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 8 *Amees Sodha and the Proposed Class*

9 [Additional Counsel on Signature Page.]
 10

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

13 PHILIP GOLUBOWSKI, Individually and on
 14 Behalf of All Others Similarly Situated,

15 Plaintiff,

16 v.

17 ROBINHOOD MARKETS, INC., VLADIMIR
 TENEV, JASON WARNICK, BAIJU BHATT,
 18 JAN HAMMER, PAULA LOOP, JONATHAN
 RUBENSTEIN, SCOTT SANDELL, ROBERT
 19 ZOELLICK, GOLDMAN SACHS & CO. LLC,
 J.P. MORGAN SECURITIES LLC,
 20 BARCLAYS CAPITAL INC., WELLS FARGO
 SECURITIES, LLC, MIZUHO SECURITIES
 21 USA LLC, JMP SECURITIES LLC,
 KEYBANC CAPITAL MARKETS INC.,
 22 PIPER SANDLER & CO., ROSENBLATT
 SECURITIES INC., BMO CAPITAL
 23 MARKETS CORP., BTIG, LLC,
 SANTANDER INVESTMENT SECURITIES
 24 INC., ACADEMY SECURITIES, INC., LOOP
 CAPITAL MARKETS LLC, SAMUEL A.
 25 RAMIREZ & COMPANY, INC., and SIEBERT
 WILLIAMS SHANK & CO., LLC,

26 Defendants.
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Case No. 3:21-cv-09767

**SECOND AMENDED CLASS ACTION
 COMPLAINT**

JURY TRIAL DEMANDED

1 3. On or about July 30, 2021, Robinhood used the Offering Documents to conduct one
2 of the largest IPOs of 2021. The Offering Documents represented that Robinhood was successfully
3 executing its strategy of making investing available to a previously untapped market – small and
4 non-traditional investors who previously could not access the securities markets. According to the
5 Offering Documents, this strategy had driven enormous growth and had left Robinhood well-
6 positioned to continue growing. As proof of concept, the Offering Documents contained reams of
7 historical performance data evidencing the Company’s growth each quarter from 2019 through Q1
8 2021, along with estimated preliminary results for Q2 2021, the quarter that ended about a month
9 before the IPO. Pursuant to the Offering Documents, Robinhood and the other Defendants offered
10 55 million shares of common stock to the public at a price of \$38 per share (the “Offering Price”)
11 for gross proceeds of over \$2 billion. However, the Offering Documents affirmatively presented
12 a state of affairs that differed in a material way from the one that actually existed at the time of the
13 IPO.

14 4. By the time of the Offering, Robinhood’s core fundamentals had changed, altering
15 its growth trajectory. During the periods in which it had posted the historical financial results
16 touted in the Offering Documents, Robinhood’s largest source of revenue was fees earned on its
17 customers' conventional trading of stocks and options. In the months preceding the Offering,
18 however, Robinhood’s business had become dominated by fad trading in so-called “meme” stocks,
19 including GameStop, and a cryptocurrency that literally began as a joke – Dogecoin, which was
20 named after an internet meme centered around the image of a Shiba Inu dog. While these fads had
21 fueled a temporary spike in trading volume that benefited Robinhood in Q1 and Q2 2021, as
22 detailed herein, they had not laid a foundation for continued growth, and when they ended months
23 before the Offering, Robinhood’s financial prospects deteriorated.

24 5. For months ahead of the IPO, the negative impact of this fundamental shift in
25 Robinhood’s business was evident from data available to Defendants in real time but was not
26 disclosed in the Offering Documents. In Q2 2021, revenue from equities trading, which
27 historically had accounted for approximately one-third of Robinhood’s transaction-based revenue,
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1 was just \$52 million, less than in every quarter since Q1 2020, and down an astounding 61% from
2 \$133.3 million in Q1 2021. Further, trading volume in equities in July 2021 was just \$73 billion,
3 one-third less than in June 2021 and 15% below the monthly average for Q2 2021.

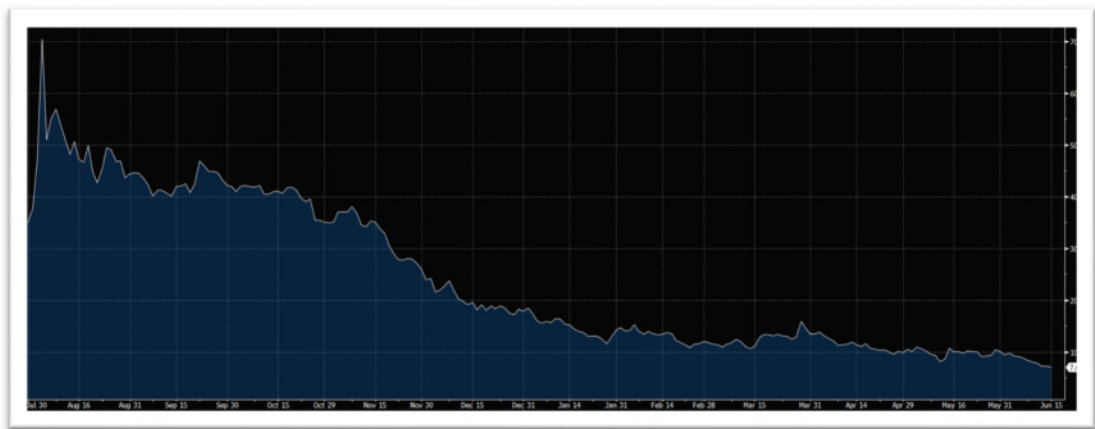
4 6. At the same time, by the time of the IPO, cryptocurrency trading, which had
5 displaced equities and options trading as the main driver of Robinhood's revenue, accounting for
6 more than half of transaction-based revenue in Q2 2021, had cratered, declining 90% in the two
7 months before the Offering. Between May and June 2021, Robinhood lost \$97 billion in
8 cryptocurrency trading volume, a decline of 76% in a 30-day period, and then it lost an additional
9 \$17 billion in cryptocurrency trading volume in July. Although cryptocurrency trading volumes
10 were down across the industry during these months, the declines experienced by Robinhood far
11 exceeded those in the industry as a whole. Moreover, although the Offering Documents contained
12 a breakdown of Robinhood's historical transaction-based revenue by type of trading (*i.e.*, equities,
13 options, cryptocurrency), the estimated preliminary results for Q2 2021 included in the Offering
14 Documents did not include such a breakdown, leaving investors in the dark with respect to the sea-
15 change in the fundamentals of Robinhood's business.

16 7. During this period, Key Performance Indicators ("KPIs") that the Offering
17 Documents touted as significant business metrics – Monthly Active Users ("MAU"), Assets Under
18 Custody ("AUC"), and Average Revenue Per User ("ARPU") – were declining as well.
19 Specifically, (i) between May 2021 and July 2021 (*i.e.*, in the two months preceding the IPO),
20 MAU, which Robinhood stated was positively correlated with the performance of revenue and
21 other KPIs, had declined by 19%, or 4.6 million users; (ii) AUC fell 7% from \$102 billion in June
22 2021 to \$94.7 billion in July 2021, and but for a one-time bump in June 2021, had been
23 deteriorating since May; and (iii) ARPU had also fallen dramatically from \$137 million at the end
24 of March 2021 to \$111.7 million as of June 30, 2021, an 18% drop, to \$65 million at the end of
25 September, another 41% decline. These undisclosed declines were unusual as demonstrated by
26 the historical financial information disclosed in the Offering Documents. At the same time, growth
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1 in Net Cumulative Funded Accounts (“NCFA”), which the Offering Documents depicted as
 2 growing exponentially year-over-year and in Q1 2021, had stalled.

3 8. The truth began to emerge on October 27, 2021, when Robinhood announced its
 4 Q3 2021 results revealing sharp declines in revenue and KPIs, causing the Company’s stock price
 5 to drop sharply. Jim Cramer commented that the earnings call made him “depressed” because “if
 6 you read the conference call, you’d think it was a fad . . . and if it’s a fad, well what can I say?
 7 They’ve got a lot of people, 22 million, but they don’t have a lot of money in their accounts.” The
 8 market learned more about the dismal state of Robinhood’s strategy in the following months as
 9 the Company continued to report declining KPIs and revenue. Commenting on the trend in January
 10 2022, JP Morgan concluded that Robinhood is “*a growth company without the growth.*”
 11 [Emphasis added.]

12 9. As shown in the below chart, the Company’s shares have traded as low as \$6.81
 13 per share since the IPO, representing a decline of more than 82% from the Offering Price of \$38.



22 10. By this action, Lead Plaintiffs, on behalf of themselves and other members of the
 23 Class (defined below) who also acquired Robinhood’s shares pursuant and traceable to the
 24 Offering, now seek to obtain a recovery for the damages suffered as a result of Defendants’
 25 violations of the Securities Act, as alleged herein.

JURISDICTION AND VENUE

11. The claims asserted herein arise under and pursuant to §§11, 12(a)(2), and 15 of the Securities Act, 15 U.S.C. §§77k, 77l(a)(2), and 77o, respectively.

12. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and §22 of the Securities Act, 15 U.S.C. §77v.

13. Venue is proper in this District pursuant to 28 U.S.C. §1391(b) because the acts and transactions giving rise to the violations of law complained of herein occurred, in part, in this District, including the dissemination of false and misleading statements into this District, certain Defendants reside and/or transact business in this District, and the Company maintains its corporate headquarters in this District.

14. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

A. Lead Plaintiffs

15. Lead Plaintiffs purchased shares of the Company’s common stock that were issued pursuant and traceable to the Registration Statement and Offering and were damaged thereby.

B. Defendants

1. The Company

16. Defendant Robinhood is a Menlo Park, California-based company that provides a vehicle through which people can buy and sell stocks, ETFs and cryptocurrencies. Incorporated under the laws of the state of Delaware, Robinhood maintains its principal executive offices at 85 Willow Road, Menlo Park, California 94025. Robinhood’s common stock is listed on the NASDAQ under the ticker symbol “HOOD.”

1 **2. The Individual Defendants**

2 17. Defendant Vladimir Tenev (“Tenev”) is, and was at all relevant times, Co-Founder,
3 Chief Executive Officer (“CEO”), and President of Robinhood, as well as a director on the
4 Company’s Board of Directors (the “Board”). Defendant Tenev reviewed, approved, and
5 participated in making statements in the Offering Documents, which he signed.

6 18. Defendant Jason Warnick (“Warnick”) is, and was at all relevant times,
7 Robinhood’s Chief Financial Officer (“CFO”). Defendant Warnick reviewed, approved, and
8 participated in making statements in the Offering Documents, which he signed.

9 19. Defendant Baiju Bhatt (“Bhatt”) is, and was at all relevant times, Co-Founder and
10 Chief Creative Officer of Robinhood, as well as a director on the Board. Defendant Bhatt
11 reviewed, approved, and participated in making statements in the Offering Documents, which he
12 signed.

13 20. Defendant Jan Hammer (“Hammer”) is, and was at all relevant times, a director on
14 the Board. Defendant Hammer reviewed, approved, and participated in making statements in the
15 Offering Documents, which he signed.

16 21. Defendant Paula Loop (“Loop”) is, and was at all relevant times, a director on the
17 Board. Defendant Loop reviewed, approved, and participated in making statements in the Offering
18 Documents, which she signed.

19 22. Defendant Jonathan Rubenstein (“Rubenstein”) is, and was at all relevant times, a
20 director on the Board. Defendant Rubenstein reviewed, approved, and participated in making
21 statements in the Offering Documents, which he signed.

22 23. Defendant Scott Sandell (“Sandell”) is, and was at all relevant times, a director on
23 the Board. Defendant Sandell reviewed, approved, and participated in making statements in the
24 Offering Documents, which he signed.

25 24. Defendant Robert Zoellick (“Zoellick”) is, and was at all relevant times, a director
26 on the Board. Defendant Zoellick reviewed, approved, and participated in making statements in
27 the Offering Documents, which he signed.

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1 25. Defendants Tenev, Warnick, Bhatt, Hammer, Loop, Rubenstein, Sandell, and
2 Zoellick are collectively referred to herein as the “Individual Defendants.”

3 **3. The Underwriter Defendants**

4 26. The Underwriter Defendants were also instrumental in soliciting investors and in
5 making the Robinhood shares that were offered and sold in or traceable to the IPO available to
6 Lead Plaintiffs and the other members of the Class. The table below lists each of the Underwriter
7 Defendants, together with the number of allotted shares that each sold in the IPO:

Name	Number of Shares
Goldman Sachs & Co. LLC	16,716,315
J.P. Morgan Securities LLC	15,671,645
Barclays Capital Inc.	6,268,680
Citigroup Global Markets Inc.	6,268,680
Wells Fargo Securities, LLC	6,268,680
Mizuho Securities USA LLC	568,040
JMP Securities LLC	426,030
KeyBanc Capital Markets Inc.	426,030
Piper Sandler & Co.	426,030
Rosenblatt Securities Inc.	426,030
BMO Capital Markets Corp.	284,020
BTIG, LLC	284,020
Santander Investment Securities Inc.	284,020
Academy Securities, Inc.	170,445
Loop Capital Markets LLC	170,445
Samuel A. Ramirez & Company, Inc.	170,445
Siebert Williams Shank & Co., LLC	170,445

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19 27. Defendant Goldman Sachs & Co. LLC (“Goldman Sachs”) was an underwriter of
20 the Company’s IPO, serving as a financial advisor for and assisting in the preparation and
21 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
22 Documents. Goldman Sachs acted as a representative of all the underwriters. Goldman Sachs also
23 participated in conducting and promoting the roadshow for the IPO and paying for the expenses
24 of the Individual Defendants who participated in the roadshow, including lodging and travel,
25 among other expenses. Goldman Sachs’ participation in and its solicitation of offers in connection
26 with the IPO was motivated by its financial interests. Defendant Goldman Sachs conducts business
27 in this District.

1 28. Defendant J.P. Morgan Securities LLC (“J.P. Morgan”) was an underwriter of the
2 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
3 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
4 Documents. J.P. Morgan acted as a representative of all the underwriters. J.P. Morgan also
5 participated in conducting and promoting the roadshow for the IPO and paying for the expenses
6 of the Individual Defendants who participated in the roadshow, including lodging and travel,
7 among other expenses. J.P. Morgan’s participation in and its solicitation of offers in connection
8 with the IPO was motivated by its financial interests. Defendant J.P. Morgan conducts business
9 in this District.

10 29. Defendant Barclays Capital Inc. (“Barclays”) was an underwriter of the Company’s
11 IPO, serving as a financial advisor for and assisting in the preparation and dissemination of the
12 Company’s material inaccurate, misleading, and incomplete Offering Documents. Barclays
13 participated in conducting and promoting the roadshow for the IPO and paying for the expenses
14 of the Individual Defendants who participated in the roadshow, including lodging and travel,
15 among other expenses. Barclays’ participation in and its solicitation of offers in connection with
16 the IPO was motivated by its financial interests. Defendant Barclays conducts business in this
17 District.

18 30. Defendant Citigroup Global Markets Inc. (“Citigroup”) was an underwriter of the
19 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
20 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
21 Documents. Citigroup participated in conducting and promoting the roadshow for the IPO and
22 paying for the expenses of the Individual Defendants who participated in the roadshow, including
23 lodging and travel, among other expenses. Citigroup’s participation in and its solicitation of offers
24 in connection with the IPO was motivated by its financial interests. Defendant Citigroup conducts
25 business in this District.

26 31. Defendant Wells Fargo Securities, LLC (“Wells Fargo”) was an underwriter of the
27 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
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1 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
2 Documents. Wells Fargo participated in conducting and promoting the roadshow for the IPO and
3 paying for the expenses of the Individual Defendants who participated in the roadshow, including
4 lodging and travel, among other expenses. Well Fargo’s participation in and its solicitation of
5 offers in connection with the IPO was motivated by its financial interests. Defendant Wells Fargo
6 conducts business in this District.

7 32. Defendant Mizuho Securities USA LLC (“Mizuho”) was an underwriter of the
8 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
9 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
10 Documents. Mizuho participated in conducting and promoting the roadshow for the IPO and
11 paying for the expenses of the Individual Defendants who participated in the roadshow, including
12 lodging and travel, among other expenses. Mizuho’s participation in and its solicitation of offers
13 in connection with the IPO was motivated by its financial interests. Defendant Mizuho conducts
14 business in this District.

15 33. Defendant JMP Securities LLC (“JMP”) was an underwriter of the Company’s IPO,
16 serving as a financial advisor for and assisting in the preparation and dissemination of the
17 Company’s material inaccurate, misleading, and incomplete Offering Documents. JMP
18 participated in conducting and promoting the roadshow for the IPO and paying for the expenses
19 of the Individual Defendants who participated in the roadshow, including lodging and travel,
20 among other expenses. JMP’s participation in and its solicitation of offers in connection with the
21 IPO was motivated by its financial interests. Defendant JMP conducts business in this District.

22 34. Defendant KeyBanc Capital Markets Inc. (“KeyBanc”) was an underwriter of the
23 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
24 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
25 Documents. KeyBanc participated in conducting and promoting the roadshow for the IPO and
26 paying for the expenses of the Individual Defendants who participated in the roadshow, including
27 lodging and travel, among other expenses. KeyBanc’s participation in and its solicitation of offers
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1 in connection with the IPO was motivated by its financial interests. Defendant KeyBanc conducts
2 business in this District.

3 35. Defendant Piper Sandler & Co. (“Piper Sandler”) was an underwriter of the
4 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
5 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
6 Documents. Piper Sandler participated in conducting and promoting the roadshow for the IPO and
7 paying for the expenses of the Individual Defendants who participated in the roadshow, including
8 lodging and travel, among other expenses. Piper Sandler’s participation in and its solicitation of
9 offers in connection with the IPO was motivated by its financial interests. Defendant Piper Sandler
10 conducts business in this District.

11 36. Defendant Rosenblatt Securities Inc. (“Rosenblatt”) was an underwriter of the
12 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
13 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
14 Documents. Rosenblatt participated in conducting and promoting the roadshow for the IPO and
15 paying for the expenses of the Individual Defendants who participated in the roadshow, including
16 lodging and travel, among other expenses. Rosenblatt’s participation in and its solicitation of
17 offers in connection with the IPO was motivated by its financial interests. Defendant Rosenblatt
18 conducts business in this District.

19 37. Defendant BMO Capital Markets Corp. (“BMO”) was an underwriter of the
20 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
21 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
22 Documents. BMO participated in conducting and promoting the roadshow for the IPO and paying
23 for the expenses of the Individual Defendants who participated in the roadshow, including lodging
24 and travel, among other expenses. BMO’s participation in and its solicitation of offers in
25 connection with the IPO was motivated by its financial interests. Defendant BMO conducts
26 business in this District.

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1 38. Defendant BTIG, LLC (“BTIG”) was an underwriter of the Company’s IPO,
2 serving as a financial advisor for and assisting in the preparation and dissemination of the
3 Company’s material inaccurate, misleading, and incomplete Offering Documents. BTIG
4 participated in conducting and promoting the roadshow for the IPO and paying for the expenses
5 of the Individual Defendants who participated in the roadshow, including lodging and travel,
6 among other expenses. BTIG’s participation in and its solicitation of offers in connection with the
7 IPO was motivated by its financial interests. Defendant BTIG conducts business in this District.

8 39. Defendant Santander Investment Securities Inc. (“Santander”) was an underwriter
9 of the Company’s IPO, serving as a financial advisor for and assisting in the preparation and
10 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
11 Documents. Santander participated in conducting and promoting the roadshow for the IPO and
12 paying for the expenses of the Individual Defendants who participated in the roadshow, including
13 lodging and travel, among other expenses. Santander’s participation in and its solicitation of offers
14 in connection with the IPO was motivated by its financial interests. Defendant Santander conducts
15 business in this District.

16 40. Defendant Academy Securities, Inc. (“Academy”) was an underwriter of the
17 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
18 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
19 Documents. Academy participated in conducting and promoting the roadshow for the IPO and
20 paying for the expenses of the Individual Defendants who participated in the roadshow, including
21 lodging and travel, among other expenses. Academy’s participation in and its solicitation of offers
22 in connection with the IPO was motivated by its financial interests. Defendant Academy conducts
23 business in this District.

24 41. Defendant Loop Capital Markets LLC (“Loop Capital”) was an underwriter of the
25 Company’s IPO, serving as a financial advisor for and assisting in the preparation and
26 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
27 Documents. Loop Capital participated in conducting and promoting the roadshow for the IPO and
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1 paying for the expenses of the Individual Defendants who participated in the roadshow, including
2 lodging and travel, among other expenses. Loop Capital’s participation in and its solicitation of
3 offers in connection with the IPO was motivated by its financial interests. Defendant Loop Capital
4 conducts business in this District.

5 42. Defendant Samuel A. Ramirez & Company, Inc. (“Ramirez”) was an underwriter
6 of the Company’s IPO, serving as a financial advisor for and assisting in the preparation and
7 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
8 Documents. Ramirez participated in conducting and promoting the roadshow for the IPO and
9 paying for the expenses of the Individual Defendants who participated in the roadshow, including
10 lodging and travel, among other expenses. Ramirez’s participation in and its solicitation of offers
11 in connection with the IPO was motivated by its financial interests. Defendant Ramirez conducts
12 business in this District.

13 43. Defendant Siebert Williams Shank & Co., LLC (“Siebert”) was an underwriter of
14 the Company’s IPO, serving as a financial advisor for and assisting in the preparation and
15 dissemination of the Company’s material inaccurate, misleading, and incomplete Offering
16 Documents. Siebert participated in conducting and promoting the roadshow for the IPO and
17 paying for the expenses of the Individual Defendants who participated in the roadshow, including
18 lodging and travel, among other expenses. Siebert’s participation in and its solicitation of offers
19 in connection with the IPO was motivated by its financial interests. Defendant Siebert conducts
20 business in this District.

21 44. Defendants listed in ¶¶26-43 are collectively referred to herein as the “Underwriter
22 Defendants.”

23 45. Pursuant to the Securities Act, each Underwriter Defendant is liable for the
24 materially inaccurate, misleading, and incomplete statements in the Offering Documents. In
25 addition, although not an element of Lead Plaintiffs’ claims and an issue on which each
26 Underwriter Defendant bears the burden of proof to the extent it seeks to assert it as an affirmative
27 defense, no Underwriter Defendant conducted an adequate due diligence investigation in
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1 connection with the matters alleged herein and will accordingly be unable to establish a statutory
2 “due diligence” affirmative defense under the Securities Act. Each Underwriter Defendant
3 committed acts and omissions that were a substantial factor leading to the harm complained of
4 herein.

5 46. Each Underwriter Defendant named herein is an investment banking firm whose
6 activities include, *inter alia*, the underwriting of public offerings of securities. As the underwriters
7 of the IPO, the Underwriter Defendants earned lucrative underwriting fees.

8 47. As underwriters, the Underwriter Defendants met with potential investors in the
9 IPO and presented highly favorable, but materially incorrect and/or materially misleading,
10 information about the Company, its business, products, plans, and financial prospects, and/or
11 omitted to disclose material information required to be disclosed under the federal securities laws
12 and applicable regulations promulgated thereunder.

13 48. Representatives of the Underwriter Defendants also assisted Robinhood and the
14 Individual Defendants in planning the IPO. They further purported to conduct an adequate and
15 reasonable investigation into the business, operations, products, and plans of the Company, an
16 undertaking known as a “due diligence” investigation. During the course of their “due diligence,”
17 the Underwriter Defendants had continual access to confidential corporate information concerning
18 the Company’s business, financial condition, products, plans, and prospects.

19 49. In addition to having access to internal corporate documents, the Underwriter
20 Defendants and/or their agents, including their counsel, had access to Robinhood’s management,
21 directors, and lawyers to determine: (i) the strategy to best accomplish the IPO; (ii) the terms of
22 the IPO, including the price at which Robinhood’s common stock would be sold; (iii) the language
23 to be used in the Offering Documents; (iv) what disclosures about Robinhood would be made in
24 the Offering Documents; and (v) what responses would be made to the SEC in connection with its
25 review of the Offering Documents. As a result of those constant contacts and communications
26 between the Underwriter Defendants’ representatives and Robinhood’s management, directors,
27 and lawyers, at a minimum, the Underwriter Defendants should have known of Robinhood’s
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1 undisclosed then-existing problems and plans, and the Offering Documents’ materially inaccurate,
2 misleading, and incomplete statements and omissions, as detailed herein.

3 50. The Underwriter Defendants also demanded and obtained an agreement from
4 Robinhood under which Robinhood agreed to indemnify and hold the Underwriter Defendants
5 harmless from any liability under the Securities Act.

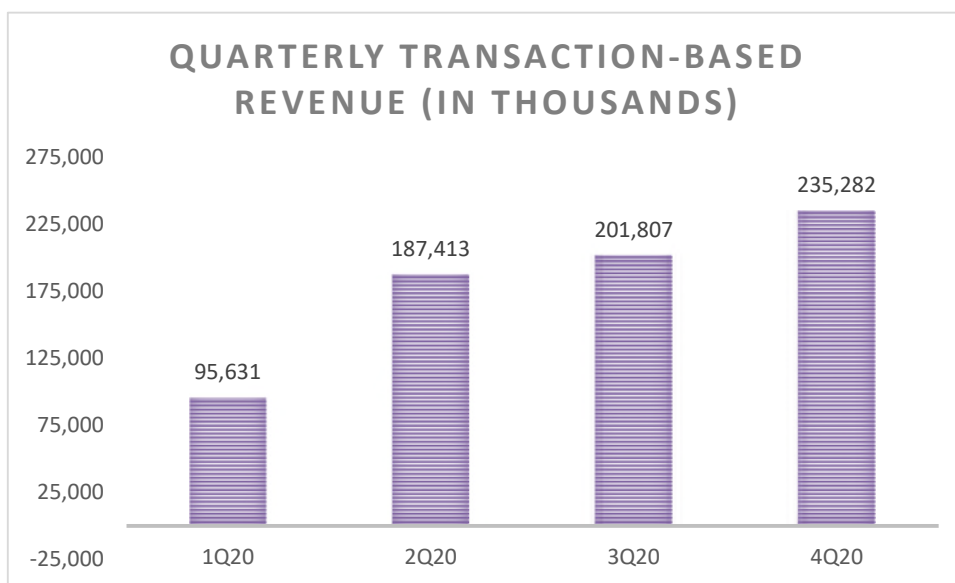
6 51. The Underwriter Defendants caused the Registration Statement to be filed with the
7 SEC and declared effective in connection with the IPO, so that they, and the Individual Defendants,
8 could offer to sell, and sell, Robinhood shares to Lead Plaintiffs and other members of the Class
9 pursuant (or traceable) to the Offering Documents.

10 **BACKGROUND**

11 52. Robinhood is an online broker founded in 2013. At the time of the Offering, its
12 most significant subsidiaries were (i) Robinhood Financial LLC (“RHF”), a registered introducing
13 broker-dealer; (ii) Robinhood Securities, LLC (“RHS”), a registered clearing broker-dealer that
14 carried customer accounts exclusively for RHF; and (iii) Robinhood Crypto, LLC (“RHC”).

15 53. Robinhood markets itself almost exclusively to retail investors, many of whom are
16 first-time investors. Robinhood’s customers engage with the financial markets through an
17 application and user interface. Robinhood’s retail investing platform is its core product offering
18 and provides customers the ability to (i) trade in U.S. listed stocks and Exchange Traded Funds
19 (“ETFs”), as well as related options and American Depositary Receipts (“ADRS”); and (ii) trade
20 cryptocurrencies through RHC. In addition, Robinhood offers Cash Management services, which
21 include Robinhood-branded debit cards. Further, Robinhood also offers customers a monthly paid
22 subscription service called Robinhood Gold that provides customers with premium features, such
23 as enhanced instant access to deposits, professional research, Nasdaq Level II market data and,
24 upon approval, access to margin investing.

1 PFOF from equities and options trading accounted for roughly one-third and 60%, respectively, of
2 Robinhood's transaction-based revenues.



13 57. While the share of transaction-based revenue from equities remained stable in Q1
14 2021, Robinhood's share of transaction-based revenue from options trading dipped to 47%, as
15 Transaction Rebates from cryptocurrency trading, which had previously comprised no more than
16 5% of transaction-based revenue in any previous quarter, rose to 21%.

17 **B. Robinhood's Key Performance Metrics**

18 58. In addition to revenue and adjusted Earnings Before Interest, Taxes, Depreciation,
19 and Amortization ("EBITDA"), Robinhood uses (and directs the market's attention to) certain
20 "Key Performance Indicators" to evaluate its business, identify trends affecting the business,
21 formulate business plans, and make strategic decisions. These KPIs are "Monthly Active Users
22 (MAU)," "Assets Under Custody (AUC)," "Average Revenues Per User (ARPU)," and "Net
23 Cumulative Funded Accounts ("NCFA")"

24 59. Robinhood defines "MAU" as the number of Monthly Active Users during a
25 specified calendar month. A "Monthly Active User" is a unique user who makes a transaction,
26 transitions between two different screens on a mobile device while logged into their account, or
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1 who loads a page in a web browser, at any point during the relevant month. A user need not satisfy
2 these conditions on a monthly or recurring basis or have a Funded Account to be included in MAU.

3 60. Robinhood utilizes MAU to measure how many customers interact with its
4 products and services during a given month. MAU does not measure the frequency or duration of
5 the interaction, but Robinhood considers it a useful indicator for engagement. Additionally,
6 Robinhood represented that MAU is positively correlated with the performance of revenue and
7 other key performance indicators.

8 61. Robinhood defines “AUC” as the sum of the fair value of all equities, options,
9 cryptocurrency and cash held by users in their accounts, net of customer margin balances, as of a
10 stated date or period end on a trade date basis.

11 62. Robinhood defines “ARPU” as total revenue for a given period (or, in the case of
12 ARPU for a given cohort, total revenue generated by that cohort during a given period) divided by
13 the average of Net Cumulative Funded Accounts (or, in the case of ARPU for a given cohort, the
14 Net Cumulative Funded Accounts included in that cohort) as of the last day of that period and as
15 of the last day of the immediately preceding period. In the case of ARPU for a three-month period,
16 this figure is multiplied by four to annualize the figure for comparability.

17 63. Finally, a “Funded Account” is a Robinhood account into which the account user
18 makes an initial deposit or money transfer of any amount during the relevant period, which account
19 is designed to provide a customer with access to any and all of the products offered on Robinhood’s
20 platform. “Net Funded Accounts” is the total number of Funded Accounts for a stated period,
21 excluding “churned users” and including “resurrected users” as of the end of that period. Users
22 are considered “churned” if their accounts were previously Funded Accounts and their account
23 balance (which is measured as the fair value of assets in the user’s account less the amount due
24 from the user) drops to or below zero dollars for 45 consecutive calendar days. Users are
25 considered “resurrected” if they were considered churned users during and as of the end of the
26 immediately preceding period, and had their account balance increase above zero (and are not
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1 considered churned users) in the current period. Robinhood defines “Net Cumulative Funded
2 Accounts” as the total of Net Funded Accounts from inception to a stated date or period end.

3 64. Robinhood is able to track these KPIs in real-time or nearly so. In that regard, the
4 Offering Documents state that Robinhood tracks “certain operational metrics using internal
5 company data gathered on an analytics platform that we developed and operate, including metrics
6 such as MAU, AUC and Net Cumulative Funded Accounts.” The Offering Documents further
7 state that Robinhood has focused on developing the “real-time” capabilities of its technology
8 systems.

9 65. Former employees corroborate that Robinhood’s ability to analyze its performance
10 data was instantaneous or nearly so. For example, Confidential Witness #1 (“CW1”) worked in
11 reviewing customer analytics at Robinhood from 2018 to late 2021. CW1 observed that
12 Robinhood used Looker, a data platform, to track its performance data and create performance
13 data dashboards. Looker advertises itself as a platform that allows “for real-time dashboards for
14 in-depth, consistent analysis.”¹ CW1 had access to some of Robinhood’s Looker dashboards,
15 including those that displayed Robinhood’s MAU, customer attrition, net new customer and
16 funded account metrics. Moreover, CW1 as well as Confidential Witness #2 (“CW2”), a trading
17 specialist who worked at the Company from late 2020 to August 2021, both observed that MAU
18 and other corporate metrics were discussed by Robinhood’s top officers, including Defendants
19 Tenev and Bhatt, at weekly all-hands meetings.

20 **C. Robinhood’s July 30, 2021 IPO**

21 66. On July 1, 2021, Robinhood filed with the SEC a draft registration statement on
22 Form S-1, which would be used for the IPO following a series of amendments in response to SEC
23 comments.

24 67. On July 27, 2021, Robinhood filed its final amendment to the Registration
25 Statement, which registered 60.5 million Robinhood shares for public sale, including 5.5 million
26 shares that the Underwriter Defendants had the option to purchase, solely to cover over-allotments.
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¹ www.looker.com.

1 68. The SEC declared the Registration Statement effective on July 28, 2021.

2 69. On July 30, 2021, Defendants priced the IPO at \$38 per share and filed the final
3 Prospectus for the IPO, which forms part of the Registration Statement.

4 **ADVERSE FACTS THAT EXISTED AT THE TIME OF THE IPO THAT WERE NOT**
5 **DISCLOSED IN THE OFFERING DOCUMENTS**

6 70. By the time of the IPO, the core fundamentals of Robinhood’s business had
7 changed, altering its growth trajectory. Contrary to the state of affairs that existed during the
8 periods in which it had posted the historical financial information included in the Offering
9 Documents, by the time of the Offering, Robinhood’s largest source of revenue was no longer
10 PFOF from its customers’ conventional trading in stocks and options. Instead, in Q1 and Q2 2021,
11 Robinhood’s business had become dominated by fad trading in so-called meme stocks such as
12 GameStop and the novelty cryptocurrency Dogecoin. While these fads had fueled a temporary
13 spike in trading volume that benefited Robinhood in the short term, as set forth below, they had
14 not laid a foundation for continued growth, and when they ended months before the Offering,
15 Robinhood’s financial prospects deteriorated. Due to Robinhood’s inadequate internal controls,
16 including with respect to fraud prevention, customers were closing their accounts and leaving the
17 platform, and Robinhood’s Net Promoter Score (“NPS”) (a key marketing metric that measures
18 the number of customers willing to recommend Robinhood to others) had declined. As a result,
19 by the time of the IPO, Robinhood’s customer base was shrinking, not growing.

20 71. For months ahead of the IPO, these trends were evident in data available to
21 Defendants in real time, showing that Robinhood’s PFOF from equities trading, trading volume in
22 equities and cryptocurrencies, MAU, ARPU and AUC were all declining while growth in NCFA
23 had stalled, all of which contradicted the growth story portrayed in the Offering Documents.

24 **A. Unusual Meme Stock and Cryptocurrency Events Drive Robinhood’s**
25 **Performance in Q1 and Q2 2021**

26 72. In January 2021, shares of GameStop, AMC Entertainment (“AMC”) and other
27 companies whose shares were heavily shorted, surged on unprecedented volume as retail investors
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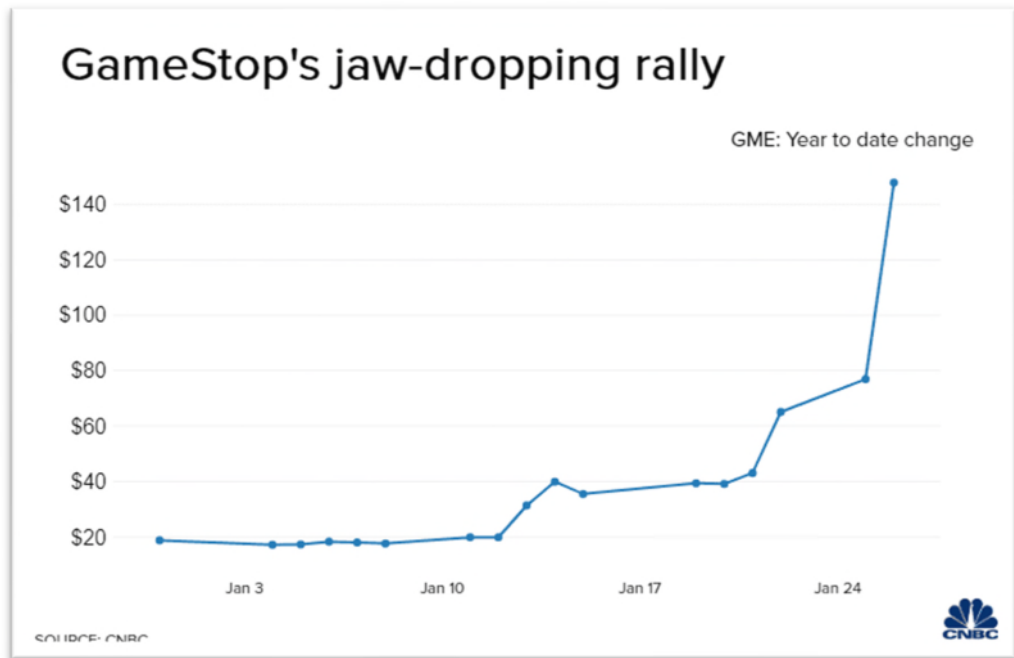
1 banded together in places like Reddit (under the subreddit r/WallStreetBets), to squeeze short-
2 sellers who had bet against these companies. By driving up the share prices of these companies,
3 the retail investors hoped to force hedge funds betting against the companies to cover their losses
4 by buying back the shares, thereby increasing their share prices. Single stock options were also a
5 popular choice of retail investors looking to participate in the squeeze, and volumes jumped to
6 previously unseen highs in January 2021. This so-called “meme stock event” resulted in high
7 volatility and heavy trading volume in the stocks and options in question, and, in the short term,
8 benefited Robinhood as many of these retail traders flocked to its platform to execute their trades.

9 73. The meme stock event began in earnest in mid to late January 2021. At the close
10 of trading on January 25, 2021, GameStop, a struggling video game retailer and one of the most
11 shorted names in the U.S. stock market, had been traded more than any other S&P 500 stock with
12 hundreds of millions of shares changing hands.

13 74. The rally gained steam the following day after Elon Musk tweeted “Gamestonk!!”
14 to his 42 million followers with a link to the WallStreetBets message board. In response,
15 GameStop’s stock price, which had begun the year trading around \$5, surged again with nearly
16 200 million shares changing hands.

17 75. GameStop shares kept soaring the following day after CNBC reported that hedge
18 fund Melvin Capital had closed out its short position in the company the prior day after taking a
19 huge loss and requiring a cash infusion of nearly \$3 billion from outside investors. At the same
20 time, other heavily shorted companies with troubled businesses, including AMC Entertainment
21 and Bed Bath & Beyond, also got caught up in the frenzy. AMC jumped 300% on January 27
22 alone, with more than one billion shares changing hands in its highest volume day ever. Bed Bath
23 & Beyond’s shares rose 43% the same day.

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13 76. After hitting an all-time intra-day high on January 28, 2021, shares of GameStop
14 finally cooled as Robinhood and Interactive Brokers limited trading in the company's shares and
15 those of other heavily shorted names, to closing positions only, meaning that traders could not buy
16 up shares as the prices fell. In addition, margin requirements on trades were also raised, making
17 it harder for traders to use leverage to load up on stocks and options. In response, daily trading
18 volume in the shares of these companies fell sharply. Robinhood explained that it took these
19 actions because the Depository Trust and Clearing Corporation (DTCC), the central Wall Street
20 clearinghouse, had mandated a ten-fold increase in the firm's deposit requirements in order to
21 ensure smooth settlement in trades involving the securities experiencing unprecedented volatility.
22 This forced Robinhood to raise \$1 billion overnight from investors and tap credit lines to ensure it
23 could meet those requirements.

24 77. By early February the meme stock event was essentially over as the prices of
25 GameStop, AMC and other meme stocks fell from their unprecedented January highs and trading
26 volume declined below the extraordinary levels seen in January.

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1 78. However, as the meme stock phenomenon was abating Dogecoin, one of only seven
2 cryptocurrencies that could be traded on Robinhood’s platform, was taking flight.

3 79. Although it ended 2020 at less than half a penny, in January 2021, Dogecoin soared
4 more than 800% on heavy volume after gaining cult status on Reddit’s WallStreetBets message
5 board. On February 4, 2021, trading in Dogecoin surged again after Elon Musk tweeted about it,
6 sending Dogecoin up more than 50%. By mid-February 2021, Dogecoin had risen more than
7 950% since the beginning of the year, to more than five cents per coin.

8 80. In April, the price of Dogecoin skyrocketed again on heavy trading. On April 14,
9 2021, Dogecoin surpassed ten cents in value for the first time, as investors geared up for the direct
10 listing of cryptocurrency exchange Coinbase Global. Then, on April 15, 2021, following another
11 Elon Musk tweet, Dogecoin rallied past 25 cents for the first time on heavy volume that knocked
12 out Robinhood’s crypto trading systems for several hours. Once trading was restored, Dogecoin
13 kept climbing hitting a then all-time high of 44 cents on April 16, 2021. The high volume of
14 trading, which was up nearly 300%, once again caused Robinhood to experience sporadic crypto
15 order failures and delayed notification for some customers.

16 81. Then, on April 28, 2021, Elon Musk tweeted his upcoming appearance on Saturday
17 Night Live (SNL), calling himself “Dogefather.” In the ten days between April 28 and Elon
18 Musk’s May 8, 2021 turn as SNL host, Dogecoin rose from approximately \$0.30 to approximately
19 \$0.73. However, the price of Dogecoin plummeted during the program after Elon Musk agreed
20 Dogecoin was “a hustle.” Between May and July, Dogecoin’s price sank by 78%, and volume
21 plummeted.

22 82. The meme stock event and Dogecoin’s brief rally benefited Robinhood in the short
23 term. In large measure, due to these two events, Robinhood collected \$331 million in PFOF in the
24 first quarter of 2021, compared with \$221 million in Q4 2020, nearly a 50% quarter-over-quarter
25 increase. Of these payments, \$133 million (32%) came from equity trades and \$198 million (47%)
26 came from options trading. Both amounts were all-time highs. In addition, the initial stage of the
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1 Dogecoin rally boosted Transaction Rebates from cryptocurrency trading to an all-time high of
2 \$87.5 million from \$12 million in Q4 2020, with Dogecoin accounting for 34% of this amount.

3 83. As explained below, however, by Q2 2021, it was clear not only that the heady
4 levels of PFOF from the meme stock event would not continue, but that PFOF from equities and
5 options trading were not growing. In Q2 2021, PFOF from equities and options trading was down
6 34.5% quarter-over-quarter from \$331 million in Q1 2021, to just \$216.6 million in Q2 2021. This
7 represented a decline from Q4 2020's \$222 million as well. PFOF from options trading had fallen
8 from \$197.9 million in Q1 2021, to \$164.6 million in Q2 2021, a decline of 16.8%. Most alarming,
9 PFOF from equities trading was just \$52 million in Q2 2021, less than in every quarter since Q1
10 2020, and down a staggering 61%, from \$133.3 million in Q1 2021. Further, equity trading volume
11 in July 2021 was just \$73 billion, one-third less than in June 2021, and 15% below the monthly
12 average for Q2 2021.

13 84. Although Transaction Rebates from cryptocurrency trading rose to \$233 million in
14 Q2 2021, an astounding 62% of this amount came from Dogecoin trades. By June 2021, however,
15 cryptocurrency trading had collapsed. After peaking at \$127 billion in May 2021, when Dogecoin
16 was at its all-time high, cryptocurrency trading volume on Robinhood's platform cratered between
17 May 2021 and June 2021, before declining even further in July 2021, (the month Robinhood went
18 public) as illustrated in the graph below:



1 85. Specifically, between May 2021 and June 2021, cryptocurrency trading volume fell
2 by \$97 billion, representing a decline of over 76%, in this 30-day period. To make matters worse,
3 cryptocurrency trading volume fell an additional \$17 billion between June 2021 and July 2021,
4 representing a 56.67% decline from its already depleted June 2021 figure. In all, between May
5 2021 and July 2021, Robinhood lost \$114 billion in crypto trading volume.

6 86. Although cryptocurrency trading volumes were down across the industry in June
7 2021 (40%)² and July 2021 (31.5%), the decline in cryptocurrency trading volume experienced by
8 Robinhood in these months, far exceeded that of the industry as a whole.

9 **B. Customers Exit Robinhood in the Lead-up to the IPO Due to an Array of**
10 **Service Issues**

11 87. Former employees described a plethora of service and other issues that decimated
12 Robinhood’s customer base in the months before the IPO, including poor customer service,
13 platform outages and inadequate security.

14 88. CW1, who took part in monthly management meetings and virtual weekly all-hands
15 meetings attended by Defendants Tenev and Bhatt, reported that Robinhood’s declining MAU in
16 the months before the IPO was discussed at those meetings. According to CW1, declining
17 customer satisfaction was evident in Robinhood’s Net Promoter Score (“NPS”), which suffered in
18 the months prior to the IPO, and which was a topic that was also discussed during these meetings.
19 The NPS represented how likely Robinhood customers were to recommend the product to others,
20 and was seen as an important metric. It was measured by subtracting the percentage of customers
21 that would not recommend Robinhood from the percentage of customers that would. This data
22 was collected in surveys sent out to Robinhood users.

23 89. Security concerns were one issue leading to customer dissatisfaction prior to the
24 IPO that contributed to Robinhood’s declining NPS. As part of CW1’s research, he sent
25 questionnaires to customers regarding security. CW1 reported that the responses were always
26 “really bad.” Customers were aware that security hacks and breaches had occurred. According to
27

28 ² Cryptocurrency trading volumes slumped in June due to a regulatory crackdown in China on bitcoin mining and lower volatility.

1 CWI, sometime around February 2021, Robinhood hired a “red hat” team whose job was to try
2 and hack into Robinhood’s platform to expose weaknesses. The red hat team was successful.

3 90. CW1 also pointed to customer dissatisfaction with the limitations Robinhood had
4 placed on trading in GameStop’s shares as a reason for customer attrition in the months before the
5 Offering. CW1 explained that these limitations had disadvantaged customers, causing them to
6 lose a significant amount of money. These customers left the platform as a result negatively
7 impacting MAU.

8 91. Like CW1, CW2, attended weekly all-hands meetings with Defendants Tenev and
9 Bhatt present. During these meetings, employees were often shown recent analyses of the
10 Company’s performance trends, including as to MAU, new customer sign-ups, customer attrition
11 and customer complaints.

12 92. CW2 recalled looking at these numbers between January 2021 and July 2021 in
13 particular. CW2 recalls this time period specifically because it was bookmarked by the “GameStop
14 incident,” when Robinhood placed limitations on trading shares of GameStock and other
15 companies upsetting customers, and the IPO. During this period, CW2 recalls that there was a
16 decrease in new customers and that attrition increased. Customer complaints also increased. CW2
17 recalls that the decrease in new customers and increase in attrition was “a lot.” At the meetings,
18 Defendants Tenev and Bhatt stated they were unconcerned about these adverse trends.

19 93. As an options trading specialist, it was CW2’s job to answer customer complaints,
20 concerns, or questions pertaining to options trades. Although options trading is highly complex,
21 CW2 reported that Robinhood made it easy for customers who were not sophisticated traders to
22 access options trading. As a result, it was “very easy” for customers to get in trouble. In the
23 months before the IPO, CW2 noticed that cancellation requests increased.

24 94. Confidential Witness #3 (“CW3”), a contract fraud analyst at Robinhood from mid-
25 2020 to August 2021, reported that during this period, complaints with respect to adverse impacts
26 from service disruptions (which went to the fraud department for analysis), and fraud complaints,
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1 led customers to close their accounts. According to CW3, customer losses due to these issues were
2 discussed at weekly fraud department meetings.

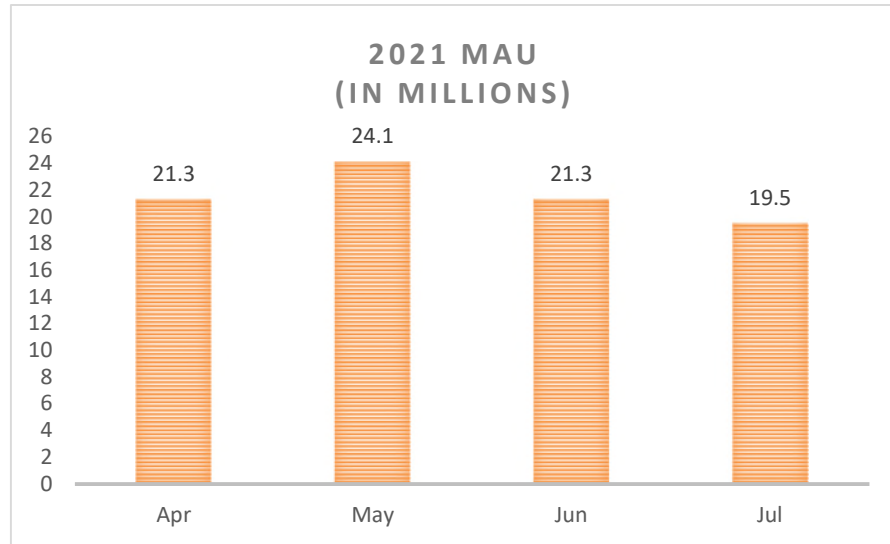
3 95. According to Confidential Witness #4 (“CW4”), a Robinhood customer experience
4 team leader from August 2020 through February 2022, in the lead-up to the IPO, Robinhood was
5 hampered by inadequate customer service that left customers frustrated and dissatisfied.

6 96. According to CW4, Robinhood’s customer service employees were not adequately
7 trained. Customer service training at Robinhood was not as comprehensive as at competitors such
8 as Charles Schwab, which had dedicated teams to answer customer complaints on specific
9 financial subjects. In contrast, Robinhood only put customer representatives through basic training
10 and did not have any dedicated teams (except for a white glove team that handled cases where
11 there was a threatened lawsuit). As a result, representatives often struggled to deal with
12 complicated questions from investors, making them less productive and leading to both a backlog
13 of, and untimely responses to, complaints. CW4 reported that customers were often irate with how
14 long their complaints and questions took to process and asked for their accounts to be closed.
15 According to CW4, these account closures were occurring in the lead up to the IPO and CW4
16 raised them repeatedly in management meetings.

17 97. CW4 reported that in the aftermath of the GameStop incident in January 2021,
18 during which Robinhood suspended trading of GameStop shares, Robinhood experienced a surge
19 of customer cancellations. Prior to GameStop, attrition was not a substantial problem. Afterwards,
20 there was a “huge uptick.” According to CW4, the cancellations continued at an elevated level
21 throughout 2021 and into 2022.

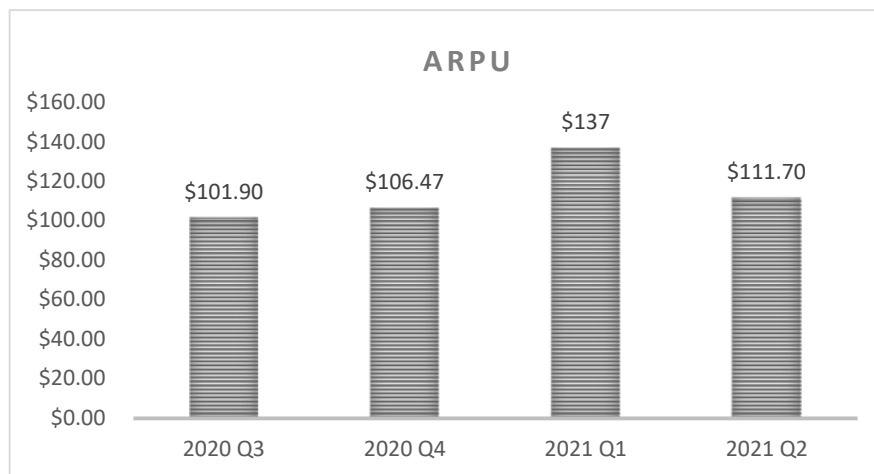
22 **C. Customer Attrition and the End of the Meme Stock and Dogecoin Fads Cause**
23 **Robinhood’s KPIs to Decline in the Months Before the Offering**

24 98. Robinhood’s MAU, which the Company “consider[ed] . . . a useful measure of
25 engagement” that was “positively correlated” with the performance of revenue and other KPIs,
26 *was declining between May 2021 and July 2021*, as illustrated by the chart below:
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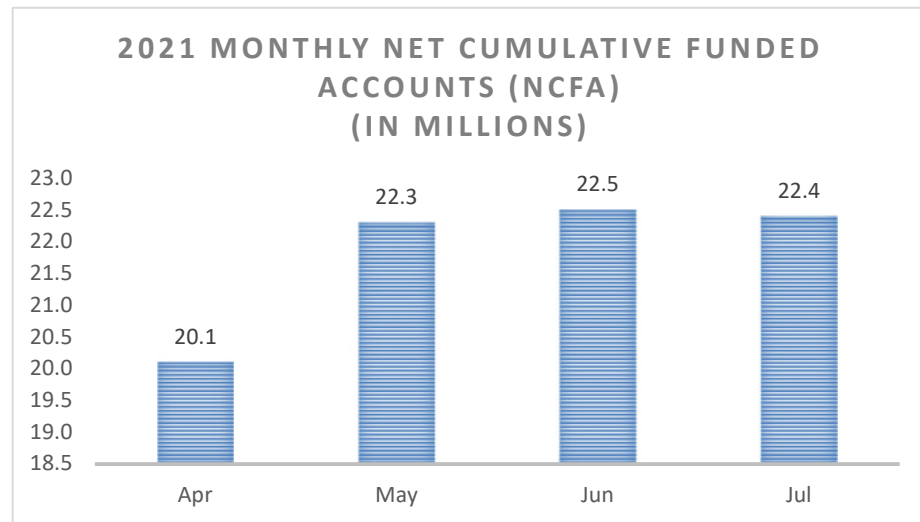
10 99. The percentage declines were considerable with Robinhood experiencing a nearly
11 ***11.62% decline and an additional 8.45% decline*** between May 2021 and June 2021, and June
12 2021 and July 2021, respectively. These declines were highly material as they indicated a loss of
13 customers and/or reduced customer engagement coinciding with the end of the meme stock and
14 Dogecoin fads and portended Robinhood's declining growth prospects. The declines were also
15 highly unusual for Robinhood, which had rarely, if ever, experienced back-to-back months of
16 declining MAU of similar magnitude.

17 100. Further, the Company's ARPU had declined significantly between March and July
18 2021, falling from an all-time high of \$137 in the quarter ended March 31, 2021, to \$111.70 as of
19 the quarter ended June 30, 2021, a nearly 20% decline, as reflected below:



1 105. This unusual negative trend in AUC was material in light of the decline in PFOF
2 from equities trading, plummeting trading volume with respect to equities and cryptocurrency, and
3 declining MAU and ARPU.

4 106. Moreover, the fact that Robinhood’s customer base and usage, as measured by “Net
5 Cumulative Funded Accounts,” remained almost flat throughout May, June, and July 2021, the
6 three months preceding the Offering, also undermined the growth story painted by the historical
7 financial information included in the prospectus:



17 **THE MATERIALLY FALSE AND MISLEADING OFFERING DOCUMENTS**

18 107. The Offering Documents used to effectuate Robinhood’s IPO, as well as the road
19 show talking points and script used in conjunction with presenting the road show PowerPoint
20 presentation for the IPO, contained untrue or misleading statements of material fact and/or omitted
21 to state facts necessary to make the statements made therein not materially misleading or
22 incomplete in violation of the Securities Act.

23 108. Specifically, the Offering Documents misleadingly portrayed a state of affairs at
24 odds with Robinhood’s business fundamentals in the months leading to the IPO. In 2021,
25 Robinhood’s largest source of revenue was no longer fees from its customers’ conventional trading
26 in stocks and options, as it had been previously. Instead, since at least the start of the year,
27 Robinhood’s revenue had been driven by speculative, fad-trading in meme stocks and the novelty
28

1 cryptocurrency Dogecoin. While these fads resulted in a short-term increase in PFOF and
 2 Transaction Rebates in Q1 and Q2 2021, as set forth above, they had not laid a foundation for
 3 continued growth, and when they ended months before the Offering, Robinhood's financial
 4 prospects deteriorated.

5 109. Nevertheless, the Offering Documents emphasized Robinhood's historical growth
 6 prior to 2021, without disclosing the sea-change in its business that had occurred in 2021, including
 7 the interim financial results and declining KPIs that evidenced this material change in Robinhood's
 8 core fundamentals and contradicted the growth story portrayed in the Offering Documents.

9 110. For example, the Offering Documents provided the following chart of historical
 10 quarterly net and transaction-based revenue for the period Q1 2019 through Q1 2021:

	Three Months Ended								
(in thousands)	Mar. 31, 2019	Jun. 30, 2019	Sept. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sept. 30, 2020	Dec. 31, 2020	March 31, 2021
Revenues:									
Transaction-based revenues	\$33,851	\$44,800	\$48,841	\$43,339	\$95,631	\$187,413	\$201,807	\$235,282	\$ 420,439
Net interest revenues	11,533	15,618	21,946	21,542	24,016	39,998	50,406	63,017	62,497
Other revenues	10,772	11,314	6,693	7,284	7,903	16,800	17,317	19,243	39,238
Total net revenues	56,156	71,732	77,480	72,165	127,550	244,211	269,530	317,542	522,174

11 111. Commenting on this information, the Offering Documents stated:

12
 13 Transaction-based revenues have generally increased sequentially in each of the
 14 periods presented, other than the fourth quarter of 2019, *due to growth in our user
 15 base which resulted in higher trading volume on a per-user basis. In the first
 16 half of 2020, we saw a significant increase in the number of new accounts opened
 17 by first-time investors, as a result of increased interest in personal finance and
 18 investing, low interest rates and a positive market environment, especially in the
 19 U.S. equity markets. Throughout the remainder of 2020 and the first quarter of
 20 2021, we maintained substantial growth in our user base, retention, engagement
 21 and trading activity metrics, as well as gains and periodic all-time highs achieved
 22 by the equity markets.* (p. 156.)

23
 24
 25 112. The Offering Documents also touted the year-over-year growth in transaction-
 26 based revenue from the year ended December 31, 2019 through the year-ended December 31, 2020
 27 as follows:
 28

1 Transaction-based revenue increased by \$549.3 million, or 322%, for the year
2 ended December 31, 2020, compared to the year prior. *The increase was driven*
3 *by a 143% increase in Net Cumulative Funded Accounts, which resulted in*
4 *higher daily average revenue trades . . . in options, equities and cryptocurrencies.*
5 *. . . Increased interest in personal finance and investing, low interest rates and a*
6 *positive market environment, especially in the U.S. equities markets, encouraged*
7 *an unprecedented number of first-time retail investors to become our users and*
8 *begin trading on our platform. We have seen substantial growth in our user base,*
9 *retention, engagement and trading activity metrics, as well as continued gains*
10 *and periodic all-time highs achieved by the equity markets.* (p. 149.)

11 113. Likewise, with respect to Q1 2021, the last quarter for which results were reported
12 prior to the IPO, the Offering Documents stated that:

13 Transaction-based revenues increased by \$324 million, or 340%, for the three
14 months ended March 31, 2021, compared to the year prior. *The increase was*
15 *driven by a 151% increase in Net Cumulative Funded Accounts, which resulted*
16 *in higher daily average revenue trades in options, equities, and cryptocurrencies.*
17 *. . . Increased interest in personal finance and investing, and several high-profile*
18 *securities and cryptocurrencies, encouraged an unprecedented number of first-*
19 *time retail investors to become our users and begin trading on our platform. We*
20 *have seen substantial growth in our user base, engagement and trading activity*
21 *metrics.* (p. 144.)

22 114. Similarly, with respect to Q2 2021, which ended nearly a month before the IPO,
23 but for which final results had not yet been reported, the Offering Documents disclosed “estimated
24 preliminary results” as follows:

25 For the three months ended June 30, 2021, we expect to report revenue of between
26 \$546 million and \$574 million, as compared to \$244 million for the three months
27 ended June 30, 2020, representing an increase of 129% at the midpoint of the range.
28 The expected increase in revenue is primarily driven by a 130% increase in Net
Cumulative Funded Accounts and increased trading activity related to options and
cryptocurrencies, *and relatively flat equities trading activity*, relative to the three
months ended June 30, 2020. . . . *Trading activity was particularly high during*
the first two months of the 2021 period, returning to levels more in line with prior
periods during the last few weeks of the quarter ended June 30, 2021, and
remained at similar levels into the early part of the third quarter. We expect our
revenue for the three months ending September 30, 2021 to be lower, as compared
to the three months ended June 30, 2021, as a result of decreased levels of trading
activity relative to the record highs in trading activity, particularly in
cryptocurrencies, during the three months ended June 30, 2021, and expected
seasonality. (p. 31, 136-37.)

1 115. The Offering Documents also provided the following historical information with
 2 respect to the sources of transaction-based revenue for the years ended December 31, 2019 and
 3 December 31, 2020, and the three months ended March 31, 2020 and March 31, 2021:

	Year Ended December 31,		
(in thousands, except for percentages)	2019	2020	% Change
Transaction-based revenues			
Options	\$ 110,656	\$ 440,070	298%
Equities	50,688	251,200	396%
Cryptocurrencies	9,487	26,708	182%
Other	-	2,155	NM
Total transaction-based revenues	\$ 170,831	\$ 720,133	322%

	Three Months Ended March 31,		
(in thousands, except for percentages)	2020	2021	% Change
Transaction-based revenues			
Options	\$ 59,760	\$ 197,860	231%
Equities	31,589	133,301	322%
Cryptocurrencies	4,238	87,587	1,967%
Other	44	1,691	3,743%
Total transaction-based revenues	\$95,631	\$420,439	340%

15
 16 116. The statements identified in ¶¶110-113, 115 above were untrue statements of
 17 material fact and/or omitted to state facts necessary to make the statements not materially
 18 misleading because, as detailed above, they portrayed a state of affairs that no longer reflected the
 19 fundamentals of Robinhood's business in the lead-up to the IPO. In particular, the foregoing
 20 statements portrayed Robinhood's Q1 2021 growth as having been driven by the same factors that
 21 had propelled Robinhood's growth in previous periods, when, in fact, Q1 2021's growth was the
 22 result of the meme stock event and trading in Dogecoin, a highly speculative cryptocurrency. By
 23 the end of Q2 2021, these fads were over (or long over), and Robinhood's PFOF from equity
 24 trading, equity and cryptocurrency trading volumes, and key KPIs were declining.

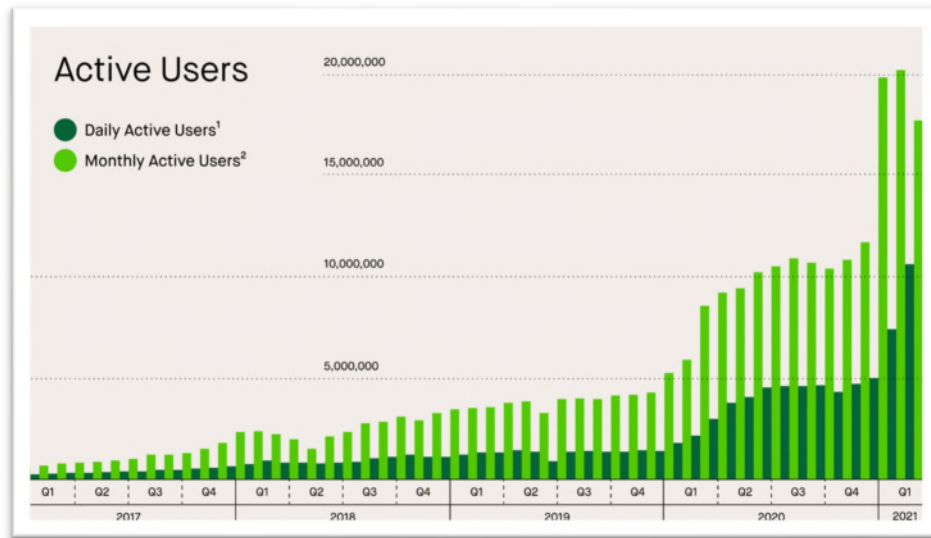
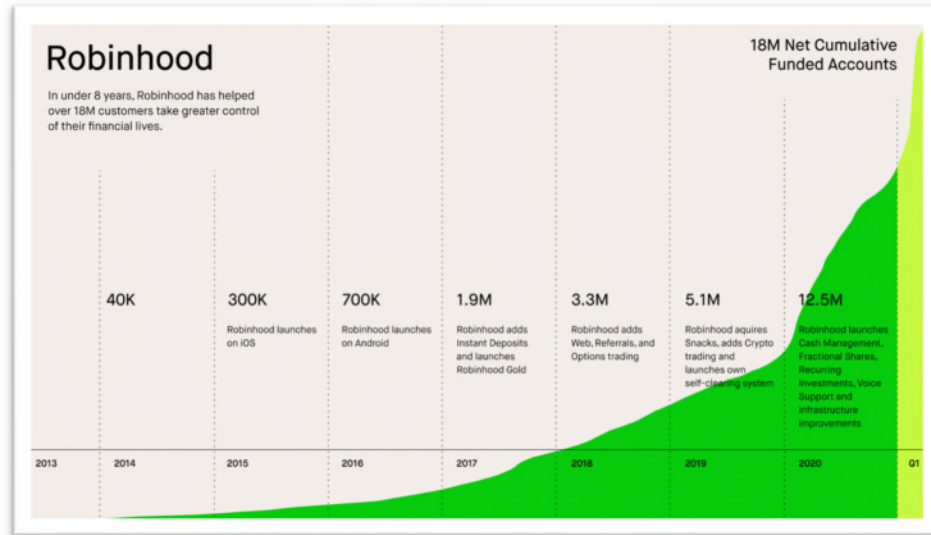
25 117. In addition, the statements identified in ¶ 114 above, concerning Robinhood's
 26 estimated preliminary results for Q2 2021, were also untrue statements of material fact and/or
 27 omitted to state facts necessary to make the statements not materially misleading. The statement
 28 that equities trading activity during the quarter was "relatively flat" relative to the three months

1 ended June 30, 2020, was untrue and/or materially misleading because PFOF from equities trading
2 for Q2 2021 was only \$52 million, 26% lower than in the prior year period, and a staggering 61%
3 less than in Q1 2021. Indeed, in Q2 2021, PFOF from equities trading was the lowest it had been
4 since Q1 2020, and represented just 12% of transaction-based revenue, less than half its historical
5 one-third share. Further, the statement that “[t]rading activity was particularly high during the first
6 two months of the 2021 period” and had “return[ed] to levels more in line with prior periods during
7 the last few weeks of the quarter ended June 30, 2021, and remained at similar levels into the early
8 part of the third quarter” was untrue and/or materially misleading for the same reason and also
9 because, as detailed above, cryptocurrency trading volume had cratered in June and July 2021 and
10 was nowhere near Q1 2021 levels.

11 118. Finally, the statement identified in ¶114 above, that Robinhood “expect[ed] [its]
12 revenue for the three months ending September 30, 2021 to be lower, as compared to the three
13 months ended June 30, 2021, as a result of decreased levels of trading activity relative to the record
14 highs in trading activity, particularly in cryptocurrencies, during the three months ended June 30,
15 2021, and expected seasonality” was untrue and/or materially misleading because it gave no
16 indication of the staggering magnitude of the declines that had occurred in equities and
17 cryptocurrency trading preceding the IPO, and suggested that the expected decline was due, in
18 part, to “seasonality” when, in fact, the end of the meme stock event and speculative Dogecoin
19 rally were to blame. Indeed, the only discussion of “seasonality” in the Offering Documents was
20 with respect to the first and second quarters. Registration Statement at 140 (“Seasonality. We
21 believe investment activity will vary throughout the year. Given traditional consumer behavior,
22 we expect to see more new customers in the first calendar quarter.”); *id.* at 157 (“Proxy rebate
23 revenue is impacted by seasonality with the second quarter historically the highest as that coincides
24 with a large number of shareholder meetings.”).

25 119. The Offering Documents’ discussion of KPIs was untrue and/or materially
26 misleading as well. In this regard, the Offering Documents contained the following tables
27 reflecting growing Net Cumulative Funded Accounts and MAU:
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120. The Offering Documents complemented these illustrations with the tables below. The first shows that Robinhood’s four KPIs have been increasing yearly since (at least) 2017. The second affirms, according to “*preliminary information currently available to management,*” that Robinhood’s Net Cumulative Funded Accounts, MAU, and AUC were each *continuing to increase in the current quarter* (i.e., the second quarter of 2021):

(in millions except for ARPU)	Year or Month Ended December 31,				Three Months or Month Ended March 31,	
	2017	2018	2019	2020	2020	2021
Net Cumulative Funded Accounts(1)	1.9	3.3	5.1	12.5	7.2	18.0
Monthly Active Users (MAU)(2)	1.8	3.3	4.3	11.7	8.6	17.7
Assets Under Custody (AUC)(3)	\$ 4,505.7	\$ 8,359.5	\$ 14,135.6	\$ 62,978.5	\$ 19,220.1	\$ 80,932.4
Average Revenues Per User (ARPU)(4)	\$ 37.0	\$ 66.5	\$ 65.7	\$ 108.9	\$ 82.9	\$ 137.0

Key Performance Metrics	Three Months or Month Ended	
	June 30, 2020 Actual	June 30, 2021 Estimate
Net Cumulative Funded Accounts	9.8	22.5
Monthly Active Users (MAU)	10.2	21.3
Assets Under Custody (AUC)	\$ 33,422	102,035

121. The Offering Documents also stated the following regarding Robinhood's preliminary estimates of its KPIs for Q2 2021:

For the three months ended June 30, 2021, we expect to report Net Cumulative Funded Accounts of 22.5 million, as compared to 9.8 million for the three months ended June 30, 2020, representing an increase of 130%. For the month ended June 30, 2021, we expect to report MAU of 21.3 million, as compared to 10.2 million for the month ended June 30, 2020, representing an increase of 109%. As of June 30, 2021, we expect to report AUC of \$102 billion, as compared to \$33 billion as of June 30, 2020, representing an increase of 205%. ***The increase in these Key Performance Metrics resulted primarily from an increase in new users joining our platform, driven by general market interest trading.*** We anticipate ***the rate of growth*** in these Key Performance Metrics will be lower for the period ended September 30, 2021, as compared to the three months ended June 30, 2021, ***due to the exceptionally strong interest in trading, particularly in cryptocurrencies, we experienced in the three months ended June 30, 2021 and seasonality in overall trading activities.*** (p. 31, 137.)

122. The illustrations, tables and statements identified in ¶¶119 through 121 above, were untrue and/or materially misleading because Robinhood's core fundamentals had changed since the historical periods depicted and as detailed above, MAU, ARPU and AUC were declining prior

1 to the IPO. Further, the statement that “*the rate of growth* in these [KPIs] will be lower for the
2 period ended September 30, 2021, as compared to the three months ended June 30, 2021” was
3 untrue and/or materially misleading because it suggests that the KPIs were on a growth trajectory
4 at the time of the IPO, when, in fact, they were declining. Moreover, as was the case with respect
5 to revenues (¶118, *supra*), the suggestion that the rate of growth in the KPIs would be impacted
6 by seasonality in Q3 2021, was untrue and/or materially misleading because the declines were, in
7 fact, due to the end of the meme stock event and Dogecoin rally and the widespread service issues
8 described by the CWs.

9 123. For these same reasons, the following generalized “Risk Factors” concerning
10 Robinhood’s recent growth and the potential that Robinhood “*may not continue to grow on pace*
11 *with historical rates,*” are themselves untrue and/or materially misleading, or otherwise wholly
12 inadequate:

13 *We may not continue to grow on pace with historical rates.*

14 We have grown rapidly over the last few years, and therefore our recent revenue
15 growth rate and financial performance should not be considered indicative of our
16 future performance. In particular, since March 2020, we have experienced a
17 significant increase in revenue, MAU, AUC and Net Cumulative Funded Accounts.
18 For example, for the years ended 2019 and 2020, our revenue was \$277.5 million
19 and \$958.8 million, respectively, representing annual growth of 245%. In addition,
20 for the three months ended March 31, 2021, during which we experienced high
21 trading volume and account sign-ups as well as high market volatility, particularly
22 in certain market sectors, our revenue was \$522.2 million, as compared to \$127.6
23 million for the three months ended March 31, 2020, and on March 31, 2021, we
24 had Net Cumulative Funded Accounts of 18.0 million, as compared to 7.2 million
25 on March 31, 2020, representing growth of 309% and 151%, respectively. The
26 circumstances that have accelerated the growth of our business *may* not continue
27 in the future, and we *expect the growth rates in revenue, MAU, AUC and Net*
28 *Cumulative Funded Accounts to decline in future periods,* and such declines
could be significant.

24 *Id.* at 37 [Emphasis added.]

25 124. The foregoing was false and misleading because it indicates that Robinhood was
26 still growing when, in fact, Robinhood’s performance data had been cratering for months.
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1 125. What is more, even the Offering Documents’ attempt at handicapping Robinhood’s
2 cryptocurrency growth for its upcoming quarters, suggested growth, when, in fact, cryptocurrency
3 trading volumes had cratered. In this regard, the Offering Documents stated that:

4 Trading activity was particularly high during the first two months of the 2021
5 period, *returning to levels more in line with prior periods during the last few*
6 *weeks of the quarter ended June 30, 2021, and remained at similar levels into the*
7 *early part of the third quarter.*

8 * * *

9 We anticipate *the rate of growth* in these Key Performance Metrics [*i.e.*, Net
10 Cumulative Funded Accounts, MAUs, and Assets Under Custody (AUC)] *will be*
11 *lower for the period ended September 30, 2021*, as compared to the three months
12 ended June 30, 2021, *due to the exceptionally strong interest in trading,*
13 *particularly in cryptocurrencies, we experienced in the three months ended June*
14 *30, 2021* and seasonality in overall trading activities.

15 *Id.* [Emphasis added.]

16 126. The foregoing was false and misleading because it indicated that Robinhood’s
17 performance metrics were continuing to grow, albeit at a slower rate. But that was not the case.
18 Robinhood’s reference to trading activity returning to a more “normal” level was also misleading
19 in light of the fact that crypto trading declined by nearly 90% in only two months to rates that were
20 far below those in April 2021.

21 127. For these same reasons, the Offering Documents generalized “Risk Factors”
22 concerning the potential implications of changes in the volume of cryptocurrency trading on
23 Robinhood’s platform, were themselves false and misleading, or otherwise wholly inadequate. For
24 example, the Offering Documents warned:

25 *Our business and reputation may be harmed by changes in business, economic*
26 *or political conditions that impact global financial markets, or by a systemic*
27 *market event.*

28 As a financial services company, *our business, results of operations and*
reputation are directly affected by elements beyond our control, such as economic
and political conditions, changes in the volatility in financial markets (including
volatility as a result of the COVID-19 pandemic), significant increases in the
volatility or trading volume of particular securities or cryptocurrencies, broad
trends in business and finance, *changes in volume of securities or*
cryptocurrencies trading generally, changes in the markets in which such
transactions occur and changes in how such transactions are processed. These

1 elements can arise suddenly and the full impact of such conditions can remain
2 uncertain. A prolonged weakness in equity markets, such as *a slowdown causing*
3 *reduction in trading volume in* securities, derivatives or *cryptocurrency markets,*
4 *may result in reduced revenues* and would have an adverse effect on our business,
5 financial condition and results of operations.

6 * * *

7 In addition, *a prolonged weakness in* the U.S. equity markets or in *specific*
8 *cryptocurrencies* or equity securities or a general economic downturn *could* cause
9 our customers to incur losses, which in turn *could* cause our brand and reputation
10 to suffer.

11 *Id.* at 45 [Emphasis added.]

12 128. The Offering Documents also stated:

13 *The prices of cryptocurrencies are extremely volatile. Fluctuations in the price*
14 *of various cryptocurrencies may cause uncertainty in the market and could*
15 *negatively impact trading volumes of cryptocurrencies, which would adversely*
16 *affect the success of RHC's business, financial condition and results of*
17 *operations.*

18 * * *

19 The cryptocurrency markets are volatile, and *changes* in the prices and/or *trading*
20 *volume of cryptocurrencies may adversely impact RHC's growth strategy and*
21 *business. In addition, while we have observed a positive trend in the total market*
22 *capitalization of cryptocurrency assets historically, driven by increased adoption*
23 *of cryptocurrency trading by both retail and institutional investors as well as*
24 *continued growth of various non-investing use cases, historical trends are not*
25 *indicative of future adoption, and it is possible that the adoption of*
26 *cryptocurrencies may slow, take longer to develop or never be broadly adopted,*
27 *which would negatively impact our business, financial condition and results of*
28 *operations.*

29 *Id.* at 79 [Emphasis added.]

30 129. The Offering Documents also stated:

31 *A substantial portion of the recent growth in our net revenues earned from*
32 *cryptocurrency transactions is attributable to transactions in Dogecoin. If*
33 *demand for transactions in Dogecoin declines and is not replaced by new demand*
34 *for other cryptocurrencies available for trading on our platform, our business,*
35 *financial condition and results of operations could be adversely affected.*

1 For the three months ended March 31, 2021, 17% of our total revenue was derived
 2 from transaction-based revenues earned from cryptocurrency transactions,
 3 compared to 4% for the three months year ended December 31, 2020. While we
 4 currently support a portfolio of seven cryptocurrencies for trading, for the three
 5 months ended March 31, 2021, 34% of our cryptocurrency transaction-based
 6 revenue was attributable to transactions in Dogecoin, as compared to 4% for the
 7 three months ended December 31, 2020. As such, in addition to the factors
 8 impacting the broader cryptoeconomy described elsewhere in this section, ***RHC's
 business may be adversely affected, and growth in our net revenue earned from
 cryptocurrency transactions may slow or decline, if the markets for Dogecoin
 deteriorate or if the price of Dogecoin declines, including as a result of factors
 such as negative perceptions of Dogecoin or the increased availability of
 Dogecoin on other cryptocurrency trading platforms.***

9 *Id.* at 79 [Emphasis added.]

10 130. In fact, all of these supposed risks identified in ¶¶125 through 129 above, had
 11 already come to pass. Cryptocurrency trading on Robinhood's platform in the months leading up
 12 to the IPO ***was down more than 90%, in large measure due to declining trading activity with
 13 respect to Dogecoin.***

14 **THE OFFERING DOCUMENTS FAILED TO COMPLY WITH
 15 APPLICABLE SEC REGULATIONS**

16 131. In addition, Item 303 imposed an independent duty on Defendants to disclose in the
 17 Offering Documents any known events, trends, or uncertainties that Robinhood, as of the IPO,
 18 “reasonably expect[ed] [would] have a material favorable or unfavorable impact on . . . revenues
 19 or income from continuing operations.” The Offering Documents violated Item 303 by failing to
 20 disclose the sea-change that had occurred in the make-up of Robinhood's business in the quarters
 21 before the IPO, and its declining financial performance including dramatically lower PFOF from
 22 equities trading, cratering trading volume in equities and cryptocurrency, and declining KPIs. At
 23 the time of the IPO, these known events, trends and uncertainties were having, and were reasonably
 24 likely to have, a material unfavorable impact on Robinhood's revenues and financial condition.

25 132. Similarly, Item 105 required Robinhood to adequately describe and discuss, in the
 26 “Risk Factor” section of the Offering Documents, the most significant factors that made the
 27 Offering risky or speculative. The Offering Documents violated Item 105 by failing to describe,
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1 if even described at all, that at the time of the Offering, Robinhood’s revenues had become far
2 more volatile than they had been historically, because the Company’s primary sources of revenue
3 in Q1 2021 and Q2 2021 were PFOF and Transaction Rebates from speculative trading in meme
4 stocks and cryptocurrencies, primarily Dogecoin, rather than transaction-based revenue from
5 traditional trading in equities and options.

6 **ADDITIONAL FACTS DEMONSTRATING MATERIALITY**

7 133. In the months following Robinhood’s IPO, news concerning the aforementioned
8 adverse facts and conditions that existed prior to and at the time of the Offering leaked out to the
9 market. The responses from investors and securities analysts further demonstrate the significance
10 of the information.

11 134. The market began to learn the truth that was omitted from the Offering Documents
12 on October 26, 2021, when, after market close, Robinhood reported its financial results for the
13 third quarter ended September 30, 2021 (“Q3 2021”). Notably, Robinhood reported that:

14 (a) MAU declined 11% from 21.3 million in Q2 2021 to 18.9 million in Q3
15 2021;

16 (b) ARPU declined 42% from \$112 in Q2 2021 to \$65 in Q3 2021;

17 (c) AUC declined nearly 7% from \$102 billion in Q2 2021 to \$95 billion in Q3
18 2021;

19 (d) Total net revenue had declined 35% from \$565 million in Q2 2021 to \$365
20 million in Q3 2021;

21 (e) Transaction-based revenue declined approximately 41% from \$451 million
22 in Q2 2021 to \$266.7 million in Q3 2021;

23 (f) Transaction Rebates from cryptocurrency trading declined 78% from \$233
24 million in Q2 2021 to just \$51 million in Q3 2021;

25 (g) PFOF from equities trading declined 61% from \$133 million in Q2 2021 to
26 just \$52 million in Q3 2021, its lowest level since Q1 2020; and
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1 (h) PFOF from options trading declined 16.7% from \$197.8 million in Q2 2021
2 to \$164.6 million in Q3 2021.

3 135. In addition, during its earnings call with securities analysts, the Company warned
4 that it anticipated that quarterly revenues in Q4 2021 would be less than \$325 million and that full-
5 year revenue would be less than \$1.8 billion. In addition, the Company announced that it expected
6 newly-funded accounts for the fourth quarter would be roughly in line with the disappointing
7 660,000 added in Q3 2021.

8 136. Securities analysts were quick to characterize the quarter as “disappointing” and
9 warned that the results were likely to be poorly received by investors. For example, commenting
10 on the results, Mizuho analyst Dan Dolev stated:

11 With top-line results *significantly below expectations* (ours as well as consensus),
12 *lower MAUs, declining ARPU*, very negative adjusted EBITDA . . . and
13 *disappointing 4Q guidance including no uptick in new funded accounts*, we
believe 3Q may be poorly received and we expect a negative stock reaction.

14 137. In a note, Piper Sandler analyst, Richard Repetto (“Repetto”), noted that the
15 reported \$51 million in Transaction Rebates from cryptocurrency trading fell \$112 million short
16 of Piper Sandler’s estimate and represented a “*far sharper drop* than the 35% reduction in total
17 crypto trading volume across the industry.” Repetto also noted that “[f]unded accounts, MAUs,
18 [and] AUC all declined sequentially,” with “new funded accounts dropp[ing] materially to 660k
19 in 3Q21.”

20 138. Financial reporters likewise viewed Robinhood’s results negatively. For example,
21 shortly after the release of Robinhood’s Q3 2021 Form 8-K, *CNBC* published an article entitled,
22 “Robinhood shares tank as *revenue falls way short of expectations on lighter crypto trading*,”
23 noting:

24 For the third quarter, total net revenue came in at \$365 million, missing a Refinitiv
25 estimate of \$431.5 million. *Revenues . . . were well below the second quarter’s*
26 *revenue of \$565 million, which was bolstered by a massive surge in crypto*
27 *trading*.

1 *Third-quarter transaction-based revenue totaled \$267 million, with only \$51*
2 *million coming from cryptocurrency trading. Revenue from crypto trading*
3 *totaled \$233 million in the second quarter, helped by interest in meme-inspired*
4 *dogecoin.*

5 * * *

6 *Net cumulative accounts dropped to 22.4 million in the third quarter from 22.5*
7 *million in the second quarter. Monthly active users totaled 18.9 million, down*
8 *from 21.3 million in the second quarter.*

9 139. The Company's disappointing third quarter results also led CNBC anchor Jim
10 Cramer to tell viewers during the October 27, 2021 airing of Squawk on the Street, that it appeared,
11 "Robinhood *is a fad*," suggesting further that the market "hit the pause button" on the so-called,
12 "Robinhood revolution."

13 140. Robinhood's stock price fell \$4.13 per share, or approximately 10.44%, to close at
14 \$35.44 per share on October 27, 2021.

15 141. On November 8, 2021, Robinhood disclosed that in the evening of November 3,
16 2021, an unauthorized third party socially engineered a Robinhood customer service representative
17 to gain access to the email addresses and other personal information of millions of Robinhood
18 customers, stating in relevant part:

19 Late in the evening of November 3, we experienced a data security incident. An
20 unauthorized third party obtained access to a limited amount of personal
21 information for a portion of our customers. Based on our investigation, the attack
22 has been contained and we believe that no Social Security numbers, bank account
23 numbers, or debit card numbers were exposed and that there has been no financial
24 loss to any customers as a result of the incident. The unauthorized party socially
25 engineered a customer support employee by phone and obtained access to certain
26 customer support systems. At this time, we understand that the unauthorized party
27 obtained a list of email addresses for approximately five million people, and full
28 names for a different group of approximately two million people. We also believe
that for a more limited number of people approximately 310 in total-additional
personal information, including name, date of birth, and zip code, was exposed,
with a subset of approximately 10 customers having more extensive account details
revealed. We are in the process of making appropriate disclosures to affected
people.

Id. [Emphasis added.]

1 Sounds like just the kind of company you'd want to entrust with your not-at-all-
2 susceptible-to-hackers cryptocurrency fortune.

3 *Id.*

4 146. Of all coverage, however, *Bloomberg's* November 9, 2021 report entitled, "*Why*
5 *310 of Robinhood's Cyber-Attack Victims Should Really Worry,*" put the significance of the data
6 breach in context most succinctly, stating in relevant part, "***The company's 'safety first' maxim,***
7 ***oft repeated by executives, will ring hollow*** to the millions of users who are now a little more
8 vulnerable to phishing attacks and the smaller group who'll have to be extra vigilant." *Id.*
9 [Emphasis added.]

10 147. On the same day, Robinhood also revealed it was investigating reports that "some
11 customers are having issues with transferring money into and out of the app." "We're working to
12 resolve this as soon as possible," the Company said on its status page in a message with a 7:06
13 AM PT (10:06 AM ET) time stamp. An hour later, the status page listed bank transfers as
14 operational. Notwithstanding, Robinhood users' use of the application for their intended purposes,
15 was yet again disrupted.

16 148. Following the Company's announcement of the November 3, 2021 data breach and
17 the November 9, 2021 disruption, as well as the publication of multiple media reports reporting on
18 both failures, Robinhood's stock declined 3.37%, to close at \$36.70 per share on November 9,
19 2021.

20 149. The next day, *Vice* continued its coverage of the data breach by publishing an article
21 entitled "*Robinhood Hackers Accessed Internal Tool for Removing Account Security Features,*
22 *Screenshots Show,*" which included screenshots of additional information the Robinhood hackers
23 were able to (and did) access, as well as the critical back-end account features they had the option
24 of tampering with. Specifically, the article states and shows:

25 ***The hackers*** behind the recent breach of customer data from app-based broker
26 Robinhood ***had access to an internal tool that presented them the option of***
27 ***tampering with user accounts, including removing specific users' multi-factor***
authentication protections, according to screenshots of the tool obtained by
Motherboard.

28 * * *

1 The news highlights the potential risks that hackers can pose beyond simply
2 stealing sensitive data. ***The screenshots of the tool also show buttons for logging***
3 ***a user out of their account, adding a trusted device, and blocking certain sessions***
4 ***from accessing the Robinhood account. The screenshots also show the hackers***
5 ***could view sensitive information on users, such as their balances and trades.***

[Emphasis added.]

6 150. As this new information reached the market, Robinhood’s stock sank further,
7 closing on November 10, 2021 at \$34.49 per share, representing a decline of 6.02%.

8 151. On November 19, 2021, Deutsche Bank analyst Brian Bedell (“Bedell”) opened a
9 sell “Catalyst Call” on Robinhood before the market opened. His call was based on concerns about
10 “near-term growth and profitability headwinds,” which were mainly driven by the fact that “***the***
11 ***meme stock phenomenon we witnessed en masse earlier in the year was more applicable to***
12 ***Robinhood’s recent customer growth and likely resulted in overestimation of the company’s***
13 ***core fundamentals and growth trajectory.***” In addition, he indicated that the November security
14 breach “may drive some customer attrition” citing an investor survey in which “[s]afety and/or
15 reputational concerns” was cited as “the main reason to switch from their primary online broker.”
16 Bedell further noted that “this could delay [Robinhood’s] path to profitability and push the firm’s
17 potentially stronger growth trajectory out at least a few more quarters, which may disappoint
18 investors and pressure shares.” On November 19, 2021, the price of Robinhood’s stock fell over
19 5%, to close at \$28.99 per share. [Emphasis added.]

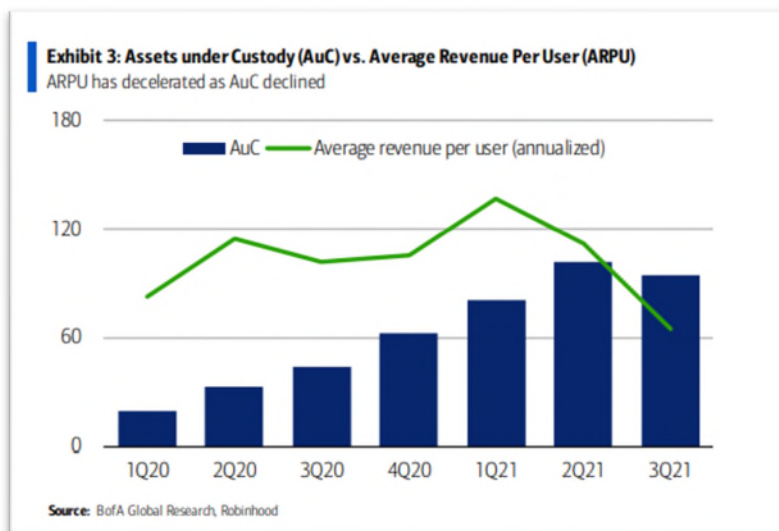
20 152. On December 3, 2021, *SeekingAlpha* published an article entitled, “Where Will
21 Robinhood Stock Be In 5 Years? Potentially Still Down Here,” characterizing “the Q3 report [as]
22 unequivocally a disaster.” On December 3, 2021, Robinhood’s stock declined 10.95%, to close at
23 \$21.55 per share.

24 153. On December 8, 2021, the *Motley Fool* published an article entitled, “5 Red Flags
25 for Robinhood Markets’ Future,” identifying Robinhood’s “decelerating growth in users and
26 revenue” as well as its “dependence on dogecoin,” as two areas of particular concern.
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1 154. On December 9, 2021, the *Wall Street Journal* published an article, entitled
2 “Robinhood’s Stock Fizzles After Splashy Public Offering,” which was then published in the print
3 edition of the *Wall Street Journal* on December 10, 2021 under the headline “*Robinhood Fizzles*
4 *After Hot Start*” noting how the “*slowdown in cryptocurrency trading*, particularly in the meme
5 cryptocurrency dogecoin, *weighed heavily on [Robinhood’s] results.*” [Emphasis added.]

6 155. Following this news, Robinhood’s shares fell another 8.12%, closing at \$20.13 per
7 share on December 10, 2021.

8 156. Later, on December 15, 2021, after the markets closed, Bank of America initiated
9 its coverage of Robinhood with an underperform rating and a price objective of \$22 per share. In
10 its initial report, Bank of America advised that the market, based on Robinhood’s then-current
11 stock price, “*may be underappreciating . . . [Robinhood’s] overstated growth trajectory in 2020-*
12 *21,*” which was driven by the ““*meme’ stock phenomenon [&] crypto appreciation.*” [Emphasis
13 added.] Bank of America expressed its concern that “*HOOD’s cryptocurrency offering triggered*
14 *significant growth in 1H21, but after clients realized that its crypto offering was inferior to the*
15 *crypto exchanges* (no digital wallet, less currencies) *and the coins’ rapid appreciation reversed,*
16 *HOOD’s momentum in crypto faded for at least a few quarters.*” [Emphasis added.] Bank of
17 America also determined that HOOD’s declining cryptocurrency trading activity, “*caused HOOD*
18 *to experience a deceleration in its funded accounts and [to] report significantly lower revenues*
19 *as trading activity declined,*” offering the following illustration to show how the decline in ARPU
20 *began* in March 2021 (*i.e.*, before the IPO):
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10 157. Bank of America also highlighted the November security breach as an event that
11 “damages a company’s brand and could cause elevated attrition over the near-term.”

12 158. On December 16, 2021, Robinhood’s shares declined 6.97% to close at \$18.14 per
13 share.

14 159. On January 27, 2022, after the market closed, Robinhood reported its financial
15 results for the fourth quarter and full year ended December 31, 2021 (“Q4 2021” and “FY 2021,”
16 respectively). In its Q4 2021 earnings release, Robinhood reported another round of results that
17 substantially missed analyst estimates: Robinhood’s MAU *declined nearly* 8.5% quarter over
18 quarter, missing estimates by 2.6 million; Robinhood’s net revenues of \$362.7 million fell short
19 of the \$370.9 million expected; Robinhood’s transaction-based revenue of \$263.9 million came in
20 below the \$269.3 million expected; Transaction Rebates from cryptocurrency trading of \$48
21 million fell short of the \$55 million expected, which also represented a decline of 5.9% quarter
22 over quarter; and Robinhood’s ARPU *declined* 1.5% quarter over quarter, missing estimates by
23 \$2.63. Robinhood’s revenue outlook for the first quarter of the year likewise came in below
24 expectations, with the Company forecasting \$340 million as compared to the \$447 million analysts
25 projected.

26 160. As with Q3 2021, analysts reacted negatively to Robinhood’s fourth quarter
27 earnings release. Hugh Tallents (“Tallents”), senior partner at management consultancy cg42, for
28 example, told *Yahoo Finance*, “Robinhood had all of the tailwinds that you could want running up

1 to their IPO. *The problem that they've had is that all of those basically have unwound in the*
2 *last eight to 10 months.*" In other words, Robinhood's business turned in March or May 2021,
3 months before the IPO. That Robinhood failed to disclose that shift so it could demand a premium
4 for its shares during the IPO was not lost on Tallents who noted, "*They had five years of business*
5 *plan success baked into that IPO price.* Now you're starting to see it valued more like a 'fin' than
6 a 'tech,' and that multiple isn't attractive necessarily." [Emphasis added.]

7 161. Jesse Cohen ("Cohen"), senior analyst at *Investing.com*, likewise characterized
8 Robinhood's results as "awful." Despite Defendant Warnick's claim during the Company's
9 January 27, 2022 analyst call that the Company sees "nothing to suggest [its] customers are
10 disengaging," Cohen found that Robinhood's results, "highlight the several challenges the trading
11 platform company currently faces, *mainly a slowdown in user growth, as well as weaker retail*
12 *trading activity in stocks and crypto.*" [Emphasis added.]

13 162. The financial media also recognized the significance of the continuing decline in
14 Robinhood's cryptocurrency trading with, for example, *Bloomberg* noting that the Q4 2021 print
15 "mark[s] a second-consecutive quarter-over-quarter decline," the *Associated Press* recognizing
16 that "Growth *keeps slowing*," and *CNBC* observing, in an article entitled, "*Robinhood loses active*
17 *users* in the fourth quarter, forecasts weak revenue," that, "revenue from crypto *has been declining*
18 *since the second quarter of 2021*," and that "Thursday's report shows *its continuing to decline*."
19 [Emphasis added.]

20 163. Following Robinhood's release of its 4Q 2021 earnings and the publication of
21 numerous securities analysts' and financial reporters' views on those results, Robinhood's stock
22 price declined approximately 6.45%, to close at \$11.61 per share on January 27, 2022.

23 164. Days later, on February 1, 2022, the *Motley Fool* published an article entitled,
24 "Robinhood Stock is Down 85%, and it Could Get Worse," which, after assessing the Company's
25 KPIs from each quarter, concludes that Robinhood's shift towards cryptocurrencies in early 2021
26 *only worked for a short time*, stating in relevant part:

1 Late 2020 into early 2021 was a bumper period for Robinhood, as the meme-stock
 2 frenzy was driven primarily by younger investors, its target demographic **To**
 3 **maintain momentum, Robinhood made a pivot from its stock and options**
 4 **products into cryptocurrencies**, as these assets were in high demand from its
 5 audience. **While this worked for a short period of time, the company has since**
 6 **suffered sequential declines across most of the important financial metrics used**
 7 **to measure its business. Id.** [Emphasis added.]

Metric	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Monthly active users	17.7 million	21.3 million	18.9 million	17.3 million
Assets under custody	\$81 billion	\$102 billion	\$95 billion	\$98 billion
Average revenue per user	\$137	\$112	\$65	\$64
Total revenue	\$522 million	\$565 million	\$365 million	\$363 million

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 11 165. By market close on February 2, 2022, Robinhood’s stock had declined 4.30%, to
 12 \$14.02 per share.

13 166. Then, author Michael Lewis (“Lewis”), known for his non-fiction writing about
 14 Wall Street culture, quickly put a stop to the notion that Robinhood is “disrupting Wall Street,”
 15 during an interview with Andrew Ross Sorkin (“Sorkin”), columnist and the founder and editor at
 16 large of *Dealbook*. According to an article entitled, “*Michael Lewis Revisits ‘Liar’s Poker,’*”
 17 printed in the *New York Times* on February 7, 2022, which covered the conversation, in response
 18 to Sorkin’s question about whether Robinhood was “smashing the aisles” or otherwise “disrupting
 19 Wall Street in all kinds of ways,” Lewis stated:

20 ***I’m not sure what Robinhood upends*** – preserving both a fiction and the guts of a
 21 screwed up stock market without making a real dent on anything meaningful. And
 22 the fiction is that people can go into the market and systematically beat the market
 23 and you should be doing this with your money. I understand it’s fun if you’re
 24 treating it like a casino. It is not a very healthy one. ***I think of Vanguard as being***
 25 ***more useful, disruptive than Robinhood, teaching people not to do that.***

26 *Id.* [Emphasis added.]

27 167. On this news, Robinhood’s shares declined 8.37%, to close on February 7, 2022 at
 28 \$13.91 per share.

1 171. On this news, Robinhood's stock declined 4.29%, closing on April 14, 2021 at
2 \$11.38 per share.

3 172. Then, after the market closed on April 28, 2022, the Company announced its Q1
4 2022 financial results, which were again disappointing. Robinhood's MAU of 15.9 million
5 represented an 8% decline from the previous quarter, AUC of \$93.1 billion represented a 5%
6 decline from the previous quarter, and ARPU of \$53 represented an 18% decline from the previous
7 quarter. Robinhood's total net revenues of \$299 million and transaction-based revenues of \$218
8 million, of which crypto revenue only totaled \$54 million, was likewise disappointing.

9 173. In addition, Robinhood reported its KPIs on a monthly basis, showing for the first
10 time the truth about Robinhood's fledgling business in the months leading up to the IPO. *See*
11 *supra*.

12 174. As this news reached the market, the price of Robinhood's stock dropped
13 approximately 2.78%, with shares closing on April 29, 2022 at \$9.81 per share.

14 **CLASS ACTION ALLEGATIONS**

15 175. Lead Plaintiffs repeat and reallege each and every allegation contained above as if
16 fully set forth herein.

17 176. Lead Plaintiffs bring this action as a class action, pursuant to Rules 23(a) and
18 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of a class consisting of all persons and
19 entities that purchased, or otherwise acquired, Robinhood common stock issued in connection with
20 the Company's IPO.

21 177. Excluded from the Class are: (i) Defendants; (ii) present or former executive
22 officers of Robinhood, members of the Robinhood's Board, and members of their immediate
23 families (as defined in 17 C.F.R. §229.404, Instructions (1)(a)(iii) and (1)(b)(ii)); (iii) any of the
24 foregoing persons' legal representatives, heirs, successors, or assigns; and (iv) any entities in
25 which Defendants have or had a controlling interest, or any affiliate of Robinhood.

26 178. The members of the Class are so numerous that joinder of all members is
27 impracticable. While the exact number of Class members is unknown to Lead Plaintiffs at this
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1 time, and can only be ascertained through appropriate discovery, Lead Plaintiffs believe that there
2 are hundreds or thousands of members in the Class. During the relevant time, millions of
3 Robinhood shares were publicly traded on the NASDAQ, a national exchange. Record owners
4 and other members of the Class may be identified from records maintained by Robinhood or its
5 transfer agent and may be notified of the pendency of this action by mail, using a form of notice
6 similar to that customarily used in securities class actions.

7 179. Lead Plaintiffs' claims are typical of the claims of Class members, who were all
8 similarly affected by Defendants' wrongful conduct in violation of the federal securities laws.
9 Further, Lead Plaintiffs will fairly and adequately protect the interests of Class members and have
10 retained counsel competent and experienced in class and securities litigation.

11 180. Common questions of law and fact exist as to all members of the Class and
12 predominate over any questions solely affecting individual members of the Class. Among the
13 questions of law and fact common to the members of the Class are:

- 14 (a) whether Defendants violated the Securities Act;
- 15 (b) whether statements made by Defendants to the investing public
16 misrepresented material facts about the business, operations, and prospects of Robinhood;
- 17 (c) whether statements made by Defendants to the investing public omitted
18 material facts necessary in order to make the statements made, in light of the circumstances under
19 which they were made, not misleading; and
- 20 (d) the extent of damage sustained by Class members and the appropriate
21 measure of damages.

22 181. A class action is superior to all other available methods for the fair and efficient
23 adjudication of this controversy since joinder of all members is impracticable. Further, as the
24 damages suffered by individual Class members may be relatively small, the expense and burden
25 of individual litigation makes it impossible for Class members to individually redress the wrongs
26 done to them. There will be no difficulty in the management of this action as a class action.

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CLAIM ONE

**For Violations of §11 of the Securities Act
(Against All Defendants)**

182. Lead Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

183. This claim is brought pursuant to §11 of the Securities Act, 15 U.S.C. §77k, on behalf of the Class, against all Defendants. This is a non-fraud cause of action. Lead Plaintiffs do not assert that Defendants committed intentional or reckless misconduct or that Defendants acted with scienter or fraudulent intent.

184. The Offering Documents were inaccurate and misleading, contained untrue statements of material facts, omitted facts necessary to make the statements made therein not misleading, and omitted to state material facts required to be stated therein.

185. The Company is the registrant of the securities purchased by Lead Plaintiffs and the Class. As such, the Company is strictly liable for the materially untrue and misleading statements contained in the Offering Documents and the failure of the Offering Documents to be complete and accurate. By virtue of the Offering Documents containing material untrue statements and omissions of material facts necessary to make the statements therein not false and misleading, Robinhood is liable under §11 of the Securities Act to Lead Plaintiffs and the Class.

186. The Individual Defendants each signed the Offering Documents and caused their issuance. As such, each is strictly liable for the materially untrue statements and omissions in the Offering Documents and the failure of the Offering Documents to be complete and accurate, unless they are able to carry their burden of establishing an affirmative “due diligence” defense. The Individual Defendants each had a duty to make a reasonable and diligent investigation of the truthfulness and accuracy of the statements contained in the Offering Documents and ensure that the Offering Documents were true and accurate, there were no omissions of material facts that would make the Offering Documents misleading, and that the Offering Documents contained all facts required to be stated therein. In the exercise of reasonable care, the Individual Defendants

1 should have known of the material untrue statements and omissions contained in the Offering
2 Documents. Accordingly, the Individual Defendants are liable to Lead Plaintiffs and the Class.

3 187. The Underwriter Defendants each served as underwriters in connection with the
4 IPO. As such, each is strictly liable for the materially untrue statements and omissions in the
5 Offering Documents and the failure of the Offering Documents to be complete and accurate, unless
6 they are able to carry their burden of establishing an affirmative “due diligence” defense. The
7 Underwriter Defendants each had a duty to make a reasonable and diligent investigation of the
8 truthfulness and accuracy of the statements contained in the Offering Documents. They had a duty
9 to ensure that such statements were true and accurate, that there were no omissions of material
10 facts that would make the Offering Documents misleading, and that the Offering Documents
11 contained all facts required to be stated therein. In the exercise of reasonable care, the Underwriter
12 Defendants should have known of the material untrue statements and omissions contained in the
13 Offering Documents. Accordingly, each of the Underwriter Defendants is liable to Lead Plaintiffs
14 and the Class.

15 188. Defendants acted negligently in preparing the Offering Documents. None of the
16 Defendants named in this Claim made a reasonable investigation or possessed reasonable grounds
17 to believe that the statements contained in the Offering Documents were true and complete and
18 were not misleading. In alleging the foregoing, Lead Plaintiffs specifically disclaim any allegation
19 of fraud.

20 189. By reasons of the conduct herein alleged, each Defendant named in this claim
21 violated §11 of the Securities Act.

22 190. None of the untrue statements or omissions of material fact in the Offering
23 Documents alleged herein was a forward-looking statement. Rather, each such statement
24 concerned existing facts. Moreover, the Offering Documents did not properly identify any of the
25 untrue statements as forward-looking statements and did not disclose information that undermined
26 the putative validity of these statements.

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1 wrongful conduct alleged herein, Lead Plaintiffs and Class members suffered damages in
2 connection with their purchases of the Company's shares.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, Lead Plaintiffs, on Lead Plaintiffs' own behalf and on behalf of the Class,
5 pray for relief and judgment as follows:

6 A. Declaring that this action is a proper class action, pursuant to Fed. R. Civ. P. 23,
7 certifying Lead Plaintiffs as representatives of the Class, and designating Lead Plaintiffs' counsel
8 as Class Counsel;

9 B. Awarding Lead Plaintiffs and the other members of the Class compensatory
10 damages;

11 C. Awarding Lead Plaintiffs and the other members of the Class rescission on their
12 §12(a)(2) claims;

13 D. Awarding Lead Plaintiffs and the other members of the Class pre-judgment and
14 post-judgment interest, as well as reasonable attorneys' fees, expert witness fees, and other costs
15 and disbursements; and

16 E. Awarding Lead Plaintiffs and the other members of the Class such other and further
17 relief as the Court may deem just and proper.

18 **DEMAND FOR TRIAL BY JURY**

19 Pursuant to Fed. R. Civ. P. 38(b), Lead Plaintiffs hereby demand a trial by jury of all issues
20 that may be so tried.

21 DATED: March 13, 2023

SCOTT+SCOTT ATTORNEYS AT LAW LLP

22 *s/ Deborah Clark-Weintraub*
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*Additional Counsel for Lead Plaintiffs
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CERTIFICATE OF SERVICE

I hereby certify that on March 13, 2023, I caused the foregoing document to be filed with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the email addresses denoted on the Electronic Mail Notice List.

s/ Deborah Clark-Weintraub
Deborah Clark-Weintraub