Federal Rule of Civil
3 Procedure 23(b)(2) and 23(b)(3) on behalf of himself and a Class of similarly situated
4 individuals, defined as follows:

5 All persons in the United States who had bitcoins, other cryptocurrency, assets or
6 money stored with FTX on November 10, 2022.

7 The following people are excluded from the Class: (1) any Judge or Magistrate presiding over
8 this action and members of their families; (2) Defendants, Defendants' successors, predecessors,
9 and any entity in which the Defendants have a controlling interest, and their current or former
10 officers and directors; (3) persons who properly execute and file a timely request for exclusion
11 from the Class; (4) persons whose claims in this matter have been finally adjudicated on the
12 merits or otherwise released; (5) Plaintiff's counsel and Defendants' counsel; and (6) the legal
13 representatives, successors, and assigns of any such excluded persons.

14 **60 Numerosity:** The exact number of the members of the Class is unknown and not
15 available to Plaintiff at this time, but it is clear that individual joinder is impracticable. On
16 information and belief, and according to documents filed by FTX in support of its bankruptcy
17 petition, there are likely over one million members in the Class. Members of the Class can be
18 identified through Defendants' records and through third-party discovery.

19 **61 Commonality and Predominance:** There are many questions of law and fact
20 common to Plaintiff's and the Class's claims, and those questions predominate over any
21 questions that may affect individual members of the Class. Common questions for the Class
22 include, but are not necessarily limited to the following:

- 23 a. Whether the Defendants' conduct constitutes fraud;
- 24 b. Whether the Defendants' conduct constitutes conversion;
- 25 c. Whether the Defendants' conduct constitutes unjust enrichment.

26 **62 Typicality:** Plaintiff's claims are typical of the claims of other members of the
27 Class in that Plaintiff and the members of the Class were harmed, and face ongoing harm, arising
28 out of Defendants' wrongful conduct.

1 67 **Through SBF's public statements, marketing materials, and advertisements, SBF,**
2 **Singh, and Wang represented to Plaintiff and the Class that FTX would, *inter alia*, protect their**
3 **crypto assets, and safely and quickly allow them to buy, sell, trade, or withdraw the same. SBF,**
4 **Singh, and Wang deliberately withheld from Plaintiff and the Class that their deposits were being**
5 **transferred to Alameda Research under Ellison and Trabucco's control. Defendants conspired to**
6 **take Plaintiff and the Class's funds and give them to Ellison and Trabucco without their**
7 **knowledge or consent.**

8 68 **SBF, Singh, and Wang never intended to safeguard users' crypto assets.**

9 69 **Instead, SBF, Singh, and Wang spread deliberate falsehoods, even as the music**
10 **stopped for FTX. SBF claimed that users' assets were safe, even after he had gambled and**
11 **otherwise frittered them away.**

12 70 **SBF, Singh, and Wang's representations to Plaintiff and the members of the Class**
13 **were knowingly and intentionally false.**

14 71 **Knowing that consumers are less likely to do business with companies that fail to**
15 **adequately safeguard and hold their crypto assets or allow them to buy, sell, trade, or withdraw**
16 **the same, SBF and the Inner Circle made these false representations with the intention that**
17 **Plaintiff and the members of the Class would rely on them in contracting with FTX and**
18 **transferring money and cryptocurrency into their accounts.**

19 72 **SBF made false representations to Plaintiff and the members of the Class online**
20 **when he tweeted that consumer assets were "fine." This was even after FTX had suspended**
21 **withdrawals.**

22 73 **Knowing that users would stop depositing bitcoins and funds in their accounts,**
23 **and would instead attempt to withdraw funds or close accounts if made aware of the colossal**
24 **losses of assets FTX faced, SBF and the Inner Circle made the false representations and**
25 **omissions with the intent that Plaintiff and the members of the Class would rely on them and**
26 **continue to deposit money and cryptocurrencies into their FTX accounts and not attempt to**
27 **withdraw funds and/or close accounts.**

1 and (b) by causing cryptocurrency and money to be withdrawn from Plaintiff and the Class's
2 FTX accounts and given to Alameda Research

3 90 At all relevant times, SBF and the Inner Circle acted with wanton, recklessness
4 and total and deliberate disregard for the personal rights of Plaintiff and the Class.

5 91 SBF and the Inner Circle's improper restraint of Plaintiff and the Class's
6 cryptocurrency and money, which harmfully interfered with Plaintiff and the Class's rights to
7 control their own property, constitutes conversion

8 92 Plaintiff and the Class are entitled to to actual damages

9 PRAYER FOR RELIEF

10 Plaintiff Michael Elliott Jessup, individually and on behalf of all others similarly situated,
11 respectfully request that this Court enter an Order

12 (a) Certifying this case as a class action on behalf of the Class defined above,
13 appointing Plaintiff Michael Elliott Jessup as representative of the Class, and appointing his
14 counsel as Class Counsel;

15 (b) An award of actual damages;

16 (c) An award of restitution for Defendants' wrongful conduct;

17 (d) An award of reasonable attorneys' fees and costs;

18 (e) An award of punitive or exemplary damages; and

19 (g) Such other and further relief that the Court deems reasonable and just.

20 JURY DEMAND

21 Plaintiff requests a trial by jury of all claims that can be so tried.

22 Respectfully Submitted,

23 MICHAEL ELLIOTT JESSUP, individually and
24 on behalf of all others similarly situated,

25 Dated: December 5, 2022

26 By: /s/ Todd Logan
One of Plaintiff's Attorneys

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