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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

MARK COMBS, VLAD IACOB, and BENJAMIN NORTHEY, Individually and on Behalf of All Others Similarly Situated,

Plaintiffs,

v.

SAFEMOON LLC, SAFEMOON US, LLC, SAFEMOON CONNECT, LLC, SAFEMOON LTD, SAFEMOON PROTOCOL LTD, SAFEMOON MEDIA GROUP LTD, BRADEN JOHN KARONY, JACK HAINES-DAVIES, RYAN ARRIAGA, SHAUN WITRIOL, HENRY "HANK" WYATT, JAKE PAUL, DAVID PORTNOY, KYLE NAGY, DeANDRE CORTEZ WAY, BEN PHILLIPS, MILES PARKS McCOLLUM, and DANIEL M. KEEM,

Defendants.

Case No. 2:22-cv-01108-SVW-MRW

SECURITIES CLASS ACTION CONSOLIDATED COMPLAINT

DEMAND FOR JURY TRIAL

Lead Plaintiff Mark, Combs, Vlad Iacob, and Benjamin Northey (collectively the "Safemoon Investor Group" or "Plaintiff"), individually and on behalf of all others similarly situated, brings this Securities Class Action Consolidated Amended Complaint ("Complaint") against Defendants SafeMoon LLC, SafeMoon US, LLC, SafeMoon Connect, LLC, Tano LLC, SafeMoon LTD, SafeMoon Protocol LTD, and SafeMoon Media Group LTD (collectively, "SafeMoon" or the "Company"), Jake Paul, David Portnoy, DeAndre Cortez Way, Ben Phillips, Miles Parks McCollum, and Daniel M. Keem (the "Promoter Defendants"), and Individual Defendants Shaun Witriol, Ryan Arriaga, Jack Haines-Davies, Henry "Hank" Wyatt, Thomas Smith, Kyle Nagy, and the Company's Chief Executive Officer, Braden John Karony (together with the Promotor Defendants and SafeMoon, the "Defendants"). The following allegations are based upon personal knowledge as to Plaintiff's own facts, upon investigation by Plaintiff's counsel, and upon information and belief where facts are solely in possession of Defendants.

NATURE OF THE CASE

1. Plaintiff brings this action on behalf of all investors who purchased SafeMoon tokens ("SAFEMOON Tokens") between March 8, 2021 and the time of filing this Complaint, and were damaged thereby.

2. This case arises from a scheme among various unscrupulous individuals in the cryptocurrency sector to misleadingly promote and sell the digital asset associated with SafeMoon (the SAFEMOON Tokens) to unsuspecting investors. The Company's executives, collaborating with several celebrity promotors: (a) made false or misleading statements to investors about SafeMoon through social media advertisements and other promotional activities; and (b) disguised their control over SafeMoon and a significant percent of the SAFEMOON Tokens that were available for public trading during the Class Period (the "Float").

3. In furtherance of this scheme, Defendants touted the technological innovation of the Company's token and related cryptocurrency wallet, as well as the ability for investors to make significant returns due to the favorable "tokenomics" of the SAFEMOON Tokens. In truth, Defendants marketed the SAFEMOON Tokens to investors so that they could sell their portion of the Float for a profit.

4. Defendants' strategy was a success. The misleading promotions and celebrity endorsements were able to artificially increase the interest in and price of the SAFEMOON Tokens during the Class Period, causing investors to purchase these losing investments at inflated prices. Meanwhile, the Company's executives, Karony and Haines-Davies, conspired with the Promoter Defendants to sell their SAFEMOON Tokens to investors for a profit.

5. Plaintiff brings this class action on behalf of herself and an objectively identifiable class consisting of all investors who purchased SafeMoon's SAFEMOON Tokens between March 8, 2021 and the time of filing this Complaint.

PARTIES

Plaintiff

6. Plaintiff Mark Combs is a resident and citizen of Florida, living in Gainsville, Florida. As set forth in the certification pursuant to the Private Securities Litigation Reform Act of 1995 (*see* Dkt. #40-1), Plaintiff Combs purchased SAFEMOON Tokens during the Relevant Period and suffered investment losses as a result of Defendants' conduct.

7. Plaintiff Vlad Iacob is a resident and citizen of California, living in San Diego, California. As set forth in the certification pursuant to the Private Securities Litigation Reform Act of 1995 (*see* Dkt. #40-1), Plaintiff Iacob purchased SAFEMOON Tokens during the Relevant Period and suffered investment losses as a result of Defendants' conduct.

8. Plaintiff Benjamin Northey is a resident and citizen of Pennsylvania, living in Carlisle, Pennsylvania. As set forth in the certification pursuant to the

Private Securities Litigation Reform Act of 1995 (*see* Dkt. #40-1), Plaintiff Northey purchased SAFEMOON Tokens during the Relevant Period and suffered investment losses as a result of Defendants' conduct.

Defendants

9. Defendant SafeMoon LLC is a privately held company with its headquarters located at 364 N 500 E, Provo, Utah 84606.

10. Defendant SafeMoon US, LLC is a privately held company with its headquarters located at 1022 W 2200 N. Pleasant Grove, Utah 84062.

11. Defendant SafeMoon Connect, LLC is a privately held company with its headquarters located at 1022 W 2200 N. Pleasant Grove, Utah 84062.

12. Defendant Tano LLC is a privately held company with its headquarters located at 1022 W 2200 N. Pleasant Grove, Utah 84062.

13. Defendant SafeMoon LTD is a privately held company that was incorporated on April 8, 2021, with its headquarters located at 20-22, Wenlock Road, London, England, N1 7GU.[1]

14. Defendant SafeMoon Protocol LTD is a privately held company, that was incorporated on April 8, 2021 with its headquarters located at 20-22, Wenlock Road, London, England, N1 7GU.

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[1] The only listed director and shareholder for the SafeMoon entities in the United Kingdom is an Italian national, Castiliano Foini. Publicly available information about Foini and the UK entities is limited. However, a search of the UK's government's company information website indicates that a now-dissolved privately held company, Target Company Development Ltd (Company # 12420163), was located at the same address as the SafeMoon UK entities. Notably, that company's only director and shareholder was Braden John Karony's mother, Jennifer Diane Karony ("Mrs. Karony). Similarly, according to bankruptcy filings submitted by Mrs. Karony and her husband (Karony's father, Bradford J. Karony) in 2013, the Karony family home is listed as 364 N. 500 East Provo, UT 84606. *See* Summary of Schedules – Amended, Schedule C – Property Claimed, Karony, 13-13777-BFK (E.D. Va. Oct. 8, 2012). This is the same address for the SafeMoon LLC entity. Upon information and belief, Karony, with the aid of his parents, set up the Company's corporate structure in a purposefully complex manner to hide the ownership interests in the various SafeMoon-affiliated entities in the U.S. and UK.

15. Defendant SafeMoon Media Group LTD is a privately held company, that was incorporated on June 28, 2021, with its headquarters located at The Terrace 5th Floor, 76 Wardour Street, London, United Kingdom, W1F 0UR.

16. Defendant Braden John Karony ("Karony") is a resident and citizen of Utah, living in Provo, Utah. Karony serves as the Company's CEO, and he exercised control over SafeMoon and directed and/or authorized, directly or indirectly, the sale and/or solicitations of SAFEMOON Tokens to the public.

17. Defendant Jack Haines-Davies ("Haines-Davies") is a resident and citizen of the United Kingdom, living in London, England. Haines-Davies serves as the Company's Chief Operating Officer ("COO").

18. Defendant Ryan Arriaga ("Arriaga") is a resident and citizen of California, living in Elk Grove, California. Arriaga has served as the Company Global Head of Products since July 2021.

19. Defendant Shaun Witriol ("Witriol") is a resident and citizen of California, living in San Diego, California. Witriol served as a representative for the Company.

20. Defendant Henry "Hank" Wyatt ("Wyatt") is a resident and citizen of Pennsylvania, living in Shippensburg, Pennsylvania. Wyatt served as the Company's Chief Technology Officer and Vice President of Research and Development.

21. Defendant Kyle Nagy ("Nagy") is a resident and citizen of Florida, living in Vero Beach, Florida. Nagy was the founder of the Company and served as lead developer of the SAFEMOON Token.

22. Defendant Thomas Smith ("Smith") is a resident and citizen of New Hampshire, living in Conway, New Hampshire. Smith served as the Company's Chief Blockchain Officer.

23. Defendants Karony, Nagy, Smith, Haines-Davies, Arriaga, Witriol, and Wyatt are collectively referred to as the "Executive Defendants."

24. Defendant Jake Paul ("Paul") is a resident and citizen of California, living in Calabasas, California. Paul acted as a promotor for the Company and the SAFEMOON Tokens.

25. Defendant David Portnoy ("Portnoy") is a resident and citizen of New York, living in New York, New York. Portnoy acted as a promotor for the Company and the SAFEMOON Tokens.

26. Defendant DeAndre "Souja Boy" Cortez Way ("Way") is a resident and citizen of California, living in Bell Canyon, California. Way acted as a promotor for SafeMoon and the SAFEMOON Tokens.

27. Defendant Ben Phillips ("Phillips") is a resident and citizen of the United Kingdom, living in Wales, United Kingdom. Phillips acted as a promotor for the Company and the SAFEMOON Tokens.

28. Defendant Miles "Lil Yachty" Parks McCollum ("McCollum") is a resident and citizen of Georgia, living in Smyrna, Georgia. McCollum acted as a promotor for the Company and the SAFEMOON Tokens.

29. Defendant Daniel M. Keem ("Keem") is a resident and citizen of New York, living in Buffalo, New York. Keem acted as a promotor for the Company and the SAFEMOON Tokens.

30. Defendants Paul, Portnoy, Way, Phillips, McCollum, and Keem are collectively referred to as the "Promotor Defendants."

JURISDICTION AND VENUE

31. The Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act, 15 USC §78aa, §22 of the Securities Act, 15 U.S.C. §77(v), and 28 U.S.C. §1331. This Court has supplemental jurisdiction over the state law claims pursuant to 28 U.S.C. §1367.

32. This Court may exercise jurisdiction over Defendants because they have continuous and systematic contacts with this District, do substantial business in this State and within this District, and engage in unlawful practices in this District

as described in this Complaint, so as to subject themselves to personal jurisdiction in this District, thus rendering the exercise of jurisdiction by this Court proper and necessary.

33. Venue is proper in this judicial District pursuant to 28 U.S.C. §1391(b) because certain Defendants live and/or conduct business in this District, therefore, a substantial part of the events or omissions giving rise to the claims alleged herein occurred in this District.

FACTUAL ALLEGATIONS

Growth of the Crypto Sector

34. A crypto-asset is a digital asset designed to work as a medium of exchange or a store of value or both. Crypto-assets leverage a variety of cryptographic principles to secure transactions, control the creation of additional units, and verify the transfer of the underlying digital assets.

35. Created in 2009, Bitcoin was the world's first decentralized crypto-asset.[2] With a current market capitalization of approximately $580 billion, Bitcoin is also the largest and most popular crypto-asset. Bitcoin spawned a market of other crypto-assets that, together with Bitcoin, have a current market capitalization of $1.3 trillion.

36. One of the main features that Bitcoin popularized was the use of a distributed ledger to track the ownership and transfer of every Bitcoin in existence. This distributed ledger is known as a blockchain. Blockchains are a central technical commonality across most crypto-assets. While each blockchain may be subject to different technical rules and permissions based on the preferences of its creators, they are typically designed to achieve a form of decentralization.

[2] Bitcoin and other crypto-assets are also commonly referred to as "cryptocurrencies" regardless of whether they are commodities (as the term implies) or securities.

37. There are two main ways to obtain crypto-assets. One way is to be part of the framework of incentives to validate the transactions on the blockchain, under either a "Proof of Work" or "Proof of Stake" scheme. Users who expend resources to validate the blockchain get rewarded with newly minted tokens. This process is colloquially referred to as "mining" for Proof of Work blockchains or "validating" for Proof of Stake blockchains.

38. A second and more common way to obtain crypto-assets is to acquire them from someone else. This often involves acquiring them through online crypto-asset exchanges. These exchanges are similar to traditional exchanges in that they provide a convenient marketplace to match buyers and sellers of virtual currencies.

39. Bitcoin, for a time, was the only crypto-asset available on exchanges. As crypto-assets grew in popularity, however, exchanges began listing other crypto-assets as well and trading volumes expanded. In early 2013, daily Bitcoin trading volumes hovered between $1 million and $25 million. By the end of 2017, daily Bitcoin trading volumes ranged between $200 million and $3.8 billion, and reached over $80 billion in 2022.

40. Ethereum is the second-most popular crypto-asset, with a market capitalization of approximately $250 billion. Ethereum was designed to enable "smart contract" functionality. A smart contract is a program that verifies and enforces the negotiation or performance of a contract. Smart contracts can be self-executing and self-enforcing, which theoretically reduces the transaction costs associated with traditional contracting.

41. For example, a smart contract enables two parties to submit ether to a secure destination and automatically distribute the ether at the end of the month without any third-party action. The smart contract self-executes with instructions written in its code which get executed when the specified conditions are met. Since Ethereum first introduced the concept of smart contracts, many other companies

have sought to create crypto-assets that improve on and compete with Ethereum in the smart contract ecosystem.

42. Interest in crypto-assets began to accelerate towards the end of 2016, with prices growing at a rate historically unprecedented for any asset class. Over the course of 2017 alone, Bitcoin's price increased from approximately $1,000 to approximately $20,000. On January 1, 2017, Ethereum was trading at approximately $8 per ether. Approximately one year later, it was trading at over $1,400 per ether – a return of approximately 17,000 percent over that period.

43. This enthusiasm for crypto-assets prompted many entrepreneurs to raise funds through initial coin offerings ("ICOs"). Between 2017 and 2018, ICOs raised nearly $20 billion. None of these ICOs was registered with the Securities Exchange Commission ("SEC").

44. Token issuers typically released a "whitepaper" describing the project and terms of the ICO. These whitepapers advertise the sale of tokens or coins through the ICO. The whitepapers typically contained vastly less information than a registration statement filed with the SEC would usually include. For example, whitepapers do not typically include a "plain English" description of the offering; a list of key risk factors; a description of important information and incentives concerning management; warnings about relying on forward-looking statements; an explanation of how the proceeds from the offering will be used; or a standardized format that investors can readily follow.

45. More recently, another trend concerning crypto-assets has boomed. Over the past few years, the popularity of decentralized finance, known as "DeFi,"

has exploded.[3] DeFi "is an emerging financial technology based on secure distributed ledgers similar to those used by cryptocurrencies."[4]

46. One increasingly popular application of DeFi is decentralized exchanges – crypto-asset exchanges that "facilitate peer-to-peer trading by relying on automated smart contracts to execute trades without an intermediary."[5] Decentralized exchanges commonly rely on "liquidity pools," which provide "a mechanism by which users can pool their assets" in a decentralized exchange's "smart contracts to provide asset liquidity for traders to swap between currencies."[6] Specifically, a "liquidity pool is a crowdsourced pool of cryptocurrencies or tokens locked in a smart contract that is used to facilitate trades between the assets on a decentralized exchange."[7]

47. In a liquidity pool, users "called liquidity providers (LP) add an equal value of two tokens in a pool to create a market. In exchange for providing their funds, they earn trading fees from the trades that happen in their pool, proportional to their share of the total liquidity."[8] For traders, liquidity pools provide a market for exchanging one type of crypto-asset for another.

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[3] Natalie Zhang, *How decentralized finance works, and why it's taking on Wall Street*, CNBC (Sep. 17, 2021), https://www.cnbc.com/2021/09/17/how-decentralized-finance-works-and-why-its-taking-on-wall-street.html.

[4] Rakesh Sharma, *Decentralized Finance (DeFi) Definition*, Investopedia, (Jun. 26, 2022), https://www.investopedia.com/decentralized-finance-defi-5113835#:~:text= Decentralized%20finance%20(DeFi)%20is%20an,financial%20products%2C%20and%20financial%20services.

[5] https://www.gemini.com/cryptopedia/decentralized-exchange-dex-crypto# section-decentralized-exchanges-vs-centralized-exchanges. (last visited Jun. 28, 2022).

[6] https://www.gemini.com/cryptopedia/what-is-a-liquidity-pool-crypto-market-liquidity#section-the-role-of-crypto-liquidity-pools-in-de-fi. (last visited Jun. 28, 2022).

[7] https://www.gemini.com/cryptopedia/what-is-a-liquidity-pool-crypto-market-liquidity#section-the-role-of-crypto-liquidity-pools-in-de-fi. (last visited Jun. 28, 2022).

[8] https://academy.binance.com/en/articles/what-are-liquidity-pools-in-defi. (last visited Jun. 28, 2022).

SafeMoon Background

48. The SAFEMOON Token is a speculative digital token created in March 2021 by a group of cryptocurrency developers and investors, including, but not limited to, the Executive Defendants.

49. A "token" is a financial product that is contractually based (via a "smart" contract) and is created and uploaded permanently to a given blockchain.[9] When investors purchase these products/contracts on a given blockchain, their expectation is that the general buying, selling, and exchanging of these tokens will function according to the terms of the original smart contract and in a manner similar to other tokens on the same blockchain. Thus, when a token owner transfers assets from one wallet address to another new wallet address, on the same blockchain, the owner reasonably expects that those assets will actually be transferred to the new wallet address. This expectation is much like an industry standard in that the same expectation applies to all current blockchains and tokens, not just the SafeMoon blockchain.

50. The SAFEMOON Tokens in particular are blockchain-based digital assets known as "BEP-20 tokens" that are created using the Binance Smart Chain mainnet blockchain. After a BEP-20 token is created, it can be traded, spent, or otherwise transacted with.

51. The name "SafeMoon" is derived from the phrase, "Safely To The Moon," which suggests that the token is meant not to rise only but to rise safely.[10]

52. In the beginning of 2021, Nagy began working as primary developer ("dev") of the SAFEMOON Tokens. Shortly thereafter, Nagy recruited another developer, Thomas ("Papa") Smith, to assist in the development the SAFEMOON

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[9] A "blockchain" refers to a decentralized, digital database that stores transactions and other forms of data.

[10] Benjamin Godfrey, *What is SafeMoon and can the crypto newcomer reach the moon?*, FORKAST (Nov. 26, 2021), https://forkast.news/what-is-safemoon-crypto-can-it-reach-the-moon/.

Tokens. Together, Nagy and Smith wrote the code for SafeMoon smart contract and Protocol Deployer wallet that eventually launched the digital asset, SAFEMOON Token. During this process, Nagy was able to disperse significant amounts of the SAFEMOON Tokens (worth hundreds of millions of dollars) to various undisclosed wallets under his or Smith's control.[11] He nevertheless promised investors from the outset: "no rug is possible. #safemoon join us on our journey safely to the moon."

53. Nagy and Smith eventually met with Karony and Haines-Davies to discuss a partnership for the sale of the SAFEMOON Tokens. Nagy and Smith would continue to work as the developers of the SAFEMOON Tokens, while Karony and Haines-Davies would operate as the fledgling company's management and marketing team. Smith was also tasked with using his public profile to market the SAFEMOON Tokens. Nagy, however, purposefully chose to hide his identity, operating publicly under the handle of "SafeMoonDev" instead.

54. In the early days of the Company's formation in March 2021, Karony held a meeting with Witriol wherein Witriol indicated his interest in being a part of the SafeMoon team. According to Witriol, at the end of the meeting, Karony welcomed him onto the SafeMoon team, saying "You're in."[12]

55. Witriol also publicly stated that he has been a part of SafeMoon since "day one or day two."[13] According to Karony, "There's individuals who took the

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[11] These wallets are a part of a larger interconnected web of cryptocurrency wallets that repeatedly interact with one another. Upon information and belief, Nagy's Deployer Wallet is at the center of this web, and he transferred millions of dollars-worth of SAFEMOON Tokens from this wallet to these undisclosed wallets, for the purpose of selling the SAFEMOON Tokens later, as a part of the scheme alleged herein. *See* https://miro.com/app/board/o9J_lx5kv5k=/?MoveToWidget=3074457363957861693&cot=14.

[12] Witriol, *SafeMoon LIVE: Shaun Witriol ON BLOCKCHAIN, FUTURE, PRICE, AND MORE!*, YouTube (June 5, 2021), https://www.youtube.com/watch?v=HBiY2SIQCqw.

[13] *Id*.

risk early on and acquired SAFEMOON Tokens and now they are reaping their benefit . . . it's kinda like with Apple in the early days."[14]

56. The Company's "core" team consisted of Karony, as the CEO; Haines-Davies, as the COO; Wyatt, as the CTO; Smith, as the Chief Blockchain Officer; Trevor Church, the Community Manager; Witriol, as a part of the online marketing team (also with Smith and Haines-Davies); and Jacob Smith, as another developer.[15]

57. On March 8, 2021, the Executive Defendants launched the SAFEMOON Tokens with a transaction volume of $149,427 and a price of $0.0000000004, according to data from CoinMarketCap.

58. "SafeMoon deployed with 1 quadrillion tokens (15 zeroes) and perpetually burns supply, alluding to rising scarcity. . . . [As of May 19, 2021], there's roughly 584 trillion SAFE in circulation (after 223 trillion went to "devs"), which means it's currently burning 2.9 trillion [SAFEMOON Tokens] per day on average."[16]

59. The tokens reserved for the "devs" were sent to wallet addresses owned and/or controlled.

60. The following are some of the wallet addresses, upon information and belief, that are owned/controlled by various Executive Defendants and were used both to fraudulently transfer and/or sell SAFEMOON Tokens during the Relevant Period and to otherwise extract value out of the Safemoon liquidity pool, which is described in more detail below:

a. Karony

- 0xd51d1d5503dcff819e214faa66c3b6f0ebb06abe

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[14] Protos Staff. *FBI ties and Ponzi games – here's what SafeMoon doesn't want you to know*, PROTOS (May 19, 2021), https://protos.com/safemoon-fbi-ties-ponzi-games-crypto-protocol-dave-portnoy-shill/.

[15] *Altcoin Overview: What is SafeMoon? And is it Actually a Safe Investment?*, MINTDICE (Nov. 11, 2021), https://mintdice.medium.com/altcoin-overview-what-is-safemoon-and-is-it-actually-a-safe-investment-a8e23ea27b2c.

[16] *Id*.

- 0x666cfedc8455886f4fd606cacac0c1f6fdea0984
- 0x35Abddd20Be12C385C4961E28513e6b27967Ae4C
- 0x82B7503bFfD8aEa31AEa5EE14fB01959191Af45B
- 0x0514a89b8bac595e323603cc3c0a1cb765e99eb2
- 0xcb6b64740e60e107e15f78384a68c1a954afb9bd
- 0x7be8076f4ea4a4ad08075c2508e481d6c946d12b

b. Nagy

- 0xa121d56d44be198f010ad55b88cd2161cfe2273c
- 0xe266c8e4afc8a06ad0707597f736272e694323e0
- 0xf8e645a4540f4a20037a76a9348161f8b86d94ec
- 0xbd96898865929cb5c5d883c3162d1b3510a2ce73
- 0xC95063D946242f26074A76C8A2E94c9D735dfc78
- 0x819c9853eb5b1f164bd026a96cca9a9acdccdc23
- 0xe281d781cceb1a89b2a19296fd834d262ddf288e
- 0xb254fa1b023e9a430d5e85219979c8457da3ce2f
- 0x43d809fde541922658e4ba84e95e80a37e6dc1c4
- 0xda9a0aa8c78c356c5007602d70a7fec5329f3399
- 0x08c922033588028b3597c9df4c9afbd2ca3da2eb
- 0xc13a6d7c9718b7a09affd9bd300bb2c4a5a37135
- 0xcd67f7e01e13e21c1c78da396d74120a82e4ca14
- 0x244d5cfdd0b6082eed6d8e7070419a97c5545240
- 0x1dcda7d1e407c03cfb9da602aeebe4a46449fe88
- 0xc86f1479cc87c7fc9338a0696360a16a3cd1034b

c. Smith

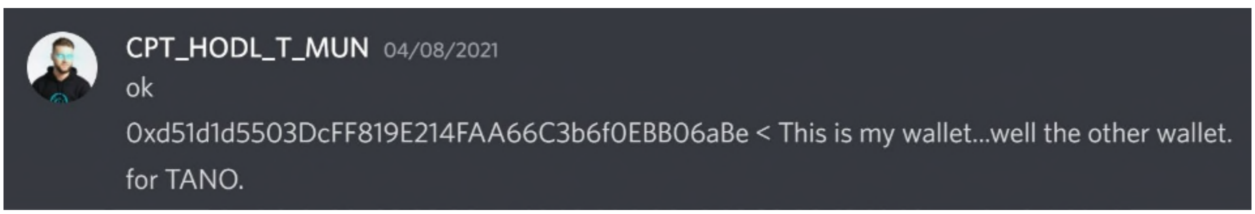
- 0x05d1c1defa31c257d3206f2af99aa16dbbf05d46
- 0x5c0c255516423b64b21e5a2c7aaa8ab6bf3d0d91
- 0x79c4af7c43f500b9ccba9396d079cc03dfcafda1
- 0x293dae9e9c468c32efe98cab95e81e8af516c2a7

- 0xaed9589d4be340a5410881310f1eee576911af8f
- 0xba8a7a205ad0804747b3d64acd93880c9e653b5d
- 0xfd7260b8f94b2da1d65b231f0e3bfc42cec98e76
- 0xc1c550ebc5b16647214575ce3970a14ee6c3e062

d. Wyatt

- 0x02de75df6F7F607Cba6AJc1140B3A7dD672badA

61. Karony received SAFEMOON Tokens from both Nagy and later the liquidity pool itself in the wallet addresses under his ownership and/or control including, but not limited to, Wallet Address 0xd51d1d5503dcff819e214faa66c3b6f0ebb06abe (Karony Wallet 1). According to Karony, this was his wallet by way of Tano (which is owned by Karony):[17]



62. As discussed further below, the Karony Wallet 1 received millions of dollars' worth of digital assets from the crypto exchange Bitmart. These digital assets came from the transaction fees charged by Bitmart, which were supposed to fund the Safemoon liquidity pool, but instead were rerouted to Karony Wallet 1.

63. In addition, starting on March 5, 2021, and in the months that followed, Nagy withdrew millions of dollars in total from Safemoon's liquidity pool. Neither the Company nor the Executive Defendants ever disclosed Nagy's or Karony's misappropriation of funds. Indeed, as explained below, it was not until April 2022 that investors learned of this misconduct.

64. SAFEMOON Tokens were first made available to investors on a decentralized cryptocurrency exchange, PancakeSwap.

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[17] https://twitter.com/papacthulu/status/1521169641783152642?s=20&t=I7PnptkNxfP9yC4_Yhrqng.

65. At the time of launch, and throughout the Class Period, the SAFEMOON Tokens were sold pursuant to a three-page "whitepaper" titled, "SafeMoon: A Deflationary Reflection Token with Automated Liquidity Acquisition."[18] Whitepapers in cryptocurrency are documents released by the founders of the project that are supposed to give investors technical information about its concept, and a roadmap for how it plans to grow and succeed, serving essentially the same purpose as a registration statement.

66. The SafeMoon whitepaper described, among other things, how the favorable "tokenomics" for SAFEMOON Tokens "may afford far superior benefits" to investors.

67. First, the Company outlined its goal to "solve the problems of prior cryptocurrencies including mining rewards, farming rewards, and liquidity provisioning" by providing "an easy alternative to mining rewards" in the form of "allowing users to participate in a smart contract token reflection to produce tokens inside their own wallet." Additionally, the Company pointed to the challenge of "maintain[ing] liquidity on decentralized exchanges" and proposed "utilizing a smart contract function to automatically capture liquidity to be used on the decentralized exchanges and held in custody independent from user possession."

68. Finally, the SafeMoon whitepaper makes the following statements about the burn of the SAFEMOON Tokens:

> [A] smart contract that provides the capability to burn tokens can promote scarcity by reducing the total supply. Together, the combination of these tokenomics may afford far superior benefits for the community within the decentralized venue. Allowing these functions to be amplified and dependent on volume provides an ideal incentive to expedite adoption and foster new use cases. . . .

* * *

[18] https://safemoon.net/whitepaper.pdf (last visited Feb. 28, 2022).

> In a decentralized smart chain environment, contract functions can be utilized to achieve token scarcity. To do this, we propose also distributing rewards to the burn address, which is publicly verifiable for all participants to see. We can then track the depreciating supply in real-time for added transparency. In our effort to establish a baseline token burn rate, we find that these values are dependent on three important factors: reflection rate, token quantity, and market volume. The rate of reflection rewards is proportional to the total supply in each holder's wallet address.[19]

69. In plain terms, the Company's purported purposes are the same as any other company trying to sell its financial products to investors: offer dividend-like "reflection" rewards for investors that hold the SAFEMOON Tokens (holders are charged a transaction fee of about 5%, which is distributed among the SAFEMOON Token holders); ensure that there is enough liquidity for SAFEMOON Tokens to be traded on exchanges; and minimize dilution of the Company's market cap. Furthermore, like other decentralized finance projects, the Company depends on:

> a liquidity pool to encourage holders to "stake" tokens to acquire more – similar to a bond that matures, but with a volatile crypto. What SafeMoon claims to do differently is distribute what it calls "static rewards" to its now 2 million holders. Static rewards push to alleviate downward sell pressure from earlier adopters, who are inclined to dump their tokens once yield falls. SafeMoon's static rewards are, more or less, a system that penalizes buyers for anything but holding their tokens. Anyone that sends SafeMoon to another wallet is "charged" a 10% fee – half is burned and the rest given to other holders.[20]

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19 *Id.*

20 *See* fn.14, *supra*.

70. In addition to the three-page whitepaper described above, the Company also marketed and sold SAFEMOON Tokens pursuant to a longer whitepaper, published before the Tokens publicly launched (the "Long Whitepaper"). The Long Whitepaper is consistent with the shorter whitepaper but provides additional detail and an even rosier description of the prospect of the price of SAFEMOON Tokens.

71. Indeed, the Long Whitepaper – alluding to the price increases implicit in the name "SafeMoon" – is littered with space-themed imagery, including a full-page picture of an astronaut on the cover page.[21] The Long Whitepaper explains that the protocol on which the SAFEMOON Token is designed "to drive the price to stratospheric all time highs" through so-called static rewards that "encourage[] holders to hang onto their tokens," and thus to discourage selling.

72. According to the Long Whitepaper, the SAFEMOON Token's protocol "employs 3 simple functions: Reflection + LP acquisition + Burn." Each time a SAFEMOON Token is traded, "the transaction is taxed a 10% fee." SafeMoon has stated that the purpose of this "tax" is to "encourage long-term holding" by disincentivizing existing tokenholders from selling their SAFEMOON Tokens.

73. Of the 10% taxed from each transaction, half is purportedly transferred by SafeMoon into liquidity pools containing BNB, Binance's token, and SAFEMOON Tokens. Specifically, of the 5% that is purportedly allocated to liquidity pools, 2.5% is sold by SafeMoon on the market for BNB. That BNB is placed into liquidity pools along with the remaining 2.5% of the SAFEMOON Tokens. The purpose of the liquidity pools, according to the Long Whitepaper, is to "support[] the price floor of the token."

74. The remaining 5% generated from SafeMoon's 10% tax is "redistributed to all existing holders" by SafeMoon. These payments are referred to

[21] https://whitepaper.io/document/694/safemoon-whitepaper. (last visited Jun. 28, 2022).

as "Reflections." Arriaga has publicly compared these Reflections to stock dividends.

75. Critically, as explained in a separate whitepaper issued by SafeMoon (the "Short Whitepaper"), Reflections would be allocated pro rata among all tokenholders, including a "burn address," *i.e.*, an address containing SAFEMOON Tokens that would be removed from circulation.[22] The Long Whitepaper explained that, at launch, the total supply of SAFEMOON Tokens would be one quadrillion, but 223 trillion would be allocated to the "burn address." As a result, at the outset, approximately 22% of all Reflections generated from each SAFEMOON Token transaction would be paid to the "burn address" and removed from circulation.

76. Because a certain percentage of each SAFEMOON Token transacted is "burned," the supply of SAFEMOON is designed to decrease over time. Moreover, the protocol underlying SAFEMOON Tokens is designed to permit SafeMoon to engage in "manual burns" of SAFEMOON Tokens, meaning that SafeMoon can unilaterally destroy SAFEMOON Tokens, and thus reduce supply at will. According to the Long Whitepaper, "with the manual burn function and a depreciating supply, even a small holder at the beginning could potentially walk away with big money at the end of the token's lifespan." Indeed, immediately following that sentence, the Long Whitepaper includes a graph comparing supply and price, and showing that price rises steadily as supply decreases. The unmistakable intended inference is that the price of SAFEMOON Tokens will increase as the supply decreases over time.

77. Not only does the Long Whitepaper suggest that the price of SAFEMOON Tokens will increase over time, it claims that SafeMoon has a "Step-by-Step Plan to Ensure 100% Safety." At step 1, "Dev Burned All Tokens in Dev Wallet Prior to Launch." At step 2, there is a "Fair Launch on DxSale." At step 3,

[22] https://safemoon.com/whitepaper.pdf. (last visited Jun. 28, 2022).

the "LP Locked on DxLocker for 4 years." At step 4, "LP Generated With Every Trade & Locked on Pancake."

78. The latter two steps indicate that SAFEMOON Tokens placed into the liquidity pools cannot be withdrawn by SafeMoon for a period of four years. Indeed, shortly after launching the SAFEMOON Tokens, SafeMoon similarly represented on its Twitter page that it had "locked" the liquidity pools, stating on March 19: "The moon just became even more #SAFU. Now completed is the 4 year lock on the second LP. We now have 2 locked LP expiring on May 1, 2025." According to Binance Academy, "SAFU" stands for the Secure Asset Fund for Users and is used colloquially to mean "funds are safe."[23]

79. The upshot from the foregoing marketing materials is that: (i) the supply of SAFEMOON Tokens will continually decrease; (ii) the price of SAFEMOON Tokens will increase as that supply decreases; and (iii) the Company will ensure that a market for trading SAFEMOON Tokens exists in the form of locked liquidity pools. In other words, an investor who buys and holds SAFEMOON Tokens will be rewarded with profits.

80. On the Company's website, there is a "buying guide" section that shows investors how to purchase the SAFEMOON Tokens in four steps. Notably, only steps one to three have actual instructions on the mechanics of acquiring SAFEMOON Tokens. Step four in its entirety states: "HODL! All that's left now is to HODL and see your balance grow from reflections!"[24]

81. Unlike some crypto-assets that have a real-world purpose (known as "utility tokens"), SAFEMOON Tokens have no real-world purpose. Nasdaq, for example, has noted: "[I]t doesn't have any use cases or advantages over other

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[23] https://academy.binance.com/en/glossary/secure-asset-fund-for-users. (last visited Jun. 28, 2022).

[24] https://safemoon.net/buy (last visited Feb. 28, 2022).

cryptocurrencies."[25] Others have likewise observed that "Safemoon has no particular use."[26]

82. In addition, in contrast to decentralized crypto-assets like ether, 50% or more of SAFEMOON Tokens are owned by SafeMoon itself.[27] Moreover, as of early March 2022, the ten largest holders controlled nearly 30% of the supply of SAFEMOON tokens.[28]

83. As of early March 2022, the Company had two products.[29] The first is a wallet, called the SafeMoon Wallet, which provides a "secure place to store and trade your SafeMoon." The second is the "SafeMoon Protocol Contract." SafeMoon's website indicates that SafeMoon plans to launch two additional products in the future, a "hardware 'cold' wallet for safely storing and using your crypto" and an "exchange" that "will bring tokenomics to all of crypto on its platform."

84. The SafeMoon Protocol Contract is the software on which the SAFEMOON Token runs. The Company is responsible for writing, maintaining, modifying, and implementing that software. For example, in May 2021, CertiK performed an audit of the software. In response to certain critiques and flaws identified by the auditors, SafeMoon indicated the extent to which it would modify code and make other changes to address those critiques and flaws, thereby demonstrating its control over that software.[30]

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25 https://www.nasdaq.com/articles/8-things-to-know-before-you-buy-safemoon-2021-07-10 (last visited Jun. 28, 2022).

26 https://forkast.news/what-is-safemoon-crypto-can-it-reach-the-moon/ (last visited Jun. 28, 2022).

27 https://www.business-powerhouse.com/what-is-safemoon-and-why-is-it-taking-crypto-market-by-storm (last visited Jun. 28, 2022).

28 https://coinmarketcap.com/currencies/safemoon/holders/ (last visited Jun. 28, 2022).

29 https://safemoon.com/products (last visited Jun. 28, 2022).

30 https://www.certik.com/projects/safemoon (last visited Jun. 28, 2022).

85. SafeMoon is also responsible for marketing SAFEMOON Tokens, which it does relentlessly on social media. SafeMoon stated on its Instagram account on April 4, that its "Marketing campaign" had begun. Indeed, as CoinDesk notes, SafeMoon is "shilled endlessly on Twitter."[31] SafeMoon has explained on Twitter that it has a "small dedicated marketing team."

86. In addition to marketing SAFEMOON tokens and developing and launching its products, SafeMoon is also responsible for securing exchange listings, and thus markets, for SAFEMOON Tokens. For example, on March 17, Karony noted that they had "talked with WhiteBit," an exchange. On April 2, 2021, Karony announced via Twitter that SafeMoon's team had "[b]een working our A**'s off for the #SafeMoon community day and night" and that he was "[g]lad to finally be able to share the good news regarding @WhiteBit6 and @BitMartExchange listings." On April 5, 2021, Karony tweeted: "Binance next. I'm giving the #SAFEMOON community 120% of my energy until we hit the moon and I'll never stop."

The Pump – Defendants Lure Investors in with Misleading Promotions

87. SafeMoon's homepage, safemoon.com, promotes the sale of SAFEMOON Tokens. That page, which includes a video of a Rocketship taking off in the background, prominently displays a button that enables visitors to "Buy" SAFEMOON Tokens, as well as another button that explains "How to Buy" SAFEMOON Tokens.

88. Clicking the "How to Buy" button leads to a "Buying Guide," which outlines four steps for purchasing SAFEMOON Tokens. The first step is to "Create a Wallet." The second step is to "Purchase BNB." The third step is to "Swap BNB for SafeMoon." The fourth (and final) step is to "HODL!" At that point, according to the guide, "All that's left now is to HODL and see your balance grow from reflections!"

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[31] https://www.coindesk.com/markets/2021/05/18/dave-portnoy-just-wants-to-have-fun/ (last visited Jun. 28, 2022).

89. As explained by Binance Academy, "HODL is a term commonly used by cryptocurrency investors that refuse to sell their cryptocurrency regardless of the price increasing or decreasing."[32]

90. Beginning in March 2021, the Company – through its Twitter page and other social media platforms – promoted itself and SAFEMOON Tokens. As a result of these promotions, as well as celebrity endorsements described further below, the volume of SAFEMOON Tokens traded on a daily basis exploded from approximately $150,000 on March 9, 2021 to over $240 million on May 19, 2021. The tweets catalogued below are just a sample of the many, many tweets from the Company and its executives promoting SAFEMOON Tokens and other Company products over that period and the months that followed.

91. On March 1, 2021, the Company's Twitter account tweeted for the first time. The tweet stated: "Welcome to the show. . . . Stick around for some amazing things." On March 6, 2021, the Company's Twitter account announced a "Flash Giveaway" of 100 billion SAFEMOON tokens to "5 lucky winners who": (i) "Follow @safemoon and @defishiller"; (ii) "Like and RT"; and (iii) "Tag 3 friends!" The tweet stated: "Grab a big bag of $SAFEMOON. . . . We are just getting started! Now listed on #PancakeSwap!"

92. In the second half of March 2021, as further discussed below, the Company retweeted a number of endorsements from celebrities. During that same period, the Company tweeted instructions on how to buy SAFEMOON Tokens, the amount of SAFEMOON Tokens that had been burned to date, and updates regarding the number of Twitter users that were following the Company's account. Given the Long Whitepaper's reference to decreasing supply resulting in higher prices, the Company's tweets regarding the amount of SAFEMOON Tokens burned were clearly intended to imply that the price of SAFEMOON Tokens would increase.

[32] https://academy.binance.com/en/glossary/hodl (last visited Jun. 28, 2022).

93. On April 3, 2021, the Company tweeted: "396,384,506,514,787 BURNT." In response, Karony tweeted: "New ATH .. Check. Continual burns .. also check. Moon… #Imminent." The acronym "ATH" refers to all-time high price. The same day, Karony tweeted: "Amazing! Almost a 1 Billion Dollar market cap!!!" The same day, SafeMoon tweeted: "Next week we put together our plan of action to list on #Binance." Binance is the world's largest crypto-asset exchange by trading volume.

94. On April 5, 2021, the Company announced via Twitter that SAFEMOON Tokens would be listed on BitMart, a crypto-asset exchange. In response to that announcement, Karony tweeted: "It has been a bunch of long nights for the team, but it's amazing to see the results." That day, Karony also tweeted: "I'm giving the #SAFEMOON community 120% of my energy until we hit the moon and I'll never stop."

95. On April 14, 2021, the Company's Twitter account posted a short video titled "How to Hold #SAFEMOON," which explained the process of buying SAFEMOON Tokens. The same day, the account stated that SAFEMOON was "[t]he number 1 searched Cryptocurrency in the world within the last 30 days."

96. On April 15, 2021, the Company's Twitter account posted that there were then "400K HOLDERS!" The following day, the Company posted an image titled "ALL #SAFEMOON HOLDERS RIGHT NOW." The image included three charts – one titled "Bull Market," one titled "Bear Market," and the third titled "Moon Market." The third chart included a vertical line, indicating that the price was going straight up. That day, the account also posted a screenshot of a text exchange in which one person explains to another that, with SAFEMOON tokens, "[t]he longer you hold the more you get rewarded."

97. On April 17, 2021, the Company's Twitter account posted an image titled "WHY HOLDING REWARDS YOU." The image was a graph indicating that "Tokenomics Growth" increases exponentially with "Holding Time." The same

day, the Company's Twitter account announced that there were then "500k HOLDERS."

98. On April 18, 2021 the Company's Twitter account stated that SAFEMOON was the "NUMBER 1 SEARCHED CRYPTO IN THE WORLD," and indicated that, less than 50 days in, 400 trillion SAFEMOON Tokens had been burned, there were 500,000 tokenholders, there were 100,000 Twitter followers, and the market capitalization for SAFEMOON Tokens was $1.1 billion. By the end of that day, the Company's Twitter account had 150,000 followers. The Company's Twitter account also announced that day that there were "2 New exchange listings on the horizon," that there were "a lot of exchanges reaching out to list #SAFEMOON," and that SafeMoon would "only make the right choices to benefit HOLDERS."

99. On April 19, 2021, the Company's account tweeted: "ARE YOU A #SAFEMOON HOLDER." The next day, the Company tweeted a video, indicating that there were 700,000 holders, 200,000 Twitter followers, that SAFEMOON was the "No. 1 searched crypto," and that it was "trending" on Twitter "every day." Also on April 20, the Company tweeted: "Let's take a bull to the #SAFEMOON" and posted a picture stating "SAFEMOON BULL RUN" and "ONLY A MATTER OF TIME." The Company also tweeted that day "DUMMY PROOF" instructions for "How to Acquire #SAFEMOON," and indicated that there were then 800,000 followers but that trading volumes were so high that "Binance smart chain #BSC broke."

100. On April 21, 2021, the Company tweeted that there were then "900K HOLDERS" and "300K FOLLOWERS." The Company also announced via Twitter that there was a "NEW LISTING," indicating that SAFEMOON Tokens would be listed on MXC. In response to a significant price decrease that day, the Company tweeted: "That wasn't a dip today . . . we went back to earth for a bigger rocket and more passengers." (Emojis omitted.) Haines-Davies retweeted that message. By

the end of the day, the Company tweeted that there were one million SAFEMOON tokenholders. The Company also tweeted that day: "Rome wasn't built in a day, #SAFEMOON was."

101. On April 22, 2021, in response to continuing price volatility, Witriol tweeted: "Hey #SAFEMOON It's all a part of the process! Sit back and relax!" Referencing a popular 1990s song, he then tweeted: "We #hodl they hatin' patrolling, trying to catch me ridin' dirty." The same day, the Company tweeted: "WHO'S HOLDING?!" and "In other words HOLD ON TIGHT." The Company also tweeted: "We won't let any TROLL, HATER, FUD[33] SPREADER on this ship," and that the SAFEMOON token was "52 DAYS OLD," there were "1.1 Million HOLDERS" and "340k followers," that SAFEMOON was "Trending 5 days in a row," that "410 Trillion Tokens" had been burned, and that the "Market cap Reached $5 Bil." In addition, the Company announced via Twitter that "#SAFEMOON was listed on @ZBG_Exchange Fully tradable in 24HR." The Company retweeted the following tweet from "MisterCrypto": "Once the Market gets back to normal guess what?!! #safemoon will be on the 3rd Exchange that has the highest Volume of trading per day! Let that sink in for a min now breath and let those diamond hands Shine." "Diamond hands" refers "to holding a volatile investment even when there's pressure to sell."[34]

102. On April 22, 2021, Karony tweeted: "I think we are setting a records for speeds and longest times without sleep" and "The team and I have been working hard all night on a multitude of tasks." Karony revealed later that day that SafeMoon's team was working on getting SAFEMOON Tokens listed on ZBG.

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[33] The acronym "FUD," explained further below, stands for "Fear, Uncertainty, and Doubt."

[34] https://www.fool.com/investing/stock-market/market-sectors/financials/cryptocurrency-stocks/diamond-hands/#:~:text=%22Diamond%20hands%22%20is%20a%20slang,as%20cryptocurrency%20and%20meme%20stocks (last visited Jun. 28, 2022).

103. On April 23, 2021, the Company announced via Twitter that SAFEMOON Tokens would be listed on crypto-asset exchanges Gate.io, Hotbit, and LetsExchange. As part of its announcement regarding LetsExchange, the Company tweeted: "[Y]ou can now trade #SAFEMOON for any coin listed by Let's Exchange including" Bitcoin and other well-known crypto-assets. That day, the Company tweeted an old post from someone named Greg Shoen that stated: "I wish I had kept my 1,700 BTC @ $0.06 instead of selling them at $0.30, now that they're $8.00." Above that post, the Company tweeted: "Wonder how many Gregg's happened over the last 48 hours #SAFEMOON don't be Gregg." Karony indicated via Twitter on that day that he had been "[w]orking all day" to get SAFEMOON Tokens listed on LetsExchange.io.

104. On April 24, 2021, the Company tweeted once again "HOW TO ACQUIRE #SAFEMOON." The Company announced via Twitter that day that there were then 1.3 million holders, and made a number of other optimistic statements regarding the price of SAFEMOON tokens, including "What lives on the moon safely . . . someone who HOLDS #SAFEMOON" and "Feeling BULLISH." SafeMoon tweeted that day that it was "THIS WEEKS MOST VIEWED CRYPTO CURRENCY according to [CoinMarketCap]" and was "the MOST VIRAL CRYPTO CURRENCY on the planet."

105. On April 25, 2021, the Company tweeted: "41% of the total #SAFEMOON has been BURNED GONE! NEVER COMING BACK." (Emojis omitted.) SafeMoon announced that day via Twitter that it had "400k FOLLOWERS" and, the following day, that "Exchanges are flooding through the doors ready to list safemoon, bigger ones are taking longer but worth the wait, regardless all credible and in the top 50."

106. On April 26, 2021, the Company tweeted: "We can see the moon, HOLD on it's about to get exciting" and posted instructions for obtaining SAFEMOON tokens on Pancake Swap.

107. On April 27, 2021, the Company tweeted that SAFEMOON was the "fastest growing crypto on the planet" and that, in sixty days, it was "already listed on 6+ Exchanges with 3bil+ Market cap!"

108. On April 28, 2021, the Company announced via Twitter that it would soon be on the Burency Exchange, "the Biggest Crypto trading platform in Middle East."

109. On April 29, 2021, the Company once again tweeted instructions for how to acquire SAFEMOON tokens, stating that it was "now available on 7 EXCHANGES" and was "Still number 1 searched crypto in the world 7 days in a row." That day, the Company also announced that there were then "1.4 MILLION HOLDERS." Karony tweeted on that day: "Jack and I are working to get SafeMoon everywhere."

110. On April 30, 2021, the Company tweeted: "WOW! 1.5 MILLION #SAFEMOON HOLDERS! . . . THE MOON IS IN SIGHT."

111. On May 1, 2021, the Company tweeted instructions for "The QUICKEST way to HOLD #SAFEMOON via @MXC_Exchange" and asserted, via Twitter, that "IF YOU HOLD #SAFEMOON YOU ARE GROWING DAILY FROM TOKENOMICS . . . UP OR DOWN YOU'RE STILL GOING UP IN TOKENS."

112. On May 5, 2021, the Company tweeted an image titled "SAFEMOON TOKENOMICS." It showed a variety of cars, boats, and planes placed along an upward sloping line graph. In the top right corner, on top-of-the-line graph, there was a Rocketship.

113. On May 6, 2021, the Company announced via Twitter that there were then 1.6 million tokenholders and 500,000 Twitter followers. That day, the Company tweeted a short promotional video, with the following words flashing on the screen: "SAFEMOON," "Most Viral Crypto," "Big Upcoming Projects," "8 New Exchanges," "Tokenomics" "Rewards, More Every Day," "1,500,000

Holders," "Certik Audit Approved, "412 TR Burnt," "500k Twitter Followers," and "SafeMoon Wallet Coming Soon."

114. On May 8, 2021, the Company tweeted an image that stated: "Don't put your eggs in one basket. . . . Keep them in a safe." The next day, SafeMoon announced that there were then 1.8 million SAFEMOON tokenholders. That day, Karony tweeted: "I hope everyone has figured out that #SAFEMOON isn't just a crypto, it's an evolution."

115. On May 10, 2021, the Company re-posted a video with instructions on "HOW TO ACQUIRE #SAFEMOON." Above the video, the Company tweeted: "We see a lot of new holders looking to join #SAFEMOON but ask 'how do I buy safemoon' can we ask you RT and spread the word for the ones who need a little guidance." That day, the Company also tweeted a video of a billboard in Times Square advertising SafeMoon as "The World's Fastest Growing Cryptocurrency." That day, the trading volume for SAFEMOON Tokens increased to approximately $195 million; the previous day, it was $140 million.

116. On May 11, 2021, the Company announced another exchange listing and that there were then 1.9 million SAFEMOON tokenholders. On May 15, 2021, the Company announced via Twitter that it had 700,000 followers.

117. On May 18, 2021 and May 19, 2021, the Company announced that SAFEMOON Tokens would be listed on two additional exchanges, and posted another video on "HOW TO ACQUIRE #SAFEMOON." On May 19, the Company also tweeted: "JUST POPPING BACK TO PICK UP SOME MORE HOLDERS," "WHO'S HOLDING?!," and "What goes up must go down . . . and what goes down MUST GO UP!" The price of SAFEMOON Tokens had fallen sharply that day. In addition, the Company tweeted on May 19: "SHOUTOUT TO ALL DIAMOND HANDS!" and "HOLDING IS REWARDING WITH TOKENOMICS." Karony likewise tweeted that day: "It was days like these that shook out a lot of early BTC folks. I got Hardman Hands for all crypto."

118. On May 20, 2021, Karony provided a list on Twitter of exchanges that had listed SAFEMOON Tokens, as well as a list of exchanges that had not yet listed the tokens. With respect to exchanges in the latter category, he stated: "We will continue to work with their listing and tech teams to get tokenomics implemented." On May 22, 2021, the Company announced via Twitter that it had 800,000 followers and that there were then 2.25 million SAFEMOON tokenholders.

119. On May 26, 2021, the Company announced that there were then 2.5 million SAFEMOON tokenholders and tweeted an image that stated: "BULLISH OR BEARISH TOKENOMICS WINS."

120. On May 31, 2021, the Company announced via Twitter that another exchange, bitbns, had listed SAFEMOON Tokens, and tweeted an image captioned "NO RUG PULLS HERE." (A "rug pull" is "a malicious maneuver in the cryptocurrency industry where crypto developers abandon a project and run away with investors' funds."[35])

121. On June 3, 2021, with both the price of SAFEMOON Tokens and the trading volume significantly lower than it had been just a few weeks earlier, the Company tweeted "HOLDING IS REWARDING" and "WE'RE ALL IN THIS TOGETHER!" On June 8, 2021, the Company tweeted, once again, instructions for "WHERE AND HOW TO ACQUIRE #SAFEMOON" and instructed its many followers to "Like and RT to spread the word." That day, the Company also tweeted: "WHEN YOU UNDERSTAND THE VALUE OF HOLDING #SAFEMOON THE REST IS HISTORY."

122. On June 16, 2021, with price and volume continuing to lag, the Company tweeted an image captioned: "WE'RE REACHING THE MOON TOGETHER." The image was an upward sloping graph that was being climbed by

[35] https://coinmarketcap.com/alexandria/glossary/rug-pull. (last visited Jun. 28, 2022).

people with increasingly large bags of money. The next day, the Company announced that tokens would be listed on another exchange.

123. On June 24, 2021, the Company tweeted: "ONLY DIAMOND HANDS WILL MAKE IT TO THE #SAFEMOON." On July 4, 2021, the Company tweeted instructions for "HOW TO ACQUIRE #SAFEMOON WITH @MetaMask."

124. On July 12, 2021 and July 13, 2021, the Company tweeted: "WHO'S HOLDING? And "DIAMOND HANDS ONLY." On July 13, 2021, the Company posted a video of animated bulls running. At the end of the video, the words "Bull Run" were shown. Above the video, SafeMoon tweeted: "WHO'S THINKING WHAT WE'RE THINKING." And on July 19, 2021, the Company tweeted an image indicating that SAFEMOON tokens were the "MOST HELD TOKENS ON BINANCE SMART CHAIN."

125. On August 16, 2021, the Company tweeted: "SHOUTOUT TO ALL DIAMOND HANDS," "LET'S DO THIS #SAFEMOON1MILLION LIKE AND RT AND FOLLOW," and "IF WE HIT 1 MILLION . . . MARKETING WILL 'CONSIDER' STOP USING CAPS." On August 19, 2021, the Company tweeted: "1 MILLION #SAFEMOON FOLLOWERS! 2.7 MILLION #SAFEMOON HOLDERS!"

126. On August 27, 2021, the Company retweeted a tweet from Karony that stated: "Buy button." The following day, the Company tweeted: "The #SAFEMOON BUY BUTTON" and posted a video advertising SafeMoon's crypto wallet, which would, according to the video, including an "in app buy button."

127. On September 13, 2021, the Company announced on Twitter that the SafeMoon Wallet was "LIVE on Google Play!!" SafeMoon's tweet included a link to download the app.

128. On October 6, 2021, the Company tweeted that the SafeMoon Wallet was "LIVE on iOS." The Company's tweet included a link to download the app.

129. On October 7, 2021, the Company tweeted: "In the last 12 hours the #SAFEMOONWALLET rocketed up the App Store chart" to "#10 in the US."

130. On October 16, 2021, the Company tweeted: "Only diamond hands hold the #SAFEMOONWALLET." The next day, the Company announced via Twitter that there had already been "350,000+ downloads for #SAFEMOONWALLET between iOS and Android." On October 29, 2021, SafeMoon announced that there had been 400,000+ downloads, and on October 31, 2021, the Company announced that there had been 500,000+ downloads and more than 100,000 new SAFEMOON tokenholders in the last 24 hours. On November 6, 2021, the Company announced via Twitter that there were then 2.85 million SAFEMOON tokenholders.

131. To boost the Company's own marketing efforts, the Executive Defendants also actively recruited and retained the Promoter Defendants to serve as the promotors of the SAFEMOON Tokens in March 2021 and beyond.

132. As observed in the article *FBI ties and Ponzi games – here's what SafeMoon doesn't want you to know*:

> SafeMoon embodies meme token hype better than almost any crypto in history. In just two months, SafeMoon has engineered $4 billion market value inflated by influencers like Jake Paul, [and] Soulja Boy. . . . But what SafeMoon resembles most is the ***crypto-powered Ponzi games*** once popular on Ethereum, like Proof-of-Weak Hands 3D (PoWH3D).
>
> * * *
>
> These games – which are now bleeding into the Binance Smart Chain ecosystem – are designed to mimic real-life Ponzi schemes. And so, just like the Ethereum-based Ponzi games that came before it – the

earliest to buy SafeMoon ***hypothetically*** stands to make the most profit – but ***only if they can lure enough players*** to follow suit.[36]

133. As discussed further below, the Company and the Executive Defendants repeatedly touted the "burn" and "tokenomics" of the SAFEMOON Tokens, as part of their marketing strategy.

134. In fact, the fourth point in the SafeMoon whitepaper is dedicated to "Depreciating Supply & Burn Address." The opening line of that section states: "In a decentralized smart chain environment, contract functions can be utilized to achieve token scarcity."[37]

135. "SafeMoon's supply gimmick is integral to its value proposition: scarcity inflates as supply deflates, which implies value."[38] However, the price of the SAFEMOON Tokens is "***determined by market demand*** – exactly what makes celebrity endorsements so critical to SafeMoon's success."[39]

136. Upon information and belief, all of the Promoter Defendants received SAFEMOON Tokens and/or other forms of consideration as part or all of their compensation for promoting SafeMoon.

137. For example, a combined search of the Binance Blockchain Explorer ("BSCscan"),[40] the Ethereum Blockchain Explorer ("Etherscan"),[41] and the non-fungible token marketplace OpenSea shows that a wallet owned and controlled by Paul received approximately 50 billion SAFEMOON Tokens on March 26, 2021.

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36 *See* fn.14, *supra*.

37 *See* fn.18, *supra*.

38 *See* fn.14, *supra*.

39 *Id*.

40 BSCscan allows users to explore and search the Binance blockchain for transactions, wallet addresses, tokens, and prices.

41 Etherscan does the same thing as BSCscan except on the Ethereum blockchain.

138. In particular, a wallet owned and/or controlled by the SafeMoon deployer transferred 50.4 billion SafeMoon to wallet address 0x4b7d7b on March 26, 2021. The price of the tokens was approximately $0.0000003951 at the time.

139. The following day, March 27, 2021, Paul (as discussed further below) posted a SafeMoon promotion to his personal Twitter account. Paul promoted SafeMoon at least three more times between April and May. Notably, in Paul's May 16, 2021 post promoting SafeMoon, he also mentions a new cryptocurrency he was promoting at the time: Yummy coin.

140. On June 17, 2021, the 0x4b7d7b wallet used the decentralized exchange on the Binance Smart Chain, PancakeSwap, via a "Center.io" wallet, to swap over 48 billion SAFEMOON Tokens to $190,314.35 USDC. The difference between the 50.4 billion SAFEMOON Tokens and the swapped 48 billion SAFEMOON Tokens is due the Company's 10% tax since, unlike Karony, Paul's wallet was not exempt from fees.

141. Four minutes later, the 0x4b7d7b wallet transferred the USDC to wallet address 0x28dfb. A search for the 0x28dfb address on the OpenSea marketplace reveals that this wallet belongs to "Problem Child." Paul is widely known by his "fight name," Problem Child.[42]

142. On June 22, 2021, the Problem Child Wallet transferred 484,521.44 USDC to wallet address 0x37a3549. A review of the transactions in that wallet shows that the 0x37a3549 wallet has no use other than to hold the USDC. All other transactions are simply random token "airdrops" into the 0x37a3549. In other words, the inflow and outflow of the sum of USDC is the 0x37a3549 wallet's only purpose.

143. On January 4, 2022, the 0x37a3549 wallet transferred the totality of the USDC holding to an exchange wallet.

[42] https://www.essentiallysports.com/boxing-news-jake-paul-boxing-nickname-why-is-he-called-the-problem-child/ (last visited Feb. 28, 2022).

144. An examination of the other portion of the USDC in the 0x37a3549 wallet ($484,521.44 total USDC – $190,314.35 paid for Paul's SafeMoon promotions = $294.206.96 remaining) confirms that this wallet is under Paul's ownership/control. Approximately, $294,000 was provided by a separate wallet to the Problem Child wallet. The providing wallet, 0x3eaea6, gained its USDC value via a series of three swaps of YUMMY tokens in Center.io. These swaps occurred between June 16, 2021 and June 17, 2021. The YUMMY tokens were received between May 13-15 in five transfers. Paul first tweeted about YUMMY on May 16, 2021.[43]

145. These complicated transactions demonstrate a pattern by which Paul, and other promotors including the Promoter Defendants, are given tokens as a payment for promotions, they go out and post about the token on social media, then turn around and sell the tokens for profit as investors buy in. The entire purpose of this paid promotion is for pumping and dumping the token based on the value created by the Promoter Defendants' direct action.

146. Each of the Promotor Defendants are sophisticated public figures with familiarity and experience with endorsement contracts. Upon information and belief, they all received a similar disbursement of tokens from the SafeMoon deployer wallet and cashed out shortly after making engaging in their promotional activities in a similar manner to Paul.

147. This is why Haines-Davies was a vital part of the Executive Defendants' plan for marketing the SAFEMOON Tokens. Prior to joining the Company, Haines-Davies managed a UK-based YouTube celebrity, Ben Phillips, from 2017 until March 2021 (*i.e.*, the month that the SAFEMOON Tokens launched). Phillips also dated Haines-Davies' sister, Georgia Haines for over three years. Upon information and belief, Haines-Davies leveraged the contacts and

[43] Paul (@jakepaul), Twitter (May 16, 2021), https://twitter.com/jakepaul/status/1393967703598194692?s=20&t=veoX77 c74MdN5qdv4CfGKg.

experience he gained from managing Phillips to recruit other celebrities to promote the SAFEMOON Tokens in exchange for a portion of the Float. Of course, Phillips was also recruited by Haines-Davies to act as a promoter of the SAFEMOON Token.

148. For example, on March 19, 2021, in a now-deleted post on his official Twitter account, Phillips feigned ignorance about SafeMoon (despite his manager Haines-Davies' personal connection as SafeMoon's COO) and asked his followers: "I keep seeing #SafeMoon everywhere anyone know about it? Is it gonna pop? Or . . . has it got Big #Doge energy."[44] Phillips did not disclose his connection to the Company but instead sought to convince investors that the "buzz" about SafeMoon was organically created as opposed to manufactured by Defendants themselves.

149. In addition, Phillips and another SAFEMOON Token promoter, Jake Paul, have reportedly "discussed creating a cryptocurrency" together,[45] and Paul and fellow Promoter Defendant David Portnoy are long-time collaborators, with Paul appearing in a "Team Portnoy" video in 2017.[46]

150. Similarly, a series of transactions linked to Defendant Keem's official OpenSea wallet address 0xF85089157fd4C6F7547929BEbD73bA822DAc9A82 ("Keem Wallet") show multiple transfers of large amounts of SAFEMOON Tokens from both Phillips and Nagy (via the Deployer Wallet) shortly before and/or after Keem publicly promoted Safemoon to his followers on Twitter.

151. As the other Promoter Defendants were being recruited by Haines-Davies and Phillips, the Company was making statements to investors about the "token burn" for SAFEMOON Tokens. In particular, on March 21, 2021, the

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[44] *See* https://www.reddit.com/r/SafeMoon/comments/m8mjpk/safemoontweet_by_ben_phillips_benphillipsuk/ (last visited Feb. 28, 2022).

[45] Billy Bambrough, *Exclusive: YouTube Starts Jake Paul And Ben Phillips 'Discussed' Creating A Cryptocurrency As Bitcoin And Dogecoin Mania Spreads*, *Forbes* (Feb. 17, 2021, 06:10am EST), https://www.forbes.com/sites/billybambrough/2021/02/17/exclusive-youtube-star-jake-paul-discussed-creating-own-cryptocurrency-as-Bitcoin-and-dogecoin-mania-spreads/?sh=3d7d62591b21.

[46] https://www.youtube.com/watch?v=UoGAI-VwTt0. a decentralized smart chain environment, contract functions can be utilized to achieve token scarcity

Company released a statement via its official Twitter account, stating that 841,685,253,836 SAFEMOON Tokens "have been burnt in the last 24 hours alone. That's over 800 billion tokens permanently removed from the circulating supply!"[47]

152. Then on March 22, 2021, the Company announced that "over 1.1 trillion tokens [were] permanently removed from the circulating supply" and that this amount of tokens were "burnt in the last 24 hours alone."[48]

153. By stressing the "burn" of the SAFEMOON Token supply in a short period of time, Karony signaled to investors that the value of SAFEMOON Token would increase as more SAFEMOON Tokens are burned.

154. Karony endorsed the Company's announcement on his personal Twitter account that same day.[49]

155. On March 23, 2021, Smith received a message from an investor, James "Ginger," who was interested in joining the SafeMoon team as a moderator for the Company's official Discord account. Smith introduced Ginger to the Company's Community Manager, Trevor Grant, and brought Ginger on board.

156. Upon information and belief, around the same time, Wyatt, Ginger, Trevor Grant and other SafeMoon social media moderators had a live-streamed meeting on Discord. In a recording of this meeting that was previously available on YouTube, the group can be seen discussing how to hide their record logs and delete their message history on Discord. In particular, Grant advised the group that if they deleted their account "then it would take 30 days for it to just vanish from their servers." The group then discussed whether or not their records would be subject to disclosure, and Wyatt stated: "I doubt a subpoena is gonna pull up your deleted

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47 @SafeMoon 2.0 🚀, Twitter (Mar. 21, 2021), https://t.co/pCeZQidEMi: "Burn baby burn. 🔥🔥🔥."

48 @SafeMoon 2.0 🚀, Twitter (Mar. 22, 2021), https://t.co/tZ1kvS2Xdw: "Not sure if this is what they meant when they said #SAFEMOON was fire . . . #Burna #DeFi #BSC."

49 Re-tweet of *id.*, by Karony: https://twitter.com/safemoon/status/1374045413834072070?cxt=HHwWjICtzcPBy5EmAAAA.

messages." One member of the group "x90" cautioned the others that the Discord server would likely still save the messages and more importantly "you also gotta be careful because if they believe you delete out of intent to, ya know, hide evidence, that's at that point tampering with evidence." Wyatt dismisses this warning and continues on: "No, if your're deleting it before being subpoenaed, you're not deleting evidence of anything. You're just fucking deleting your messages. If he's not subpoenaed, and he deleted it before being subpoenaed then he's not hiding shit . . . he's using a feature on the software that they offer to everybody. He's allowed to delete whatever the fuck he wants." Wyatt goes on to state: "The funny thing is . . . I can delete all my messages with Safemoon Dev [aka Nagy] and Thomas [Smith] up until piggy wasn't a thing then I can just stop it. Which is what I'll do."

157. On March 25, 2021, on the SafeMoon official Reddit page, a previously recorded live stream AMA with Phillips was posted. In that AMA, Phillips touts the growth of the SafeMoon community and favorably compares the SAFEMOON Tokens to other hot cryptocurrencies like Dogecoin.[50] At the end of the clip, Phillips is "welcomed" to "the team" by Karony and Smith, and SafeMoon Community Manager, Trevor Church.[51]

158. That same day in a now deleted post[52] on Twitter, Phillips promoted the SAFEMOON Tokens to his millions of followers:

> I've said it before I'm not a FINANCIAL ADVISOR but I do like moons and safe places #Safemoon 🔒 🙂
>
> — Ben Phillips (@BenPhillipsUK) March 25, 2021

[50] @u/Eljefe_bezos. *A.M.A NEWS!! Ben Phillips has been added to the SAFEMOON team. So much great news in this live stream. UPVOTE TO SHOW HIM SOME LOVE: SafeMoon*, REDDIT (Mar. 25, 2021), https://www.reddit.com/r/SafeMoon/comments/md6gew/ama_news_ben_phillips_has_been_added_to_the/.

[51] *Id.*

[52] This post was captured in the *FBI Ties and Ponzi Games* article. *See* fn.7, *supra*.

159. On March 27, 2021, social media influencer and boxer, Paul, published the following post[53] promoting SAFEMOON to his 4.1 million Twitter followers:

160. That same day, Karony and Smith also republished the aforementioned Paul post on their personal Twitter accounts.[54] Paul would later use the same upward-sloping graph in an April 3, 2021 tweet, where he claimed to have "Predicted DOGE," a reference to Dogecoin.

161. On March 29, 2021, musician, Miles "Lil Yachty" Parks McCollum, promoted SAFEMOON in a tweet that stated "#safemoonisthenewdogecoin."[55] At the time, the referenced cryptocurrency token (Dogecoin) had a massive increase in the price of that token. McCollum compared SAFEMOON Tokens to this other hot cryptocurrency in order to mislead investors into believing that SAFEMOON would similarly increase in price.

162. Notably, Paul publicly endorsed McCollum's statement about the SAFEMOON Token's expected price increase by tweeting out "factssss" as a reply

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[53] Paul (@jakepaul), Twitter (Mar. 27, 2021), https://t.co/r9DCQG0pmQ: "Everyone needs #SAFEMOON or this will be you 📈."

[54] *Id.*

[55] McCollum (@lilyachty), Twitter (Mar. 29, 2021), https://twitter.com/lilyachty/status/1376669875918286848: #safemoonisthenewdogecoin 👀."

to McCollum's SafeMoon promotion.[56] The SafeMoon twitter account also replied positively to McCollum's post.[57]

163. Likewise, Karony and Smith also promoted McCollum's post on their personal Twitter accounts on March 29, 2021.[58]

164. Two days later, on March 31, 2021, McCollum continued his promotional activities for SafeMoon, repeating "#SAFEMOON" on this Twitter account.[59] Once again, Karony and Smith endorsed McCollum's March 31, 2021 tweet on their personal Twitter accounts.[60] Karony also retweeted a tweet from Keem that day, which stated: "#SAFEMOON."

165. That same day, Karony offered "Congrats to the winners! #SAFEMOON" in reply to a now-deleted Twitter post from Ben Phillips.[61]

166. Also on March 31, 2021, both the official SafeMoon Twitter account and Karony's personal Twitter account promoted a post with a picture suggesting that SAFEMOON Tokens were going up in price with the caption indicating that this rise was "IMMINENT."[62]

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[56] Paul (@jakepaul), Twitter (Mar. 29, 2021), https://twitter.com/jakepaul/status/1376690168875339780: "@lilyachty factssss."

[57] @SafeMoon 2.0 🚀, Twitter (Mar. 29, 2021), https://t.co/ 8SnqxKmuj7: "@jakepaul @lilyachty."

[58] Karony (@CptHodl), Twitter (Mar. 29, 2021), https://twitter.com/CptHodl/status/1376676389676519435?cxt=HHwWlsCwlb3495omAAAA: "Hey!": McCollum (@lilyachty), Twitter (Mar. 29, 2021), https://twitter.com/lilyachty/status/1376669875918286848?s=20&t=ag5TXmcQakZZcLhD4-Kn_w:"#safe moonisthenewdogecoin."

[59] *See, e.g.*, McCollum (@lilyachty), Twitter (Mar. 31, 2021), https://twitter.com/lilyachty/status/1377293537264418818: "#SAFEMOON#SAFEMOON#SAFEMOON."

[60] McCollum (@lilyachty), Twitter (Mar. 31, 2021), https://twitter.com/lilyachty/status/1377293537264418818?s=20&t=ag5TXmcQakZZcLhD4-Kn_w: "#SAFEMOON #SAFEMOON #SAFEMOON."

[61] Karony (@CptHodl), Twitter (Mar. 31, 2021), https://twitter.com/CptHodl/status/1377401899050098688: "Congrats to the winners! #SAFEMOON."

[62] *See* @SafeMoon 2.0 🚀, Twitter (Mar. 31, 2021), https://t.co/iSYlX4vdCA: ""IMMINENT" #SAFEMOOM 🌕."

167. On April 2, 2021, McCollum again promoted SafeMoon to retail investors, stating in a Twitter post: "I told y'all safe moon was going up lol."[63]

168. That same day, Smith re-tweeted a SafeMoon promotion from YouTube influencer, Keemstar (*i.e.*, Defendant Keem).[64]

169. On April 3, 2021, SafeMoon announced on its Facebook page that it had "got" several celebrity promotors to work with the Company, including Paul and McCollum.[65]

170. That same day, the Company announced that 396 trillion SAFEMOON Tokens were "burnt" and "gone."[66] Karony reposted the token announcement on his personal Twitter account and noted in the caption that the supply of SAFEMOON Tokens would receive "continual burns" and that the price of the SAFEMOON Tokens was at an all-time high ("ATH") and would be going to the "moon" imminently.[67] In an apparent attempt to provide some type of disclaimer to these statements, Karony, in closing, stated: "Not financial advice, you do you."[68]

171. Defendant Keem also promoted Safemoon on April 3, 2021, announcing that the SAFEMOON Tokens were exponentially increasing in price:

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[63] McCollum (@lilyachty), Twitter (Apr. 2, 2021), https://twitter.com/lilyachty/status/1378051154416963586?lang=en: "I told y'all safe moon was goin up lol."

[64] Keem (@KEEMSTAR), Twitter (Apr. 1, 2021), https://twitter.com/KEEMSTAR/status/1377848102162468864?s=20&t=ag5TXmcQakZZcLhD4-Kn_w.

[65] SafeMoon (@SafeMoonOfficial), Facebook (Apr. 3, 2021), https://www.facebook.com/101527008681710/posts/so-we-got-jake-paul-lil-yachty-keemstar-ben-phillips-and-tenille-dashwood-anyone/118723846962026/: "So we got Jake Paul, Lil Yachty, Keemstar, Ben Phillips . . . ."

[66] @SafeMoon 2.0 🚀, Twitter (Apr. 3, 2021), https://t.co/LJKCnIbrM8: "396,384,506,514,787 BURNT 🔥 GONE 🔥 #SAFEMOON."

[67] Karony (@CptHodl), Twitter (Apr. 3, 2021), https://twitter.com/CptHodl/status/1378383282832875523?cxt=HHwWhoC5md6SgKEmAAAA: "New ATH. Check. Continual burns. also check. Moon . . . #Imminent Not financial advice, you do you. #SafeMoon #FairLaunch #DeFi."

[68] *Id.*

"Just checked my #SAFEMOON She gone 🚀"[69] The official Safemoon account replied, thanking Keem "for believing in us day 1 . . . we are working ever so hard to meet the visions and goals so everyone support means the world. 🚀🌕." The Company did not, however, disclose that Keem was a paid promotor for Safemoon and not simply just an investor that "supported" and "believed in" Safemoon.

172. On April 4, 2021, the Company published the "Safemoon Road Map" for all four quarters of 2021 as four separate posts on its account on the social media platform, Instagram. These road maps for each quarter gave investors a false impression of the Company's future prospects.

173. The caption to the Company's post about the first quarter's successes bragged: "Q1 Complete . . . Cough . . . we the best . . . cough."[70] The post itself listed six accomplishments for Q1. Significantly, the Company stated that its "marketing campaign" had begun.[71]

174. In the post for the second quarter of 2021, there was a list of 16 action items that the Company was looking at for Q2.[72] Most importantly, the Company stated that it intended to "complete" the SafeMoon wallet and "begin architecting" the SafeMoon exchange and related NFT exchange within the second quarter of 2021.[73]

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[69] Keem (@KEEMSTAR), Twitter (Apr. 3, 2021), https://twitter.com/keemstar/status/1378490464379228168?lang=en.

[70] @safemoonhq, Instagram (Apr. 4, 2021), https://www.instagram.com/p/CNPShnjn03i/?utm_source=ig_web_copy_link: "Q1 COMPLETE. . . . Cough . . .. we the best . . . cough #SAFEMOON 🚀🌕."

[71] *Id.*

[72] @safemoonhq, Instagram (Apr. 4, 2021), https://www.instagram.com/p/CNPScNDHbkB/?utm_source=ig_web_copy_link: "Q2 Currently working on this! With your support anything possible."

[73] *Id.*

175. The post for the Company's Instagram post providing details about the third quarter of 2021 included eight action items.[74] One of those items stated: "Finish NFT Exchange."[75]

176. The first bullet point for the Company's post about the "SAFEMOON Road Map" for the fourth quarter of 2021 declared that the Company would "finish SafeMoon exchange."[76]

177. In only nine days after the SafeMoon marketing campaign began in earnest, the promotion efforts of Paul and McCollum, along with those of the Company and Executive Defendants during the same time period, caused investors to purchase SAFEMOON Tokens in droves and drastically increased the trading volume over those days. For example, from March 27, 2021 to April 4, 2021, the trading volume leaped from $7 million to $68.7 million – a staggering 875% increase. Over the same time period, the price of SAFEMOON Tokens increased from $0.00000039 to $0.00000157 – *i.e.*, it more than quadrupled.

178. Over the next 10 days, the trading volume for the SAFEMOON Tokens began to die down. Despite the continued promotional activities by the Company and the Executive Defendants, the trading volume dropped from $43.9 million on April 5, 2021 to an interim low of only $8.9 million on April 15, 2021. Nevertheless, the Promotor Defendants and the Executive Defendants continued their scheme misleadingly promoting the SAFEMOON Tokens.

179. For example, on April 5, 2021, the Company's official Twitter account announced that the SAFEMOON Tokens would be listed and tradable on Bitmart, a digital asset exchange, that same day. The Company failed to disclose that unlike

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[74] @safemoonhq, Instagram (Apr. 4, 2021), https://www.instagram.com/p/CNPSNJOn4oH/?utm_source=ig_web_copy_link: "Q3 Now where cooking. 🚀🔥🌕."

[75] *Id.*

[76] @safemoonhq, Instagram (Apr. 4, 2021), https://www.instagram.com/p/CNPSJOLHKcC/?utm_source=ig_web_copy_link: "Q4 Who knows this might be merged into Q3 🚀🌕."

other exchanges, Bitmart would send the automatic 5% transaction fee that normally goes to the liquidity pool directly to Karony via the Karony Wallet 1. According to transactions on the blockchain, Karony Wallet 1 has received approximately $15 million in Tether from the Bitmart exchange. In other words, instead of depositing funds into liquidity pools – as promised – the Company and Karony siphoned those funds for themselves.

180. When this fact was later disclosed in a YouTube video published on April 18, 2022, the price of SAFEMOON Tokens fell by 25%. The same YouTube channel subsequently released videos elaborating on the Company's seizure of funds that were represented to have been locked in liquidity pools on April 21, 2022, and April 28, 2022. These videos also disclosed that Nagy had withdrawn millions of dollars in SAFEMOON Tokens from liquidity pools starting as early as March 5, 2021 – something that would have been impossible if the pools were "locked." The net effect of these disclosures was stark: the price of SAFEMOON Tokens fell by more than 30% between April 17, 2022 and April 29, 2022.

181. Undaunted, Defendants continued the scheme to promote Safemoon in order to continue to bring in the liquidity needed to sell off their portions of the Float. For example, on April 6, 2021, Keem was on Twitter promoting Safemoon to his millions of followers and advising investors to "HODL da #SAFEMOON" because "12 months from now looks good."[77] He also tweeted that day: "if you notice the amount of coins are different that's because you gain more #safeMoon coins by holding. It's kind of like dividends." Two days later, on April 8, 2021, the Keem Wallet received 100 billion SAFEMOON Tokens from Ben Philips' Wallet. Less than five hours later, over the course of two transactions Keem sold all of those tokens, plus 30 billion more SAFEMOON Tokens that Keem had previously been given by the Deployer Wallet, for approximately $118,000 in Wrapped BNB tokens.

[77] Keem (@KEEMSTAR), Twitter (Apr. 5, 2021), https://twitter.com/KEEMSTAR/status/1379288040041017347.

Keem did not disclose any financial relationship or promotional payments that he received from SafeMoon and/or Philips. Similarly, Keem did not disclose that he was not looking "12 months from now" at the long-term growth prospects for Safemoon but rather was planning on selling (and did) at the first opportunity. Keem has reportedly admitted previously to "scamming people with crypto coin."[78]

182. On April 7, 2021, the official SafeMoon Twitter account posted a video from Karony, wherein he provided an update "on all our progress.[79] In particular, Karony stated that SafeMoon was in the middle of a two-part process of creating its own cryptocurrency exchange. The first part would be the creation of a SAFEMOON wallet. Karony advised investors that the Company was working on a "designated wallet" which "would be a better place for you to hold your SAFEMOON [Tokens]."[80] The second part would be for the Company to create the exchange itself. According to Karony, the Company's developers were in the process of using the "most innovative" features for the exchange, including creating a sub-exchange for non-fungible tokens ("NFTs").[81]

183. The following day, both the Company and Karony posted on social media that "400 TRILLION TOKENS BURNT GONE! NEVER COMING BACK."[82]

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[78] *See* https://www.youtube.com/watch?v=aQ5OirKhC2k. (last visited Jun. 28, 2022).

[79] @SafeMoon 2.0 🚀, Twitter (Apr. 7, 2021), https://t.co/zB7NPJcfyx: "Update from our CEO @CptHodl as he talks over the next moves for #SAFEMOON future and current and touches on exciting projects in the works. 🚀🌕."

[80] *Id.*

[81] *Id.*

[82] Karony (@CptHodl), Twitter (Apr. 8, 2021), https://t.co/yWNdDIMS3k: "400 Trillion! Wow #SAFEMOON #FairLaunch #DeFi"; "400 TRILLION TOKENS BURNT GONE! NEVER COMING BACK🔥 #SAFEMOON 🚀🌕."

184. On April 10, 2021, the Company's Twitter account published the following post:[83]

185. Karony replied to the Company's boastful post about how it planned to reveal SafeMoon's "boldest innovation yet" with a single word reference to "Cryptonomics," *i.e.*, the SAFEMOON Token's tokenomics.[84]

186. Apparently realizing that the Company's ability to reach new and unsuspecting investors for the purpose of luring them into purchasing SAFEMOON Tokens was decreasing rapidly, the Executive Defendants went back to what worked previously: celebrity endorsements. In an effort to inflate trading volume back up again, and ultimately facilitate the sale of their portion of the Float, the Executive Defendants and the Company went on to recruit new celebrities to act as promoters for the SAFEMOON Tokens. These efforts were once again successful and would, in short order, exponentially increase the trading volume for the SAFEMOON Tokens.

187. For example, on April 17, 2021, musician and producer, DeAndre "Souja Boy" Cortez Way, announced to his 5.4 million followers on Twitter that he had a public address for SAFEMOON tokens. Notably, around this time, Way

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[83] @SafeMoon 2.0 🚀, Twitter (Apr. 10, 2021), https://twitter.com/safemoon/status/1380886849850376194: "Tomorrow we reveal quite possibly our boldest innovation yet. A lot of you know #SAFEMOON Exchange has been our vision since the beginning, so we invite you to join our CEO as he discusses why this may be one of the biggest moves within crypto space to date."

[84] Karony (@CptHodl), Twitter (Apr. 10, 2021), https://twitter.com/CptHodl/status/1380887019304411136?cxt=HHwWgICzybDb8qkmAAAA: ""Cryptonomics.""

inadvertently disclosed that he was receiving incentive payments to promote a very similar crypto project called SaferMars: "They raising 240k, if they raise it after you tweet – will get you 24k."[85] Way has a dubious history when it comes to previous similar promotional activities.[86]

188. Keem was also active on social media on April 17, 2021, announcing to his Twitter followers that "#SafeMoon is flying right now!" and that he regretted not putting his extra spending cash "into more #Safemoon Rocket[s]" instead of his friend and fellow Promoter Defendant, Jake Paul's pay-per-view boxing match taking place that day.

189. On April 18, 2021, SafeMoon representative, Witriol, bragged about the Company's marketing success (of which he was a key contributor) specifically in California. In particular, Witriol posted a screenshot indicating that the hashtag "#SAFEMOON" was "Trending in California" on Twitter with almost 99,000 posts. In the accompanying message, Witriol, among other statements promoting SAFEMOON Tokens in California, used the same misleading promotional phrase – "#safemoonisthenewdogecoin – that McCollum had previously used to promote the SAFEMOON Tokens. The entire message[87] is as follows:

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[85] https://www.coindesk.com/policy/2021/05/27/soulja-boy-tells-em-he-got-paid-to-tweet/. (last visited Jun. 28, 2022).

[86] *See, e.g.*, Tarply Hitt, *Rapper Souja Boy Owns up to (Some of) His Wild Scams: 'I Was Always Tricking People'*, DAILY BEAST (Sept. 18, 2019), https://www.thedailybeast.com/rapper-soulja-boy-owns-up-to-some-of-his-wild-scams-i-was-always-tricking-people (detailing Way's long history of misleading and "scamming" consumers).

[87] Witriol (@ShaunWitriol), Twitter (Apr. 18, 2021), https://t.co/CfuLibxpLe: "👀 #safemoon This is only in California! Let's get this going across the 🌎! Together we can do it all! You guys are amazing! 🚀#safemoonfamily #safemooncommunity #safemoonisthenewdogecoin #doge #bnb #binance #btc #bitcoin #cryptocurrency #usa #safemoonarmy."

190. That same day, Keem urged investors to "CHECK YOUR #SAFEMOON RIGHT NOW!" because the "price is going through the damn roof!," cheering them on "bro we're rich!"[88] Keem went on to state: "Truly believe in #SAFEMOON & not for this quick 🚀 boom. I'm long. People at @safemoon are doing some much good stuff. Love the roadmap. Huge community already. Feels like the start of something huge. In a world of 100,000 new crypto coins. This one sticks out!"[89]

191. On April 20, 2021, Way again promoted SafeMoon to his followers and potential investors on Twitter.[90] Way did not disclose any financial relationship or promotional payments that he received from SafeMoon.

192. These celebrity promotions paid off. Between April 17, 2021 and April 20, 2021, the price of SAFEMOON Tokens increased from $0.00000155 to $0.00001180 – *i.e.*, by more than tenfold.

193. On April 21, 2021, the Company itself joined in the promotion of SAFEMOON Tokens, posting the proclamation on Twitter:[91]

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[88] Keem (@KEEMSTAR), Twitter (Apr. 18, 2021), https://twitter.com/KEEMSTAR/status/1383976698098507785.

[89] Keem (@KEEMSTAR), Twitter (Apr. 18, 2021), https://twitter.com/KEEMSTAR/status/1383938130835775489.

[90] Way (@souljaboy), Twitter (Apr. 19, 2021), https://twitter.com/souljaboy/status/1384095418376613893?lang=en: "Safemoon."

[91] @SafeMoon 2.0 🚀, Twitter (Apr. 21, 2021), https://twitter.com/safemoon/status/1384759982831374337: "Rome wasn't built in a day, #SAFEMOON was. 👀."


SafeMoon 2.0 🚀 @safemoon

Rome wasn't built in a day, #SAFEMOON was. 👀

2:44 AM · Apr 21, 2021 · Twitter for iPhone

2,497 Retweets 129 Quote Tweets 12.5K Likes

194. The Company also posted, and Haines-Davies reposted on his personal Twitter account, the following message[92] downplaying the drop in the price of the SAFEMOON Token from the preceding day and encouraging new retail investors to purchase SAFEMOON Tokens:


Jack Haines Retweeted

SafeMoon 2.0 🚀 @safemoon

That wasn't a dip today… we went back to earth 🌎 for a bigger rocket 🚀 🌕 and more passengers 🧑‍🚀 #SAFEMOON

11:50 AM · Apr 21, 2021 · Twitter for iPhone

6,083 Retweets 479 Quote Tweets 26.3K Likes

195. This price drop was caused by insider and promoter sales, and by the release of a report from Obelisk, which published a research paper that day titled "Can You Trust SafeMoon?"[93] After noting that "SafeMoon was advertised as 'anti-rugpull' and as having its liquidity locked for 4 years," the paper explained:

> With the massive market capitalization that SafeMoon has amassed, the reflected fees that ended up being added in liquidity have also come to be worth a lot. One of the main issues with the whole project is that while users are [led] to believe that the Liquidity Provider tokens

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92 @SafeMoon 2.0 🚀, Twitter (Apr. 21, 2021), https://twitter.com/safemoon/status/1384897219137056780: "That wasn't a dip today . . . we went back to earth 🌎 for a bigger rocket 🚀 🌕 and more passengers 🧑‍🚀 #SAFEMOON."

93 https://obelisk.medium.com/can-you-trust-safemoon-bf2b2db76d16. (last visited Jun. 28, 2022).

(essentially the receipt for having provided liquidity) are in fact locked and inaccessible from the founders, the exact opposite happens.

(*Id*.)

196. In particular, Obelisk found that SafeMoon can do “anything it wanted at any time” with SAFEMOON Tokens that were supposedly locked in liquidity pools. In other words, contrary to its prior representations, SafeMoon did not “lock” SAFEMOON tokens in liquidity pools; SafeMoon could withdraw those tokens as it pleased.

197. In response to concerns from investors, on April 21, 2021, Karony stated in a series of all-caps tweets: “THE LP LOCK IS NOT AUTOMATIC BUT AUTOMATED. AUTOMATED AND AUTOMATIC ARE NOT THE SAME THING. THIS IS ONE FOR BOTH SECURITY AND LONGEVITY OF #SAFEMOON. WE ARE FOCUSED ON THE FUTURE, AND UNDERSTAND THAT SITUATIONS ARISE WHICH MAY REQUIRE THE USE OF THE LP. USES INCLUDE: SEEDING OTHER EXCHANGES AND DEX’S, DEVELOPMENT COSTS OF FUTURE SAFEMOON INNOVATIONS.” (Arriaga likewise admitted, in a June 2, 2021, YouTube video, that SafeMoon intentionally decided not to lock the liquidity pools because it wanted to maintain flexibility to use those funds for other purposes.[94] There can, accordingly, be no doubt that SafeMoon did not in fact “lock” the liquidity pools.)

198. On the news that SafeMoon’s team could in fact draw on the liquidity pools, the price of SAFEMOON Tokens fell to $0.00000641 by the end of the day on April 21, 2021, and further to $0.00000376 by the end of the day on April 22, 2021. This represented a 72.95% decrease in price from the high on April 20, 2021.

199. On April 22, 2021, Witriol again promoted the “#safemoonisthenewdogecoin” hashtag on his Twitter account, advising investors to

[94] https://www.youtube.com/watch?v=rB1m7NiaekA. (last visited Jun. 28, 2022).

not sell their SAFEMOON Tokens because the severe price drop that occurred that same day was "all a part of the process! Sit back and relax!"[95] As noted above, Witriol's post then made reference to a 1990s rap song (with an attached clip of the music video for added emphasis) with a parody of the lyrics: "We #hodl they hatin' patrolling, trying to catch me ridin' dirty" in an apparent effort to: (1) dismiss any legitimate criticisms of the Company or those involved in the project; and (2) reassure investors and the "#SafeMoonCommunity" that the SAFEMOON Tokens were still a good investment. The following is the post in its entirety (with a still shot of the GIF that Witriol attached to his post):[96]

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[95] Witriol (@ShaunWitriol), Twitter (Apr. 22, 2021), https://t.co/BcGzO7Vhwq: "Hey #SAFEMOON It's all a part of the process! Sit back and relax! "We #hodl they hatin' patrolling, trying to catch me ridin' dirty" 🚀🔒🌕 #SafeMoonCommunity #safemoonarmy #safemoonisthenewdogecoin #BNB #BSC."

[96] *Id.*

200. The trading volume for the SAFEMOON Token exploded as a result of promotional activities of Way, Witriol, and Keem on Twitter and the Company's announcements around the same time. On April 17, 2021, the volume reached $17.5 million – approximately 70% higher than the previous day.[97] On April 18, 2021 (*i.e.*, the same day that Witriol made statements about SAFEMOON's popularity in California specifically) the trading volume jumped another 36% up to $23.9 million.[98] Then on April 19th, that volume ***more than tripled***, reaching $68.8 million.[99] Over the following three days, the Company's continued promotions pushed the trading volume for SAFEMOON Tokens exponentially higher. On April 20, 2021, the volume jumped to $144.7 million, with it increasing further to $173.3 million on April 21, 2021, and then temporarily peaking at $191.6 million on April 22, 2021.

201. Ultimately, the promotional efforts by the Company, Keem, Way, and Witriol, caused ***a staggering 1,691% increase in trading volume*** between April 16, 2021 and April 22, 2021. During this same time, Defendants used the increased volume as exit liquidity to sell off their own SAFEMOON Token holdings. For example, on April 19, 2021, the Keem Wallet received 16.7 billion SAFEMOON Tokens from the Dev Wallet and then promptly sold those tokens on April 21, 2021, along with others Keem had originally received from the Dev Wallet.[100] Keem received approximately $885,252 worth of Wrapped BNB in this transaction. Notably, only three days earlier Keem had told investors that he was "long" on Safemoon. Similarly, between the 16th and 22nd of April 2021, Phillips sold around

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[97] https://coinmarketcap.com/currencies/safemoon/historical-data/. (last visited Jun. 28, 2022).

[98] *Id.*

[99] *Id.*

[100] In total, the Keem Wall sold 192,833,148,674 SAFEMOON Tokens on April 21, 2021.

885 billion tokens for around $8 million in Wrapped BNB.[101] These sales exerted downward pressure on the price of SAFEMOON Tokens.

202. The day following this massive uptick in trading volume and interest in the SAFEMOON Token, April 23, 2021, the Company sought to continue the momentum and announced "NEW EXCHANGE ABOUT TO DROP! Hold on!"[102] Karony later endorsed this post with a reply saying "Yes."[103]

203. This promotion apparently worked. On April 27, 2021, the Company announced it had reached it had raised enough capital from investors to fund the long-promised SafeMoon exchange.

204. During the same time, on April 24, 2021, the Company quietly created a second liquidity pool ("version two" or "V2") for the purpose of facilitating BNB token and SafeMoon token swaps.

205. On May 1, 2021, Karony advised SAFEMOON Token investors about an "update" on the status of the SAFEMOON wallet. Karony teased "all the features" that were available on the wallet and promised to show the user interface to investors. Karony also gave a "new hint" about the wallet, namely that the wallet was "a component of Operation Pheonix."[104]

206. In addition to using the celebrity power of the Promoter Defendants, the Executive Defendants sought to instill confidence in investors by pointing to an

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[101] https://bscscan.com/token/0x8076c74c5e3f5852037f31ff0093eeb8c8add8d3?a=0xa66800b4cca86a26d6096a5e2eb0784205aedcb8 (last visited June 28, 2022).

[102] @SafeMoon 2.0 🚀, Twitter (Apr. 23, 2021), https://twitter.com/safemoon/status/1385695682665881601?s=20&t=TiHysl-LrvOAIcJW4uBntQ.

[103] Karony (@CptHodl), Twitter (Apr. 23, 2021), https://twitter.com/CptHodl/status/1385696422889246728?s=20&t=TiHysl-LrvOAIcJW4uBntQ.

[104] Karony (@CptHodl), Twitter (May 1, 2021), https://twitter.com/CptHodl/status/1388543343194484737?cxt=HHwWgsC55Yq0jMUmAAAA: "Looking forward to tomorrow's update on the wallet. We cannot go into all the features, but we will be showing the UI to you. New hint: the wallet is a component of Operation Pheonix. #SAFEMOONARMY #SAFEMOON #Evolution": Smith (@papacthulu), Twitter (May 3, 2021), https://twitter.com/papacthulu/status/1389320201699794951?s=20&t=ag5TXmcQakZZcLhD4-Kn_w.

audit it had conducted from a Singapore-based company, CertiK.[105] The audit report created by CertiK (the "CertiK report") on May 3, 2021, discovered that the Company's developers had built an "addLiquidity function" into the SafeMoon protocol to reward a single "_owner" address with significant sums of SAFE tokens over time. According to the CertiK report: "As a result, overtime the _owner address will accumulate a significant portion of LP tokens" (worth approximately $2.6 billion in May 2021).[106] "If the _owner is an EOA (Externally Owned Account), mishandling of its private key can have devastating consequences to the project as a whole."[107]

207. Nasdaq explained the significance of this finding: "[a]n owner address will acquire the liquidity pool tokens generated by the Safemoon-BNB pool," which "gives the owner control over tokens funded by Safemoon's seller fee."[108] In other words, the Company and the Executive Defendants had access to tokens supposedly locked in liquidity pools.

208. As Jasper Lawler, head of research at London Capital Group to the Financial Post, noted in an article in the *International Business Times*, "The manual burns, alongside the [C]ompany having a pretty large stake in the [SAFEMOON Tokens], just speaks to me of a manipulation risk. Whenever there's some sort of mechanism to stop selling, that's a bit of a warning sign."

209. Another cryptocurrency blog described the problem with the manual burns as follows: "the creators [*i.e.*, the Executive Defendants] can choose to burn as much of the coin as they want, whenever they want, as this is basically like trusting the US government not to over inflate the currency. Yes, they have the

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105 https://www.certik.com/projects/safemoon (last visited June 28, 2022).

106 *Id*.

107 *Id*.

108 https://www.nasdaq.com/articles/should-you-or-anyone-buy-safemoon-2021-05-29.

power to no over inflate the US dollar, but do they use it? Not always. See the problem?"

210. CertiK suggested that the project could mitigate that risk by assigning such privileged roles to multisig wallets, introducing a DAO, and even time-locking the centralized wallet. CertiK reported that the Company nevertheless rejected that advice. Instead, the Company provided a statement to CertiK indicating that the Executive Defendants ***would not*** pull funds from the liquidity pools, even though they could technically pull those funds:

> In regards to owner control, we are a fair launch governed by a central board which is subject to governmental regulations and law. We are a legally registered entity in accordance to the law and jurisdiction in which we operate. SafeMoon is very different from other projects, and our differences provide more security for the community vs. anonymous teams and projects. Risks in regard to "rug pulls" or anything else is mitigated due to the fact that every member of SafeMoon would be subject to litigation and likely a swift prison sentence. Additionally, outside of the law, our social lives would be in ruin, and we would not be able to show our faces in public again, let alone get another job. This should be taken into account when looking at the SafeMoon project as a whole.[109]

211. Around this time, moreover, the Company misleadingly tweeted that it had been "approved" by CertiK.

212. On or about May 5, 2021, the Company, via its Reddit social media account, took in funds raised from "the community" to pay for multiple billboards that promoted the SAFEMOON Tokens as the "World's Fastest Growing

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[109] https://www.certik.com/projects/safemoon. (last visited Jun. 28, 2022).

Cryptocurrency" with the "Fastest Growing Crypto Community on Earth." The following picture was posted on the Company's Reddit account "r/SafeMoon":[110]

SAFEMOON AT TIMES SQUARE, NEW YORK 🚀 🚀 🚀
Feeling Bullish 📈

213. On May 10, 2021, the Company's official Twitter account posted a video showing a different six-story billboard display with a SafeMoon advertisement with the caption: "#SAFEMOON has landed in Times Square! Thanks to the community who raised the funds to make this possible, we are overwhelmed with the billboard action across the globe . . . the message is strong. #SAFEMOON ARMY."[111]

214. The trading volume of SAFEMOON Tokens saw a significant increase following the Company's promotional efforts, rising over 46% from $136.2 million

[110] @u/onadrifft. *SAFEMOON AT TIMES SQUARE, NEW YORK* 🚀 🚀 🚀, Reddit (May 5, 2021), https://www.reddit.com/r/SafeMoon/comments/n5bkvi/safemoon_at_times_square_new_york/.

[111] @SafeMoon 2.0 🚀, Twitter (May 10, 2021), https://t.co/yAb0i78OnG: "🚀🌕 #SAFEMOON has landed in Times Square! Thanks to the community who raised the funds to make this possible, we are overwhelmed with the billboard action across the globe . . . the message is strong. #SAFEMOONARMY."

on May 9, 2021 to $199.3 million on May 10, 2021.[112] While this spike in volume was occurring, Defendants were selling. For example, Keem sold 45.9 billion for approximately $334,232 over the course of four transactions on May 9, 2022.

215. On May 13, 2021, Paul promoted SAFEMOON Tokens in an exchange he had with Grammy award winning rapper Juicy J on Twitter:[113]

216. Then on May 15, 2021, Paul bragged about his earlier promotion of the SAFEMOON Tokens:[114]

217. On May 15, 2021, Phillips promoted the SAFEMOON Tokens in a now-deleted post on Twitter by bluntly stating, "YES I HOLD #SAFEMOON NO SHIT! I ALSO HOLD . . . . (not holding advice)."[115]

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[112] https://www.certik.com/projects/safemoon (last visited Jun. 28, 2022).

[113] Paul (@jakepaul), Twitter (May 13, 2021), https://twitter.com/jakepaul/status/1392962577714528256?lang=en: "@therealjuicyj YOU SAY NO TO SAFEMOON JUICY J CANT CANT CANT."

[114] Paul (@jakepaul), Twitter (May 15, 2021), https://twitter.com/jakepaul/status/1393719812547878913?lang=en.

[115] *See* fn.14, *supra*.

218. Paul's promotional activities created a corresponding increase in people trading the SAFEMOON Tokens. In particular, the trading volume of SAFEMOON Tokens that spiked as a result of the promotional efforts of both the Company and Paul went from $123 million on May 12, 2021 to $152.7 million on May 13, 2021 (+24%). Then, following a steep drop off in trading volume on the next trading day, Paul's May 15th tweet pumped the trading volume up again from $36.6 million on May 14, 2021 to $51.7 million on May 15, 2021 (***an increase of 41% from the previous day***).

219. On May 16, 2021, Karony tweeted that the Company was preparing to start a new project called "Operation Pheonix" in the Gambia. According to Karony, the Company was in talks with the Gambia for government approval of SafeMoon.[116]

220. Upon information and belief, this entire trip to the Gambia was a farce orchestrated by Karony, with the assistance of his parents, to increase the perceived status of SafeMoon and increase the trading volume in SAFEMOON Tokens.

221. On May 18, 2021, Promoter Defendant Portnoy, founder of the Barstool Sports blog, posted a video promoting the SAFEMOON Tokens. Portnoy posted the same video to his 2.6 million followers on Twitter. This promotion was watched by at least 1.5 million people the day Portnoy posted it online and was featured on Fox Business the following day. In the video, Portnoy recommended to his followers: "If it is a Ponzi, get in on the ground floor. To the Moon, safely we go." He further discloses that he had purchased $40,000 in SAFEMOON Tokens and that "he will not sell in the near future." Within an hour of Portnoy's post, the price of SAFEMOON Tokens rose about 18%. Portnoy tweeted later that day: "Ps - #safemoon is up 25% since I adopted it" and "Rules of #SAFEMOON": "Always tell people you bought it," "Never sell it," "Get pucks in deep," and "Make memes."

[116] Karony (@CptHodl), Twitter (May 16, 2021), https://twitter.com/CptHodl/status/1394051218293538827?s=20&t=lqpTdv_M2xWE4M69nsVxoRA: "There's so much excitement around Operation Pheonix. I wanted to recap that we are working to the ongoing conversations about SafeMoon in The Gambia."

222. The same day, Portnoy stated that he was looking into having his company, Barstool Sports, accept SAFEMOON Tokens. Portnoy was criticized for his promotion of SAFEMOON Tokens, by well-known finance/social media personality WSBChairman: "You are one of the biggest financial influencers in the world. People can lo[]se their homes or lives from the shit you're promoting."[117] Portnoy dismissed the criticism and posted a video imitating his critics as crying and stated: "Yo, buddy. Get yourself fucking together. I didn't fucking say anything. Why so like fucking mean and crying like a baby."

223. Portnoy's promotional video was massively successful in increasing the trading volume of the SAFEMOON Tokens. In particular, ***the trading volume of SAFEMOON Tokens soared over 650% in a single day as a result of Portnoy's efforts***, going from $29.9 million on May 18, 2021 to $226.4 million on May 19, 2021.[118] On May 19, 2021, Portnoy reiterated in a now deleted tweet: "I'm in it for the long haul anyway. #DiamondHands." He would similarly state on May 23, 2021 on Twitter: "I only buy. Never sell."[119]

224. On or about May 20, 2021, Ginger resigned his moderator position with the Company in order to join on a separate cryptocurrency project that Smith, Wyatt, Church, and Nagy were working on: the Piggy Token. In particular, Ginger was invited to serve as the moderator for the soon-to-be-formed social media account for the Piggy Tokens. Ginger took the position and worked with Smith, Wyatt, and Nagy for months before eventually leaving after accusing Smith and Nagy, in particular, of defrauding Piggy Token investors (and himself).

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[117] https://twitter.com/WSBChairman/status/1394431354021027840?s=20&t=auD5a5qR2oSethxyHYYQ3A. (last visited Jun. 28, 2022).

[118] https://bscscan.com/token/0x8076c74c5e3f5852037f31ff0093eeb8c8add8d3?a=0xa66800b4cca86a26d6096a5e2eb0784205aedcb8. (last visited June 27, 2022).

[119] https://twitter.com/stoolpresidente/status/1396534971813318660?s=20&t=BP8McMV7rZe9LfhBpXeKnw.

225. On May 22, 2021, an auditing company, HashEx, published an audit report on the Company's smart contracts that was created for a SAFEMOON Token investor (the "HashEx report").[120] The stated purpose of the audit was to "identify potential security issues with smart contracts" and "formally check the logic behind given smart contracts."[121] The HashEx report ultimately found the Company's smart contracts had two "critical" and three "high" severity security issues/vulnerabilities with the SAFEMOON Token that could be exploited for fraudulent purposes. The HashEx report defines an issue as critical "if it may cause unlimited losses or breaks the workflow of the contract and could be easily triggered." High severity issues are defined as those that "may lead to limited losses or break interaction with users or other contracts under very specific conditions." One of the critical severity issues that the HashEx report identified was related to SafeMoon's "Ownable contract." Notably, as part of the analysis of this critical severity vulnerability, the HashEx report disclosed that the SAFEMOON Token contract was merely a modified version of another, publicly available Ownable contract from OpenZepplin.[122]

226. Around the same time, commentators began to raise concerns that SafeMoon was a Ponzi Scheme. For example, on May 19, 2021, *Fortune* noted: "Critics, though, have taken aim at SafeMoon, saying the team that owns it owns the majority of the liquidity and have likened it to a Ponzi scheme."[123] The same day, an article on *Protos* stated: "But what SafeMoon resembles most is the crypto-powered Ponzi games once popular on Ethereum, like Proof-of-Weak Hands 3D (PoWH3d). These games – which are now bleeding into the Binance Smart Chain

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[120] Polly Traore, *Safemoon smart contract audit report*, HASHEX (May 22, 2021), https://blog.hashex.org/safemoon-smart-contract-audit-report-8e4b843a375d.

[121] *Id*.

[122] *Id*.

[123] https://fortune.com/2021/05/19/crypto-crash-safemoon-price-fluctuations-volatility-cryptocurrency/. (last visited Jun. 28, 2022).

ecosystem – are designed to mimic real-life Ponzi schemes."[124] An article from May 30, 2021, in *Entrepreneur* likewise observed:

> SafeMoon has also been compared to Bitconnect, which turned out to be nothing but a Ponzi Scheme, where any profits made in the future would be based on someone paying more for the token than you did further down the line. This would mean that early adopters would be the main beneficiary of the system, leaving only the scraps for late joiners. As cryptocurrency investor and influencer Lark Davis said: "Remember, just because you make money off a Ponzi does not change the fact that it is a Ponzi."[125]

227. Shortly after the HashEx report was released, and as criticism of SafeMoon was mounting, Arriaga began working on the Company's behalf. While he officially joined the Company as its Global Head of Products in July 2021, Arriaga had been operating as an undisclosed promotor of the SAFEMOON Tokens prior to taking on this titled position. Arriaga, using "The Fud Hound" as a pseudonym,[126] worked as the *de facto* public relations/damage control officer for the Company since at least May 24, 2021.[127]

228. Arriaga's primary job was to attack and discredit anyone publicly spreading fear, uncertainty, or doubt (aka "FUD") about the Company or the SAFEMOON Tokens.

229. On May 24, 2021, Arriaga created "The FUD Hound" YouTube page. Although he explained his channel was to be "dedicated to exposing opportunists

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[124] https://protos.com/safemoon-fbi-ties-ponzi-games-crypto-protocol-dave-portnoy-shill/ (last visited Jun. 28, 2022).

[125] https://www.entrepreneur.com/article/372691 (last visited Jun. 28, 2022).

[126] Upon information and belief, Arriaga also used the username "u/Influencer_CEO_Techy" as another alias to anonymously promote and hype the SAFEMOON Tokens to users on the social media platform, Reddit.

[127] The Safemoon Hound (@TheFudHound), Twitter (May 24, 2021), https://twitter.com/TheFudHound/status/1396917364642385920?cxt=HHwWgMCswaS87OImAAAA: "Thank you 🙏."

and shillers of FUD," his videos were nothing more than promotions of SAFEMOON Tokens that sought to rebut specific criticisms of the Company. Indeed, each of Arriaga's six videos as "The FUD Hound" concerned SafeMoon.

230. On May 24, 2021, Arriaga uploaded an approximately 30-minute video titled "Safemoon Reedemed! [sic]"[128] The video's description also provided the following statement from Arriaga:

> Safemoon FUD is the newest desperation tactic that some YouTubers and opportunists are taking advantage of. Many people who scream "Ponzi Scheme" or "Scam" before doing their own research are those that can easily be discredited for their lazy and half-baked analysis. In this video is an example of such.
>
> Remember, there are YouTube opportunists everywhere, most will ride a trend or movement to which they know nothing about in order to get views and hopefully pick up some naïve subscribers along the way. They care not about the damage and destruction they cause for they are only in the game for themselves.
>
> I expose these people for who they are. Enjoy.

231. In the *Safemoon Reedemed!* Video, there are clips of videos from other YouTube channels warning young and naïve investors to stay away from projects like SafeMoon because it could be a scam and/or displays "Ponzi scheme" characteristics. Arriaga cynically accuses these other video creators of manipulating the emotions of investors and then proceeds to undermine those warnings in an effort to maintain positive sentiment towards the Company and the SAFEMOON Tokens.

232. In particular, Arriaga stated:

> My mission is to analyze and expose those that use FUD to manipulate you for their own personal gain. Now I came across this video on

[128] The FUD Hound, *Safemoon Reedemed!*, YouTube (May 24, 2021), https://www.youtube.com/watch?v=ARuxp8Va0bw.

> Youtube and I was shocked at how inaccurate, sloppy, and fallacious this person's arguments were when concerning a new popular cryptocurrency called SAFEMOON. SAFEMOON, if you haven't heard, is absolutely killing it on the headlines and is gaining organic steam like we haven't witnessed since Bitcoin. But with that comes a whole lot of predators and opportunists that will emerge from the shadows and ride the coattails of a movement to try to be seen and heard, no matter the damage they cause. So without further ado, let's have a few good laughs at the discredited points this Youtuber makes regarding SAFEMOON being a Ponzi Scheme.

(*Id*.)

233. In the video, Arriaga mocks the critic and claims that he "doesn't understand basic finance or basic financial markets." Arriaga proceeds to analogize SAFEMOON tokens to stocks, asserting that, like a stock, SafeMoon ***cannot*** be a Ponzi Scheme, because the value of tokens will also rise if the project succeeds:

> Look at any asset class in the world. You can well define it as a Ponzi scheme, however you can't with stocks because they're based on intrinsic value. They're based on the intrinsic value of a company. So as the company does well and it releases features, guess what? The stock goes up. As the company does bad or has bad PR, the stock goes down. Now, just because you got into a company before IPO does that mean that you got into a Ponzi scheme? No, no, that actually doesn't. Now you don't need your Series A to understand this very basic concept. So when you don't understand finance like this person right here and then you throw up a video on YouTube so you can try to ride the coattails of a movement and pick up subscribers along the way, doesn't really make you right, it just makes you wildly inaccurate and shows that you don't know anything about finance. . .

> I wouldn't call SafeMoon a Ponzi Scheme because SafeMoon has intrinsic value. You can see it on the road map. Just like any other startup in the world. For example, just because I raise money for my startup based on a business plan and I have no company built yet, do you think that that the investors who invested in me are going to call me a Ponzi Scheme in the time that it takes me to actually build out a technological product or build out a product? No, they're not going to call me a Ponzi Scheme, they're going to say, hey, you need the capital so you can start building your vision, so you can start building those features. This is the exact same thing that cryptocurrency allows new entrepreneurs to do. They allow companies, new companies, new vision of a concept to be launched and then be built on a particular blockchain or a particular token.
>
> Now in this particular example, we're talking about SafeMoon. And with SafeMoon, what they've done is they said, hey, we have a road map, thank you for investing in this coin, thank you for investing in this product. This is what we plan to get done. And everything that they've planned to get done, along the way, their goals have been hit. Guess what? With a Ponzi Scheme, there are no goals to be hit, there are no products to be released.

(*Id*.)

234. With respect to SafeMoon's 10% transaction tax (which, as noted above, is intended to discourage existing holders from selling), Arriaga states: "Let me go ahead and school [the critic] on something here. This is also a concept that's used in the real world. It's called stock dividends bud and it's a redistributing stock back to holders." (*Id*.)

235. At the end of the video, Arriaga further attacked the critic and issued a threat to future critics of SafeMoon:

> I was able to hop on YouTube and then find your little FUD video, trying to point fingers and call SafeMoon a Ponzi Scheme, when you don't even have the most basic concepts of understanding about the cryptocurrency space. You see something wrong with that? People who are watching this, people like this, they push out content because they're opportunists. They want to get follows, they want to get views, they want to pique the Youtube algorithms for their own game and it doesn't matter what kind of damage and destruction they do to everything else. They just want to get content out there because they're thinking about themselves. Be careful, there are FUDsters like this everywhere. And no matter who you are or where you're from, I will find you. And I will expose you.

(*Id*.)

236. The following day, May 25, 2021, the @TheFudHound Twitter account was created. Arriaga uploaded his first video and immediately began threatening so-called FUDsters.

237. For example, in one of his later tweets on May 25, 2021, Arriaga stated that he had the "Next #SAFEMOON FUDster in the crosshairs. #SAFEMOONARMY will love Expose #2. The hound is on the scent, next video will be even better." Arriaga announced that "Project #StoptheFUD started yesterday" and threatened potential naysayers: "We are #SafeMoonCommunity think before you post misinfo because I won't hold back."

238. May 28, 2021, Arriaga released his next video as "The FUD Hound," titled "Safemoon redeemed, once again." Like his previous video, "Safemoon redeemed, once again" addresses a particular video criticizing SafeMoon:

> Sadly, the video I'm about to critique has almost 700,000 views at the time of this filming. That means that thousands or even hundreds of thousands of interested investors who have viewed this video and may

be unfamiliar with SafeMoon are now influenced by bad logic and inaccurate information. This is where I clear the air and I expose those that put popularity before others and cause irreparable damage on well-meaning companies and movements because they haven't performed their own basic research.

(*Id.*)

239. In his video, Arriaga claims that SAFEMOON "is one of the very very few cryptocurrencies that serve to enrich the people rather than serve to enrich a small group of investors that got in early." (*Id.*) To support his claim that SAFEMOON Tokens are valuable assets, he – once again – compares SAFEMOON Tokens to stock: "Just like Tesla, the product here is the company in which SAFEMOON coin represents, much like how a stock represents liquidity for Tesla."

240. On May 31, 2021, the Company posted a short video to its social media accounts generally promoting the SafeMoon "TOKENOMICS" with images indicating that investors would be happy to receive the SafeMoon Reflections.[129]

241. In another post that day, the Company continued its efforts to promote SafeMoon's "tokenomics" to investors, announcing that "Another exchange has enabled #SAFEMOON tokenomics."[130]

242. Notably, throughout May 2021 and June 2021, as the price of the SAFEMOON Tokens were near the all-time highs, Smith continued to sell off large portions of his SAFEMOON Token holdings and/or slowly draining SafeMoon's liquidity pool along with other Executive Defendants like Nagy and Karony. In particular, Smith sold at least over 80 billion of his pre-mined SAFEMOON Tokens for 900 BNB over this time period.

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[129] @SafeMoon 2.0 🚀, Twitter (May 31, 2021), https://t.co/RXFOFdpZ2C: "TOKENOMICS 🚀🌕 #SAFEMOON."

[130] @SafeMoon 2.0 🚀, Twitter (May 312, 2021), https://t.co/NNKuwT3irY: "ANOTHER EXCHANGE HAS ENABLED #SAFEMOON TOKENOMICS. @bitbns."

243. Upon information and belief, one of Smith's wallet addresses is 0x05d1C1 ("Smith Wallet 1").[131] Using this wallet as a starting point, a BSCscan search of Smith's transactions from this wallet show a series of transfers to other undisclosed wallets under his control and/or ownership.

244. For example, Smith Wallet 1 sent 100 Binance Coin ("BNB") – upon information and belief, these BNB tokens were either siphoned from the SafeMoon liquidity pool by Smith or a part of Smith's pre-sale SAFEMOON Tokens – to wallet address 0x05c02 ("Smith Wallet 2").[132] An hour later, Smith Wallet 2 transferred 99.99 BNB to a third wallet address that has received funds from Smith several times: 0x21d45.

245. At the time of this filing, wallet address 0x05c02 has over $110 million in various Binance-pegged tokens – with almost $39 million in BNB alone.[133] Much, if not all, of this money can be traced via the immutable blockchain back to Smith's conduct as a developer and selling of SAFEMOON Tokens.

246. On June 1, 2021, the Company attempted to reassure SAFEMOON Token investors, after four consecutive days of decreasing trading volume and downward selling pressure had caused the price of the SAFEMOON Tokens to drop. In a play on investors' emotions and feelings of goodwill, the Company published a post on Twitter that stated, "No rug pulls here," above a picture of several puppies with photoshopped SafeMoon badges.[134]

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[131] https://bscscan.com/address/0x05d1c1defa31c257d3206f2af99aa16dbbf05d46 (last visited Feb. 28, 2022).

[132] https://bscscan.com/address/0x5c0c255516423b64b21e5a2c7aaa8ab6bf3d0d91 (last visited Feb. 28, 2022).

[133] https://bscscan.com/address/0x21d45650db732ce5df77685d6021d7d5d1da807f (last visited Feb. 28, 2022).

[134] @SafeMoon 2.0 🚀, Twitter (June 1, 2021), https://t.co/r4ZpbmEoME: "🐶 #SAFEMOON SECURITY REPORTING FOR DUTY! 🚀 🌕."

247. On June 2, 2021, Arriaga published a video titled, "Hashex Safemoon Audit DEBUNKED," in response to the criticisms leveled in the Hashex report.[135] In the caption to this video, Arriaga stated:

> Hashex audit on Safemoon exposed in this expose. Is a SafeMoon Blockchain a possibility? I analyze a little of who Hashex is as well as their independent critical audit finds that were publicized and used to discredit SafeMoon. However, there are some holes in this logic as well as "who" Hashex is. ***While uncovering holes in the Hashex audit, I take you down the rabbit hole and reveal how SafeMoon has positioned itself to keep hold of its cards should they decide that a SafeMoon Blockchain is something to pursue. SafeMoon is encountering FUD from all directions. This may be due to the immense threat SafeMoon poses to those already in power positions in the Blockchain space***.

[Emphasis added.]

248. In the video itself, Arriaga downplayed the findings of the Hashex report, calling it, among other things, a "cheap shot" and dismissing the audit's finding that there was a critical issue in the code for the SAFEMOON Token that could result in the liquidity pool being drained.

249. Arriaga also stated that the Company had purposefully not "locked" the liquidity pool so that the Company would have the flexibility to deploy the capital within the liquidity pool to fund "innovative" projects instead of it being unavailable because it was locked up elsewhere.[136]

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[135] Arriaga, *Hashex Safemoon Audit DEBUNKED!*, YouTube (June 2, 2021), https://www.youtube.com/watch?v=rB1m7NiaekA.

[136] This statement by Arriaga demonstrates that the Company's earlier social media posts about having two liquidity pools locked until 2025 were misleading and simply meant to trick investors who were worried about the ability of insiders like the Executive and Promoter Defendants to run off with their money into believing that their investments in SAFEMOON Tokens were safe.

250. The promotional efforts of the Company and Arriaga were successful insomuch as trading volume rose approximately 40%, from $17.8 million on June 1, 2021, to $29.6 million on June 2, 2021.

251. On June 3, 2021, the Company again promoted the "tokenomics" of the SAFEMOON Tokens and promised investors that "Holding is Rewarding."[137] Another Twitter post from the Company that same day indicated that investors needed to "HODL" since "WE'RE ALL IN THIS TOGETHER! #SAFEMOON."[138]

252. The next day, the Company's Twitter account resumed its efforts to reassure investors and stabilize the trading volume of SAFEMOON Tokens. In particular, the Company posted an animated video of a SafeMoon "FUD Monster" being revealed to be a rat that runs away when exposed. The caption for this post states: "FUD MONSTER IN REALITY . . . #SAFEMOON#FAMILYNOT FUD."[139]

253. On June 5, 2021, Witriol was interviewed on a question-and-answer video that was uploaded to YouTube. During the interview, Witriol is identified as the "go to" person with the Company who knows "what's going on" with SafeMoon.[140] Witriol also touted the "tokenomics" of the SAFEMOON Tokens and that there is "a lot to look forward to" with the Company. He assured investors that there was a "low chance of a rug pull" because Karony would "lose his credentials" with the Department of Defense.[141]

254. On June 6, 2021, the Company thanked SafeMoon investors and boasted that SafeMoon was poised to increase significantly in price: "Above all

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137 @SafeMoon 2.0 🚀, Twitter (June 3, 2021), https://t.co/6cvThDmJ2Y: "HOLDING IS REWARDING 🚀🌕 #SAFEMOON."

138 @SafeMoon 2.0 🚀, Twitter (June 3, 2021), https://t.co/U1nYcRokGu.

139 @SafeMoon 2.0 🚀, Twitter (June 4, 2021), https://t.co/T9GHP81D87: "FUD MONSTER IN REALITY. . . 🐭 #SAFEMOON #FAMILYNOTFUD https://t.co/T9GHP81D87."

140 *See* fn.5, *supra*.

141 *Id.*

other projects and tokens, SafeMoon has proved one thing . . . cryptocurrency may be young but very much on route to the moon."[142]

255. On June 7, 2021, Karony announced that the Company had "identified glaring security gaps with a lot of wallet providers" and was in the process of "integrating game changing encryption into the wallet." Karony then unambiguously declared that, "The SafeMoon wallet will be one of / if not the strongest wallets on the market. #SAFEMOON is the #Evolution!"[143]

256. Karony went on to state that, "[w]e have come to the conclusion that it's just better to do things yourself," indicating to investors that SafeMoon decided to create its own wallet due to the vulnerabilities in existing cryptocurrency wallets.[144] Karony also alluded to the "crypto world" being "ironically archaic, and toxic," and hinting that "someone" was copying SafeMoon while simultaneously trying to "cyber bully and attack" Defendants.

257. That same day, June 7, 2021, Arriaga released another so-called exposé video that attacks another YouTuber for warning investors that the SAFEMOON Tokens were a "$500 million dollar scam" and generally "shilling FUD about well-meaning companies" like SafeMoon.[145]

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[142] @SafeMoon 2.0 🚀, Twitter (June 6, 2021), https://twitter.com/safemoon/status/1401617178638622724?s=20&t=4i0FP5_ox1QpuQ-AX5Otzw: "To all our loyal HOLDERS! Thank you . . . you have been there on our ups and our downs, #SAFEMOON is a community. . . a family. Above all other projects and tokens safemoon has proved one thing. . . cryptocurrency maybe young but very much on route to the moon 🚀🌕."

[143] Karony (@CptHodl), Twitter (June 7, 2021), https://twitter.com/CptHodl/status/1401904812409696257?s=20&t=0JHKaogN0eltPoTdU6K_6g: "We also identified glaring security gaps with a lot of wallet providers. We are integrating game changing encryption into the wallet. The SafeMoon wallet will be one of / if not the strongest wallets on the market. #SAFEMOON is the #Evolution!"

[144] Karony (@CptHodl), Twitter (June 7, 2021), https://twitter.com/CptHodl/status/1401909541105774598: "We have come to the conclusion that it's just better to do things yourself. The crypto world is ironically archaic, and toxic. Someone copies what you did, then repeatedly tries to cyber bully and attack you. Stop. When one wins we all win. Other tokens are not the enemy."

[145] Arriaga, *Safemoon redeemed a 3rd time*, YouTube (June 7, 2021), https://www.youtube.com/watch?v=G8QJm6_aKgw.

258. These various efforts by Arriaga at damage control allowed Defendants to increase and/or stabilize the trading volume for a short period of time.

259. On June 11, 2021, Karony announced that he was "[h]appy to say [the SafeMoon team is] smashing out our internal deadlines." Karony then hinted at imminent release dates for promised features for "the Wallet, exchange and more importantly Operation Pheonix."

260. In another public post from the same day, the Company's official Twitter account bragged, "WE SAID WE'D BRING YOU A SHOW! THE #SAFEMOONWALLET IS JUST THE BEGINNING . . . ."[146]

261. On June 13, 2021, Karony, in an apparent effort to have investors associate SAFEMOON with the popular cryptocurrency Dogecoin and its unofficial ambassador, Elon Musk, cited to the Company's Chief Blockchain Officer, Thomas Smith, and his being "involved with the Doge Coin x SpaceX partnership."[147]

262. That same day, Arriaga released a purported exposé video titled, "Crypto Genesis spreads FUD about SafeMoon – DEBUNKED," wherein he again dismissed criticisms about SafeMoon as invalid "FUD" and threatened to expose anyone speaking negatively about the Company.[148]

263. On June 21, 2021, Arriaga released his sixth and final video on *the FUD Hound YouTube* channel, which was titled, "Matt Wallace bashes Safemoon and

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[146] @SafeMoon 2.0 🚀, Twitter (June 7, 2021), https://twitter.com/safemoon/status/1403431640777510916?s=20&t=HSZFEiryLjHn9PrjFQP1xw: "WE SAID WE'D BRING YOU A SHOW! THE #SAFEMOONWALLET IS JUST THE BEGINNING. . . 🚀🌕."

[147] Karony (@CptHodl), Twitter (June 13, 2021), https://twitter.com/CptHodl/status/1404104687566086149?cxt=HHwWioCzncXxsPwmAAAA: "We have no issues with Doge Coin. Fun fact, the SafeMoon Chief Blockchain Officer was involved with the Doge Coin x SpaceX partnership. So yes, you will be able to hold Doge on #SAFEMOONWALLET. That's where I'll be holding mine. #SAFEMOON is the #Evolution!"

[148] Arriaga, *Crypto Genesis spreads FUD about Safemoon – DEBUNKED*, YouTube (June 13, 2021), https://www.youtube.com/watch?v=zSbbt_JralU.

then gets destroyed!" with a laughing face emoji.[149] In the caption to the video, Arriaga claims that SafeMoon critic Matt Wallace's research was "lazy and misleading." Then, in an apparent attempt to persuade investors into ignoring Wallace's warnings about the SAFEMOON Tokens, Arriaga attempted to whip up a mob mentality within the SafeMoon community, by encouraging them to "witness [Wallace] getting owned on a live-stream as he comes unprepared with zero facts" and to "[w]atch this epic display of failure as this FUDster gets exposed."[150]

264. In July 2021, Arriaga "officially" joined the Company as its Global Head of Products.

265. On July 14, 2021, Witriol participated in an "Ask Me Anything" interview ("AMA") wherein he made numerous statements on behalf of the Company.[151] For example, in response to a question from a SAFEMOON Token investor about the Company's prospects, Witriol stated that he was "more excited now than when I joined the team" and that investors were "gonna like what you hear" in the near future.[152]

266. Witriol went on to declare that he was "[m]ore bullish now than I was two weeks ago before I joined the team."[153] This statement is at odds with Witriol's earlier comments that he was with the Company since "day one or day two" when he met with Karony.[154] Upon information and belief, Witriol knew that his statements about the Company's prospects and him only joining the Company "two weeks ago" were false when he made them. In particular, Witriol appears to have

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149 Arriaga, *Matt Wallace bashes Safemoon and then gets destroyed!* 😂, YouTube (June 21, 2021), https://www.youtube.com/watch?v=z0qVSbwSnEc.

150 *Id.*

151 *SAFEMOON SHAUN WITRIOL TWITTER SPACES AMA (FULL) 7/14/21*, YouTube (July 15, 2021), https://www.youtube.com/watch?v=ow0M9bh1mNE.

152 *Id.*

153 *Id.*

154 *See* fn. 5, *supra*.

made the latter statement in an effort to distance himself from the Company and the other Executive Defendants.

267. Within a month of Witriol's AMA interview and in the final weeks before the promised launch of the SafeMoon wallet (*i.e.*, August 2021), Witriol left the Company.

268. Around the same time, the price of SAFEMOON Tokens was dropping precipitously due to immense downward selling pressure for large holders. "SafeMoon has witnessed whales dumping in large proportions from June to July 2021."[155] As reported in the *International Business Times* article, "*Mysterious SafeMoon Investor Dumps 2.4 Trillion Coins, Value Falls 28% in the Day's Trade*," the value of the SAFEMOON Tokens dropped 28% on July 31, 2021 in "the largest sell-off for July 2021," caused by a "domino effect of panic selling." In response to this, Phillips took to Twitter on August 2, 2021, to talk tough to the unknown whale who sold the 2.4 trillion SAFEMOON Tokens stating, "F***ING IRRESPONSIBLE WHALE. . . I HOPE YOU GET HIT BY A BUS."[156] Neither the Company, nor the Executive Defendants denounced Phillips' statement or even commented on it at all.

269. The price and trading volume for the SAFEMOON Tokens began to stabilize after the Company and the Executive Defendants began promoting the scheduled SafeMoon wallet launch more aggressively in the lead up.

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[155] Vinod DSouza, *Crypto Influencer Ben Phillips Wishes Death to SafeMoon Whale: 'I Hope you Get Hit by a Bus,'*, INTERNATIONAL BUSINESS TIMES (Aug. 2, 2021), https://www.ibtimes.sg/crypto-influencer-ben-phillips-wishes-death-safemoon-whale-i-hope-you-get-hit-by-bus-59293.

[156] *See* Vinod DSouza, *Mysterious SafeMoon Investor Dumps 2.4 Trillion Coins, Value Falls 28% in the Day's Trade,'* INTERNATIONAL BUSINESS TIMES (July 31, 2021), https://www.ibtimes.sg/mysterious-safemoon-investor-dumps-2-4-trillion-coins-value-falls-28-days-trade-59232.

270. On August 14, 2021, the Company's Twitter account posted a minute-long video advertisement for the SafeMoon wallet.[157] The video told investors that:

- "It's time to get serious about the SAFEMOON wallet"
- "We take intuitive design, and strive for perfection"
- "The future of trading is here"
- "Ease of use built for all"
- "Full Launch 28th of August"
- "Available on Android and iOS"

271. Following the release of this commercial, ***trading volume for SAFEMOON Tokens almost quadrupled*** from $11.4 million on August 14, 2021 to $43.7 million on August 16, 2021.

272. On August 20, 2021, Way touted the financial benefits of investing in SafeMoon (and SafeMoon-related services like the SAFEMOON Tokens?) to his Twitter followers, stating, among other things, that he was "getting paid out in @SafeMoon constantly. . . ."[158]

273. The trading volume for SAFEMOON Tokens increased following Way's promotion, going from $14.6 million on August 19, 2021, to $20.8 million on August 20, 2021 (a 42% increase).[159]

274. On August 19, 2021 and August 24, 2021, Karony stated, on his personal Twitter account, that he was "Looking forward to #SAFEMOONWALLET launch on August 28th!"[160]

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[157] @SafeMoon 2.0 🚀, Twitter (Aug. 14, 2021), https://t.co/atarzOUuX7: "THANK YOU FOR ALL THE SUPPORT ON THE JOURNEY TO THE #SAFEMOONWALLET LAUNCH 🚀🌕 COMING SOON AUGUST 28TH."

[158] Way (@souljaboy), Twitter (Aug. 20, 2022), https://twitter.com/souljaboy/status/1428847986759462917?lang=en.

[159] *Id*.

[160] Karony (@CptHodl), Twitter (Aug. 24, 2021), https://t.co/m9CrVLGy9L: "1 million followers in under 6 months. This is a huge achievement. Looking forward to the #SAFEMOONWALLET launch on August 28th. Let's evolve together! #SAFEMOON #SAFEMOONARMY"; *id*.: "Meetup at the billboard? Looking

275. The trading volume rose in the days leading up to the launch of the SafeMoon wallet from $13.5 million on both August 19 and 24 up to $54.6 million on August 28 – an increase of over 300%. That day, August 28, 2021, Portnoy tweeted: "#safemoon is going parabolic." He had affirmed just ten days earlier that he continued to hold 4.5 billion SAFEMOON Tokens and stated on September 2, in an interview on Fox Business, that he was not going to sell his SAFEMOON Tokens.

276. On August 28, 2021, the Company repeatedly announced on its social media platforms that the launch of the SafeMoon wallet was scheduled for that day at 4PM EST. But when the moment for the launch arrived, the Company did not release the SafeMoon wallet as previously promised.

277. The Company released the following statement concerning the failed release of the SafeMoon wallet:

> Wallet Update
>
> SAFEMOONARMY – Thank you for bearing with us!
>
> We've experience unforeseen technical issues on launching all 3 products at the same time (website buy & swap, android wallet & IOS wallet).
>
> We're working around the clock to fix the issues and to ensure we give you the quality experience you deserve. So we can manage demand, will be releasing each product in a staggered approach (one by one) – starting with the website buy & swap function – today.
>
> We apologise for the delay. We hear all of you. We can't wait to bring you all home.[161]

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forward to #SAFEMOONWALLET launch on August 28th! #SAFEMOON is the #Evolution!"

[161] @SafeMoon 2.0 🚀, Twitter (Aug. 28, 2021), https://twitter.com/safemoon/status/1431737961796747267?s=20&t=asnTTweZ9AovC9VEdUFRwQ.

278. After two days without the promised release of the wallet function, the Company disseminated a second announcement on August 30, 2021, regarding the delay:

> Wallet Update
>
> What's the hold-up? #SAFEMOON
>
> Here's a #SAFEMOONWALLET update from CEO John Karony.
>
> Hype and FUD to one side, here is more detail on what happened over the last 48 hours:
>
> As you know, we worked extensively towards the wallet launch on the 28th of August. However, the technical issues experienced at 4:00PM (BST) created unforeseen side effects that the product development teams have been unable to resolve yet (for re-approval from Apple & Google). No reasons for an unsuccessful launch were bought to my attention prior to 4PM, and for that I apologise as I promised you, our community a product worth waiting for. It's still coming, we just have to wait a bit longer. If I had been made aware of the issues now known, the launch would not have gone ahead.
>
> Our aim is to deliver the safest wallet on the planet – we won't launch any product unless it's the best it could possibly be, for you.
>
> We have all been working around the clock to address the technical issues and have come to the conclusion that ***we need to delay the wallet launch. I have been reassured by SAFEMOON's Global Head of Product [i.e., Defendant Arriaga] that this will be fixed swiftly and efficiently,*** and we have the utmost confidence it will.
>
> ***All SAFEMOON staff are on hand to support the Global Head of Product and make sure he has endless resources to deliver the wallet.***

> The wallet launch is my utmost priority and I am committed to get you an update as soon as I can. We are all disappointed. But our focus remains on ensuring you get the wallet you deserve.
>
> Thank you for your continued support and patience. The wallet is coming and it will be worth the wait.
>
> We are family, we are SAFEMOON.[162]

[Emphasis added.]

279. The price of the SAFEMOON Token, and its trading volume, plummeted in the wake of the failed launch of the wallet. The price went from a high of $0.00000355 to a low of $0.0000014 (a 60.5% decrease). The Company and the Executive Defendants nevertheless continued to dangle the prospect of the wallet out to investors in order to continue to unload more of their portion of the Float.

280. On September 6, 2021, the Company's Twitter account reposted a tweet from Arriaga, telling investors that "#SAFEMOONWALLET is imminent!" In the caption to this re-tweet, the Company credited this statement from Arriaga as being from the "Dev himself"[163] (*i.e.*, the developer of the SafeMoon wallet). Smith reposted this announcement on his Twitter account, as well.[164]

281. The trading volume of SAFEMOON Tokens once again spiked as a result of the announcements by the Company itself and Arriaga, going from $12.5 million on September 5, 2021 (the day before the promotions about the SafeMoon wallet) up to $38 million on September 10, 2021 – ***a 200% increase in trading volume***.

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[162] @SafeMoon 2.0 🚀, Twitter (Aug. 30, 2021), https://t.co/0GGN7mFQIS: "UPDATE ON THE #SAFEMOONWALLET 🚀 🌕 #SAFEMOON."

[163] @SafeMoon 2.0 🚀, Twitter (Sept. 6, 2021), https://twitter.com/safemoon/status/1434855369394860033?s=20&t=CTlBkiT2WMEr75TWa-S91A: "From the Dev himself the #SAFEMOONWALLET is IMMINENT 🚀 🌕."

[164] *Id*.

282. On September 9, 2021, the Company's Chief Technology Officer, Hank Wyatt, announced his resignation on Twitter.[165] Following his departure, Wyatt was interviewed about why the SafeMoon wallet failed to launch and the reasons for his departure.[166] According to Wyatt, the development team for the SafeMoon wallet were hired by the "business leads not the developmental leads."

283. Wyatt also explained how he found out about the SafeMoon project on the social media platform Discord in the early days of the Company's formation. Wyatt disclosed that two "old Safemoon moderators" that Wyatt "knew" – apparently displeased with his departure from SafeMoon and, as a result, "set him up" with "targeted questions" – had secretly recorded two conversations "without [his] permission."[167] Apparently feeling threatened with a forced exposure, Wyatt admits to having invested $9,000 to join in the Company "in the beginning." He learned about it on Discord and "went with it."

284. In the recording, Wyatt informs those on the call that his next project – the Piggy Token project, which included Smith and Nagy – would make all of those insiders who had acquired the Piggy Tokens during a pre-sale event "filthy rich."[168] Wyatt noted that with the Piggy Token, the creators would not be able to "rug" the

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[165] Wyatt (@Hankusun), Twitter (Sept. 9, 2021), https://twitter.com/Hankusun/status/1436043090754744331?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1436043090754744331%7Ctwgr%5E%7Ctwcon%5Es1_&ref_url=https%3A%2F%2Fcryptoslate.com%2Fsafemoon-cto-resigns-fueling-rumors-of-disquiet-within-the-company%2F: "Leaving my position on Safemoon was definitely a difficult decision, the hardest I've ever had to make. However, I'm excited for the future and can't wait for the next chapter of my life to begin!"

[166] Control Crypto. *HANK TALKS FUTURE OF SAFEMOON! WHY HE QUIT, PIGGYBANK, WALLET LAUNCH FAILURE, DDOS ATTACKS!*, COINMARKETBAG (Sept. 30, 2021), https://coinmarketbag.com/hank-talks-future-of-safemoon-why-he-quit-piggybank-wallet-launch-failure-ddos-attacks/.

[167] *Id.*

[168] Henry Wyatt (@de_crypto_mole), Twitter (Sept. 12, 2021), https://twitter.com/de_crypto_mole/status/1436952213335707649?s=20&t=v5zpGnlyOvSFqBg23Sitaw: "Hank from @safemoon outing the entire team on Piggy. This is sick and have taken advantage of the entire community. @PapasB0y @PapasB0y @LynnShelbyL @NotLotusEater @Not_Ryan_Dunn @darrenrobinson."

liquidity (*i.e.*, deplete the funds allocated to the liquidity pool), which was possible with SafeMoon.[169]

285. As for his work at the Company, Wyatt complained that he and Smith "did not get to code anymore" in their respective roles as officers of the Company.[170] Instead, according to Wyatt, as CTO, his job was to "manage things" which "didn't take that much time."[171] Wyatt stated that Smith was only working "15 hours a week" on SafeMoon; thus, the two of them could devote "80 hours" to the Piggy Token and other non-SafeMoon projects.[172]

286. Wyatt also explained that he and Smith also had all of the marketing for Piggy Token completed, with several months-worth of social media posts already created and ready to disseminate.[173] One of the other individuals asked Wyatt if these pre-fabricated media posts ("4 posts per day for the first two months were already" done) were going to be spell checked.[174] This question referenced the announcement that SafeMoon had made regarding the "deliberately misspelled" event "Project Pheonix." Wyatt responded by mocking the Company's marketing errors, saying "Yeah, we don't have a dumb, fat brit doing it" this time – presumably alluding to Phillips' hamfisted promotional activities with SafeMoon.[175]

287. Wyatt went on threaten that it was in Karony's "best interest" to pay Wyatt a $3 million severance package.[176] Wyatt stated that he had the "keys" to the Company's Discord account, so "if John wants to get spooky" and not pay the severance, Wyatt could "just rename it," "delete every channel," and reroute

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169 *Id.*

170 *Id.*

171 *Id.*

172 *Id.*

173 *Id.*

174 *Id.*

175 *Id.*

176 *Id.*

individuals looking for SafeMoon to the Piggy token webpage instead.[177] Wyatt claimed to be "forcing [Karony's] hand" because Wyatt claimed to have ownership rights over "everything," including the Company's official Twitter account and, more importantly, the Company's domain name and website.[178] Wyatt joked that Karony could "his paperweight or he can pay be fair wages."[179] Wyatt disclosed his purpose for seeking the million-dollar payout from SafeMoon: "I want my house" and that he wanted the severance to cover the $500,000 he was planning on investing in the Piggy token project.[180]

288. In an interview with Wyatt, after the audio recordings were threatened to be leaked online, Wyatt attempted to do some damage control with respect to his recorded statements. Wyatt claimed the recording showed him making a comment about how he was displeased with SafeMoon because he "didn't get a raise" and "didn't want to work weekends." After admitting this during the interview, Wyatt later expresses frustration at the amount of work that he was supposed to do at the Company and, in particular, with respect to the SafeMoon wallet. In response to a question on whether he left because it was too much work for him, Wyatt stated that he had been "dedicating all of his time at SafeMoon and didn't want to do it anymore. I had done it for six months. That was enough for [him]." Later in the interview, Wyatt said that he "felt undervalued" by the Company.[181]

289. Wyatt later admitted that he sold a "decent amount" of his SAFEMOON Tokens "120 something days ago." He further disclosed that he did not gain his SAFEMOON Token holdings from working at the Company, but rather that he acquired them through his own money and being "gifted some Safemoon

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[177] *Id.*

[178] *Id.*

[179] *Id.*

[180] *Id.*

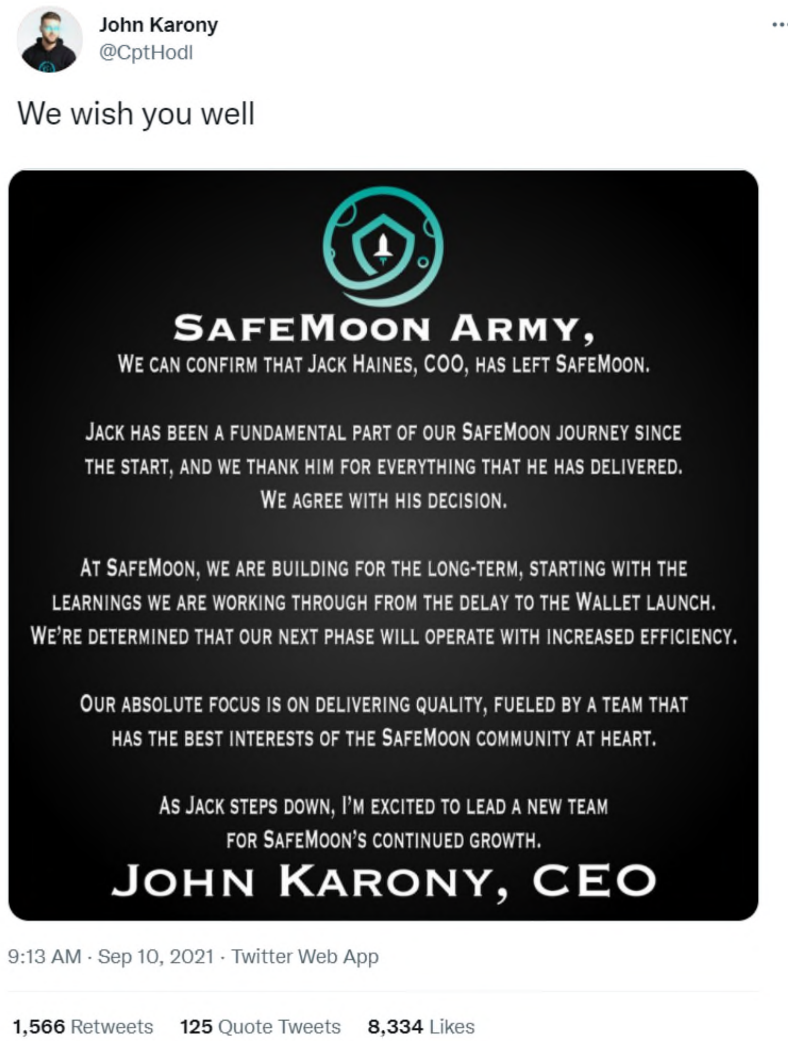
[181] *See* fn.166, *supra*.

from friends." With the interview taking place on or about September 30, 2021, this would place Wyatt's SAFEMOON Tokens sales around late May/early June of 2021. As the following chart shows, this would be around the same time that the price of SAFEMOON Tokens was rebounding briefly before plunging down further:

290. Upon information and belief, Wyatt knew or should have known that the SafeMoon wallet launch would not be occurring within the timeframe the Company announced and because of this, sold his SAFEMOON Tokens to unsuspecting investors before the further delays for the wallet launch were uncovered and the price of the SAFEMOON Tokens took a corresponding hit.

291. The day after Wyatt announced his resignation, on September 10, 2021, the Company released the following announcement[182] that Haines-Davies was also stepping down from his position as COO and would be leaving SafeMoon:

[182] Karony (@CptHodl), Twitter (Sept. 10, 2021), https://t.co/7Cz562GkgC: "We wish you well."



292. The cryptocurrency news blogs speculated that, because the Company did not give any details as to the circumstances behind Defendant Haines-Davies' departure and given the time of his resignation, the reason Haines-Davies left the Company was due to its failure to deliver the SafeMoon wallet on the promised schedule.[183] Haines-Davies' Twitter profile timeline appears to confirm this. On August 30, 2021, Haines-Davies reposted the Company's wallet update message regarding the "hold up" with delivering the wallet when promised. Haines-Davies' next post was his September 10, 2021 announcement that he was leaving the

[183] Jack Haines, *COO and Co-founder of SafeMoon Dumped the Project*, NaijaBlog (Sept. 10, 2021), https://naijablog.ng/2021/09/10/jack-haines-coo-and-co-founder-of-safemoon-dumped-the-project/.

Company.[184] In that post, Haines-Davies stressed that he needed to "remove" himself from "toxic environments."

293. An article in the International Business Times titled *SafeMoon Developers Flee at Slightest Sign of Trouble, Top Honchos Resign over Wallet Fiasco* questions Defendant Haines for "flee[ing] at the slightest trouble instead of working towards correcting the missteps of SafeMoon" and whether he "was unable to handle work pressure for just six months as the COO of SafeMoon. . . ."[185] The article further observed:

> When a company fails to deliver on a product and announces "technical issues" hours before the release while marketing the same product on billboards for weeks using investors money; the top heads are most likely asked to resign and the same has happened with SafeMoon. Along with Haines, Wyatt, a software engineer of the company, also resigned the same day.[186]

294. The price of the SAFEMOON Tokens dropped after this announcement, going from a close of $0.000000153 on September 9, 2021 to the low for the day of $0.00000119 on September 10, 2021.

295. In the wake of Haines-Davies' departure, other executives at the Company left under similar circumstances.

296. For example, on September 10, 2021, Smith, in an apparent response to the string of high-profile departures from the Company, stated on his personal Twitter account: "THE SHOW GOES ON."[187] That same day, Smith posted a clip

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[184] Haines-Davies (@jackhainesuk), Twitter (Sept. 10, 2021): "Dear #SAFEMOON https://t.co/eU64JoF9cI" / Twitter.

[185] Vinod Dsouza, *SafeMoon Developers Flee at Slightest Sign of Trouble, Top Honchos Resign over Wallet Fiasco*, INTERNATIONAL BUSINESS TIMES (Nov. 8, 2021), https://www.ibtimes.sg/safemoon-developers-flee-slightest-sign-trouble-top-honchos-resign-over-wallet-fiasco-60161.

[186] *Id*.

[187] Smith (@papacthulu), Twitter (Sept. 10, 2021), https://twitter.com/papacthulu/status/1436324460903243778?s=20&t=WJt3_7ruyHQtbxm2OykCHQ.

from the movie "The Wolf of Wall Street," wherein the main character defiantly announces, "I'm not leaving."[188]

297. On September 11, 2021, Ginger posted a message on Twitter to the SafeMoon community: "#SAFEMOONARMY what if I told you your wallet was delayed because some of your devs were distracted making their own? What if it was a wallet that directly competed with Safemoon? He can't leave Safemoon if he mentally checked out months ago. #followthewallets"[189] Upon information and belief, Ginger was referencing Smith here and Smith's failure to complete the SafeMoon wallet on time, due to his being too busy working on the Piggy token.

298. On November 5, 2021, Smith issued a statement on his personal Twitter account: "Bullish on the team, I love working @safemoon."[190] Karony publicly replied to this message with a GIF image signifying agreement and the power of brotherhood.[191] Just under three weeks later, Karony announced that Smith was leaving the Company.[192]

299. Around the same time that numerous Company executives were abandoning SafeMoon rocketship, Karony made the following statement about the Company's identity as a cryptocurrency project on the SafeMoon account on Discord: "SafeMoon is NOT token project. We are a tech company, that uses

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[188] Smith (@papcthulu), Twitter (Sept. 10, 2021), https://twitter.com/papacthulu/status/1436324040650760195?s=20&t=WJt3_7ruyHQtbxm2OykCHQ.

[189] Ginger (@TheGingerRBTC), Twitter (Sept. 11, 2021), https://twitter.com/TheGingerRBTC/status/1436865402831732738?s=20&t=A9Z3BOmDCPm1XRascXTqPQ.

[190] Smith (@papacthulu), Twitter (Nov. 5, 2021), https://twitter.com/papacthulu/status/1456818387322036230?s=20&t=G-394qt2e5FNZ9F6fecquw: "Bullish on the team, I love working at @safemoon."

[191] Karony (@CptHodl), Twitter (Nov. 5, 2021), https://t.co/96OYsVD1TJ.

[192] Karony (@CptHodl), Twitter (Nov. 23, 2021), https://twitter.com/CptHodl/status/1463150393160990725?s=20&t=trjCS8pVW1C-M1f6iksEqw.

SafeMoon as the connecting agent in our ecosystem."[193] Karony followed that post, clarifying that SafeMoon as a "blockchain innovation company."[194]

300. On November 22, 2021, the Company's official Twitter account promoted the We're All Gonna Make It coin" ("WAGMI") – a highly speculative digital asset (similar to Dogecoin) that was trending at the time.[195]

301. Way again promoted SafeMoon's activities, warning investors: "Safemoon just tweeted about WAGMI. Don't miss the rocket."[196]

302. In the following weeks, the price and trading volume of the SAFEMOON Tokens continued to fall despite the promotional efforts of Defendants. Something else had to be done to keep the funding in the liquidity pool and ill-gotten gains in Defendants' wallets.

Outright Theft Under the Veneer of a Token Swap

303. Not satisfied with the ill-gotten profits they already made throughout 2021 from their SAFEMOON Tokens sales, the Executive Defendants, in particular, Karony, shifted to a different way to fleece their investors: the hard fork scam.

304. The hard fork scam is fairly straightforward despite the technological jargon. The term "hard fork" as it relates to blockchain technology describes a "radical change to a network's protocol" and "requires all nodes or users to upgrade to the latest version of the protocol software."[197] Essentially, with a hard fork, the

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[193] A screenshot of Karony's statements from his Discord account was uploaded on the SafeMoonInvesting subreddit account and can be found at: https://www.reddit.com/r/SafeMoonInvesting/comments/sxsggw/blockchain_innovation_company/.

[194] *Id*.

[195] @SafeMoon 2.0 🚀, Twitter (Nov. 22, 2021), https://twitter.com/safemoon/status/1461460219251380229?s=20&t=mwc81B1H_z3uloVjS68mcw: "WAGMI."

[196] Way (@souljaboy), Twitter (Nov. 22, 2021), https://twitter.com/souljaboy/status/1462956016388083713?lang=en.

[197] Jake Frankenfield, *Hard Fork (Blockchain)*, INVESTOPEDIA (June 24, 2021), https://www.investopedia.com/terms/h/hard-fork.asp#:~:text=What%20Is%20a%20Hard%20Fork,version%20of%20the%20protocol%20software.

blockchain will no longer proceed in one line, but rather it will have two branches: one that follows the previous protocol and one that follows the new version. "Generally, after a short time, those on the old chain will realize that their version of the blockchain is outdated or irrelevant and quickly upgrade to the latest version."[198]

305. "The scammer only makes money with the hard fork scam if lots of people hear about it, so they trick people into spreading their scam by promising them additional free coins from the fork."[199] Those behind the scam will also require people to join the project's various social media accounts, "which makes it look like there is more active community behind the project than there really is."[200] Those following these directives for the purpose of receiving additional tokens for "free" do not know the actual value of these coins until after launch.

306. While this first phase of a hard fork scam resembles a kind of pump and dump scheme wherein the scammer artificially inflates the price and volume in order to sell of their pre-sale holdings, the second phase is more akin to outright theft. Usually, the scammer will assure everyone that they can use their own wallets to be able to claim the hard fork, but they cannot hold the coins on an exchange. This is "setting up for a sleight of hand later which is designed to steal your secret keys" to open your wallets and steal the tokens within.[201]

307. As the name emphasizes, the private keys to an investor's cryptocurrency wallet are meant to be kept "secret." These keys are the final failsafe against theft of one's cryptocurrency. "Most people are used to operating in the context where if a password is compromised, even for a bank account, usually the

198 *Id.*

199 StellarGuard, *Anatomy of a Stellar Scam: The Hard Fork*, MEDIUM (Dec. 8, 2018), https://medium.com/stellar-community/anatomy-of-a-stellar-scam-the-hard-fork-4ac89808fd38.

200 *Id.*

201 *Id.*

damage is at least somewhat reversible. Crypto is different: if you share your private keys, you lose ***everything***. There is no recourse for getting back your stolen bitcoin, ether, or other tokens."[202] This is a foundational truism for investing in digital assets, and given its vital importance, many in the crypto community believe that the "first rule of crypto" is to "never, ever, EVER share your private key."[203]

308. On December 12, 2021, Karony posted the following message on his personal Twitter account: "Shoutout to our brilliant community, the product team and all #SAFEMOON employees for all the hard work these past 9 months, looking forward to the next 9 of evolution. Always out front! #SAFEMOONV2 is the #Evolution." Karony also posted some frequently asked questions about the V2 Migration and provided answers on the Company's behalf.[204]

309. That same day, a developer by the name of SafeMoon LLC (the same name as one of the SafeMoon entities that was quietly created by Karony) announced and facilitated a hard fork of the SafeMoon protocol, which was referred to as the "V2 Migration."

310. The V2 Migration related to the Company's efforts to transfer the value of the V1 SAFEMOON Token and its associated liquidity pool into the newly minted V2 SAFEMOON token and its associated liquidity pool(s). The V1 SAFEMOON Token was a part of the liquidity pool that was used when the Company launched. V2 SAFEMOON Token was created on April 24, 2021.

311. Notably, the smart contract that applies the 5% liquidity tax on all SAFEMOON Token transactions – which Defendants stated would serve as

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[202] Dan Elitzer, *Opinion – Friends Don't Let Friends Do Bad Crypto*, COINDESK (Nov. 17, 2017), https://www.coindesk.com/markets/2017/11/17/friends-dont-let-friends-do-bad-crypto/.

[203] *Id.*; William C., *NEVER Share Your Private Keys!*, MEDIUM (Aug. 3, 2018), https://medium.com/@deathd0tcom/never-share-your-private-keys-d117471fda07 ("Remember, no one should ask you for your Private Keys and you should never share them with anyone!").

[204] Karony (@CptHodl), Twitter (Dec. 12, 2021), https://twitter.com/CptHodl/status/1470053508443475973?s=20&t=szGCN Kn90fZ3Mf17c_ZQzw.

automatically-generated liquidity for SAFEMOON Token transactions – also had a particular wallet address written into the code: the wallet address that supplied the V1 liquidity pool. This means that although swapping can (and does) occur on the V2 liquidity pool, the actual funding is still deposited into the V1 liquidity pool. If the V1 liquidity pool's funds are not migrated to the V2 liquidity pool, then those funds become effectively useless for their intended purpose.

312. By designing the dueling liquidity pool structure like this, the Company nullified one of the key selling points within its whitepaper. Specifically, the Company's change undercut its promised "solution" to the problem of liquidity provisioning as described in the Company's whitepaper:

> Historically, developers created incentives aimed at users to provide liquidity which can be outweighed by risk due to the subjectivity of impermanent loss. As a solution, we propose utilizing a smart contract function to automatically capture liquidity to be used on the decentralized exchanges and held in custody independent from user possession.
>
> * * *
>
> Problems arise when the liquidity pool provider loses the incentive to add tokens into the pool, which occurs after the token pair is subjected to impermanent loss resulting from arbitrage.
>
> As a solution, Liquidity can be taken as a function of the smart contract using market activity from all swaps and transfers. A portion of these swaps and transfers will be captured by the smart contract and utilized with the function: "_swapAndLiquify." For this to happen, the portion of the 5% fee from swap and transfers can be kept in a standalone pool within the contract itself and automatically converted to the liquidity

pool after the token count reaches a threshold, set at 500 billion tokens.[205]

313. The only transfer of value from the V1 liquidity pool to the V2 liquidity pool occurred on May 12, 2021 when the Company cashed in LP Tokens from the V1 liquidity pool and transferred that liquidity in the V2 liquidity pool.[206] Conversely, the SafeMoon LLC wallet address 0x79c4af has and continues to receive transfers of value from the V1 liquidity pool.[207] Those funds then remain in that wallet instead of being transferred and/or converted into the V2 liquidity pool.

314. The Company promoted the V2 Migration as an offer to investors holding the VI SAFEMOON Tokens would be given a 1000:1 conversion rate of V2 SAFEMOON Tokens. Defendants encouraged investors to download a new SafeMoon wallet (which finally debuted after long delays and technical difficulties) and then directly transfer their V1 holdings into the new wallet. After the SAFEMOON Tokens arrived in the new wallet safely, investors were directed by the Company to convert the V1 SAFEMOON Tokens into V2 SAFEMOON Tokens while inside the new wallet.

315. Unbeknownst to investors, when they complied with the Company's instructions, they were also charged an undisclosed 10% processing fee or "tax" when making these transactions.[208]

316. After receiving complaints from investors who were surprised by the tax, the Company reduced the fee amount from 10% to 2%. This, in turn, caused an arbitrage-like event wherein investors could purchase the V1 SAFEMOON Tokens

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[205] *See* fn.18, *supra*.

[206] https://bscscan.com/tx/0xe8a786a9334553fc575bc0df8ddabdbd0e9296c23c07dac5be489dedd2bee912; https://bscscan.com/token/0xff3dd404afba451328de089424c74685bf0a43c9?a=0x79c4af7c43f500b9ccba9396d079cc03dfcafda1#tokenAnalytics (last visited on June 27, 2022).

[207] https://bscscan.com/address/0x79c4af7c43f500b9ccba9396d079cc03dfcafda1 (last visited on June 27, 2022).

[208] *See* @SafeMoon 2.0 🚀. Twitter (Dec. 18. 2021). https://twitter.com/safemoon/status/1472174876429586432?s=20&t=szGCNKn90fZ3Mf17c_ZQzw.

at a lower price than V2 SAFEMOON Tokens and then convert those V1 SAFEMOON Tokens into exponentially more V2 SAFEMOON Tokens due to the 1000:1 conversion rate minus the minimal 2% fee. The Company then increased the fee amount back to 10%, but this did not remove the dangers the Company's previous attempt to encourage the migration from V1 to V2 tokens had created.

317. In the following days, the Company raised and lowered the fee percentages repeatedly.[209] But the first phase of the hard fork scam and related growth strategy that the Karony devised with the V2 Migration had opened pandora's box. Many investors had faithfully held on to their SAFEMOON Tokens despite the rug pull that Nagy, Smith, Haines, Wyatt, and the Promotor Defendants orchestrated in 2021 because of the Company's and Karony's repeated reassurances that the proverbial SafeMoon rocketship was still on course to the moon.

318. By the time the V2 Migration was under way, many of those faithful "hodlers" had suffered massive unrealized losses and the favorable conversion rate offered a way for investors to mitigate their losses by buying ***more*** V1 SAFEMOON Tokens in an effort to average down their respective dollar cost averages. The Company and Karony's greed could not let this stand.

319. In response, the Company and Karony engaged in a media campaign push to have the remaining V1 SAFEMOON Token holders transfer to V2 ***and*** to stop buying more V1 SAFEMOON Tokens. They offered investors a "migration" portal to achieve this. The major problem was that, in order to use the migration portal, the Company required SafeMoon investors to break the "first rule of crypto." V1 SAFEMOON Token holders were told to share their private keys to their existing wallets with SafeMoon's barely-field tested, proprietary software wallet (which has

[209] *See* @SafeMoon 2.0 🚀, Twitter (Dec. 21, 2021), https://twitter.com/safemoon/status/1473406130965602311?s=20&t=szGCNKn90fZ3Mf17c_ZOzw: "The V1 contract tax rate will be changed to 20% (19% LP Generation, 1% Reflections)."

had publicized issues, from its launch), or linking their existing wallets with SafeMoon's website.

320. Approximately 3,000,000 wallet holders rejected the Company's offer to use the migration portal because it required those investors to either expose their private keys or link their unlocked wallets, which often contain other tokens and digital assets, to the questionable SafeMoon wallet. Again, this was a situation that Karony and the Company did not want.

321. In a desperate response to investors gaining back some of the unrealized losses that had suffered at the hands of Defendants, Karony and the Company gave a final kick to all of those SafeMoon investors.

322. On December 29, 2021, at approximately 4:00 p.m. EST, SafeMoon changed the code line running in the SafeMoon smart contract that governs the transaction fee rate (AKA Tax) to 100%. The Company concurrently announced this on its official Twitter account, adding that "Migration from V1 to V2 will remain open indefinitely so nobody is left behind."[210] Karony responded to the Company's tweet, saying that "the V1 tax will be changing to 100%. We are moving our full focus to V2 to evolve the #SAFEMOON ecosystem."[211] In other words, ***the Company implemented a 100% tax on every sale, purchase, or general transfer of V1 SAFEMOON Tokens from one wallet to another***. In effect, the Company, at Karony's direction, seized every V1 SAFEMOON Token they could from unsuspecting investors.

323. The Company did not provide any, much less sufficient, notice to investors of the impending full taxation prior to its implementation on December 29. Indeed, the Company's website did not indicate any change had occurred until approximately ten hours later when a small, generalized banner was added, which

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[210] @SafeMoon 2.0 🚀. Twitter (Dec. 29, 2021), https://twitter.com/safemoon/status/1476198900717342724?s=20&t=szGCNKn90fZ3Mf17c_ZQzw.

[211] Karony (@CptHodl), Twitter (Dec. 29, 2021), https://twitter.com/CptHodl/status/1476206499898691589?s=20&t=szGCNKn90fZ3Mf17c_ZQzw.

stated that V1 support had come to an end and directed investors to migrate to V2. On its face, this banner did not include any disclosure regarding the 100% taxation. Subsequently, sometime in January 2022, the banner was updated to include a sub icon "read more" which, when clicked on, led to a second banner than mentioned the taxation.

324. This hyper version of the hard fork scam took place over a 17-day period from December 12, 2021 to December 29, 2021, but investors unaware of Karony's secret tax continued to suffer complete losses of their SAFEMOON Tokens afterwards. The Company's change to the smart contract created a trading environment of uncertainties, which have been resulting in mounting losses, for existing tokens holders and those attempting to buy them.

325. SafeMoon did not take steps to ensure that investors who attempted to transact with V1 SAFEMOON Tokens would be protected against losing their full investment. It did not make a conversion of V1 to V2 tokens automatic. It did not post a warning within the SAFEMOON wallet interface. It did not implement a pop-up warning in the SAFEMOON wallet to alert investors who were attempting to transact in SAFEMOON V1 tokens that an such attempts were futile and would only result in confiscation of their tokens.

326. Many investors, of course, did not see SafeMoon's random Twitter post or the subsequent discussion of it on social media in the short period between when the tax was announced and when it was implemented. Instead, those unsuspecting investors attempted to transact in V1 SAFEMOON Tokens, reasonably believing that they would be able to do so without issue.

327. Those investors who attempted to transact in SAFEMOON V1 tokens after imposition of the "100% tax" effectively had those tokens confiscated by the Company, losing their access, control, and ownership over their SAFEMOON V1 tokens despite having a proprietary right to those tokens. Other investors faced the situation where, despite not even transferring their SAFEMOON V1 tokens and

being subjected to the 100% tax, their SAFEMOON V1 tokens were outright removed or deleted from their wallets (in part or in whole). The result was the same: investors lost most if not all of their investment in Safemoon.

328. SafeMoon, on the other hand, kept the funds that it seized from the original purchasers (and rightful owners) of those SAFEMOON V1 Tokens when it issued them. Upon information and belief, the wallets owned/controlled by Karony received some or all of those seized SAFEMOON V1 Tokens and cashed them out for his own personal use.

329. In January 2022, Safemoon investors who suffered a complete loss by the V1 to V2 migration tax filed the following petition[212] requesting that the Company reimburse or refund the tokens that were improperly confiscated from investors during the migration:

> Dear Safemoon Developers and Core team,
>
> Many of our Safemoon community members have lost their tokens due to the 100% tax that had been imposed on V1 by the devs just days ago. While instructions were given on social media channels, they were not clear enough and many users missed them if they weren't frequenting those channels. There was a lack of disclosure of the 100% tax across all apps, and the fees appeared normal to the user. SafeMoon's own app, which the development team has absolute control over, did not provide sufficient warning to prevent users making this simple mistake, nor did it bar users from making this transaction.
>
> Imposing a 100% tax was an unprofessional and disappointing business decision which those affected in our community want rectified. In the traditional business world, a company would not be

[212] https://www.change.org/p/safemoon-development-and-core-team-reimburse-safemoon-community-for-losses-due-to-100-tax-during-compulsory-migration?utm_content=cl_sharecopy_31903683_en-US%3A7&recruiter=1244229397&utm_source=share_petition&utm_medium=copylink&utm_campaign=share_petition (last visited on June 27, 2022).

allowed to do this. If Safemoon is serious about wanting mainstream adoption, it needs to look after it's community and provide a fair platform, that is accessible to young and old, new and seasoned members of the cryptocurrency community. To be considered a valuable asset, it needs to embody the value it's name references – to be safe. Creating a poorly explained 100% tax consolidation environment, was anything but safe for it's users.

Some of the members out there who lost their tokens were dependant on them for their livelihoods. Maybe they were using those funds to survive the economic hardship of the pandemic, to feed their families or to pay off student loans. We ask that the Safemoon community and team show humility rather than greed or quick judgement, and weigh this issue seriously.

On behalf of those Safemoon users who were taxed at 100%, we ask for reimbursement of our funds.

Critical questions need to be raised and examined:

- Why was an automatic swap not done?
- Why was 100% tax imposed, instead of other more community friendly options?
- Why was the 100% tax not mentioned on the consolidation page in the Safemoon app?
- How much money of people's money was accrued in the 100% tax?
- What does Safemoon have to say about where all this 100% tax has gone?
- Is this ethical?
- How and when will our community members be reimbursed?

330. As of the filing of this amended complaint, 457 separate Safemoon investors have signed the petition.

The Dump – SAFEMOON Token Price Plummets

331. Following the SAFEMOON Token's launch and Defendants' promotional activities beginning in March 2021, the trading volume and price of SafeMoon surged. By April 20, 2021, SAFEMOON Tokens already had a transaction volume of over $144 million, up approximately 1,747% in just over a month. That same day, the SAFEMOON Token reached its maximum price of $0.000011, ***which represents a rise of approximately 2,749,900% more than its initial launch price*** of $0.0000000004.

332. However, this astronomical rise was short-lived. After the SAFEMOON Token price and trading volume spiked following the launch, Defendants began the "slow rug pull" on investors. This term refers to a situation in the cryptocurrency sector where the developers and insiders of a token deceive investors by encouraging them to purchase the token with promises of future success, while, at the same time, slowly selling off their own holdings as the trading volume from retail investors remains inflated.

333. On December 31, 2021, the price of the SAFEMOON Token hit a low of $0.0000006521 per token, an over 80% drop from its height during the Class Period, which it has not been able to recover. As of the filing of this Complaint, the trading volume for the SAFEMOON Token has plummeted to around only $60,000.[213]

334. The Promoter Defendants' improper promotional activities generated the trading volume needed for all the Defendants to offload their SAFEMOON Tokens onto unsuspecting investors. While Plaintiff and Class members were buying the inappropriately promoted SAFEMOON Tokens, Defendants were able

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[213] *See* fn. 18, *supra*.

to, and did, sell their SAFEMOON Tokens during the Class Period for substantial profits.

335. On or about December 1, 2021, Smith participated in telephonic debate with Ginger regarding what had occurred with the Piggy and Nobility tokens. During that debate, Ginger read a sworn statement he had prepared on November 29, 2021, which read in relevant part: "On the 21st of May, at roughly 1AM I was asked to join a call with Thomas Smith and Trevor Church. During the call with Thomas and Trevor, many statements were made by Thomas, including, but not limited to, "Piggy is the perfect contract. I took the SafeMoon contract and improved it. The best thing about Piggy is the fact that nobody owns it. It can't be sued. . . . What made SafeMoon special was that it was made to be a rug-pull. Not that we intented to pull, but the very feature that makes it ruggable is the feature that makes it function so well. What the contract needed was a team that would never rug. . . . In the beginning of SafeMoon, Kyle asked me to come on board along with Trevor. John is my fault. I brought him on. I'm sorry for that."[214]

336. In response, Smith did not directly deny any of Ginger's allegations, but rather stated there were "some inaccuracies here." Smith also hinted that he had a "secret" about whether the Executive Defendants "defrauded" investors. Smith then claimed everything was "fine" and that Karony had texted Smith on November 4th that the "FBI stuff went really well the matter is now closed." Smith later clarified that the FBI was interested in the findings of the "Doxxlocker" due diligence report. The Doxxlocker report questioned certain transactions that sent approximately $68.4 million in SAFEMOON Tokens from the Protocol Deployer wallet to unrecognized wallets instead of returning those funds to the liquidity pool.

337. The SAFEMOON Token price still has not recovered and trading volume remains down, significantly.

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[214] Ginger (RBTC Public), *Ginger & Thomas Twitter Space Debate*, YouTube (Dec. 1, 2021), https://youtu.be/abyQA4BOaXw.

338. Meanwhile, Defendants have gone on to live the high life off of their ill-gotten gains. For example, Phillips, flush with millions in cash from the funds he extracted from Safemoon, jaunts around on private jets for dinner in neighboring countries and he purchased a "top of the fleet" Rolls Royce worth over $400,000. But experiencing this wealth was not enough, Phillips needed to also flaunt it on social media.

339. In May 2021, at the same time Defendants were pumping and dumping the SAFEMOON Tokens for millions of dollars, Phillips attributed his success to his so-called "work ethic":

340. A month later, Phillips bragged about how he "Jumped on the PJ with baby girl [aka Haines-Davies sister, @geehaines] to Scotland for a birthday bite!":[215]

[215] https://www.instagram.com/p/CQhJ2iqL8pM/?igshid=MDJmNzVkMjY=. The same is true for Haine-Davies, who,

341. Phillips even began ***eating steak wrapped in 24k gold***, and posting it on social media:

342. Upon information and belief, Phillips' lavish trip to Scotland for a "bite" to celebrate his girlfriend's birthday, his over-the-top Rolls Royce, and his golden steak dinners were all funded by his ill-gotten gains from Safemoon.

343. Phillips was not alone in showing off the wealth that he and the Defendants extracted from SAFEMOON Token investors. The same is true for Haines-Davies, who took to social media to post pictures of himself riding on private jets while wearing designer clothes and a Rolex watch and attending black-tie events where he is teased on social media about the woes of having to "spend all that #safemoon money." For example:

344. Smith also joined in the displays of Safemoon wealth acquired through misleading investors. In June 2021, when asked by an investor about an update on Safemoon, Smith responded by making a reference to a luxury sports car. Safemoon investors took this as a suggestion that the price of SAFEMOON Tokens would rise high enough for investors to purchase a McLaren.[216]

[216] This is apparently a play on an inside joke among crypto investors that they will one day buy a "lambo" with their crypto riches once their token of choice rises.

345. Much to investors' disappointment, the SAFEMOON Token's price plummeted, leaving them with significant losses which were much less than enough gains to spend on luxury items. Smith, however, made good on his promise to one person: himself. After asking "wen mclaren," Smith posted a picture of himself with his newly-purchased, million-dollar McLaren, which he has subsequently suggested was owed to him because of his upbringing and work on Safemoon:

346. In addition to promoting and soliciting sales of SAFEMOON Tokens, the Company itself has continuously sold SAFEMOON Tokens throughout the Class

Period. The Company was the original seller of every single SAFEMOON Token ever in circulation.

347. In early March 2021 alone, the Company created one quadrillion SAFEMOON Tokens out of thin air. Since launch, moreover, SafeMoon has sold SAFEMOON Tokens to raise funds for its business. For example, in a March 2021 ask-me-anything session, the Company explained that they sold tokens because they "needed USDT to pay for business expenses" to "help develop the project and help the community."[217] As noted above, Karony has likewise admitted that SafeMoon reserves the right to withdraw SAFEMOON Tokens from liquidity pools created by SafeMoon, and sell those tokens, in order to pay for "development costs of future SafeMoon innovations."

348. Further, each time that there is a transaction with SAFEMOON Tokens, the Company ***necessarily*** sells a portion of those tokens (to the extent that it does not siphon those Tokens). This is because, as explained above, as part of the protocol underlying SAFEMOON Tokens, 10% of each transaction is taxed and, purportedly, half of the amount taxed – *i.e.*, 5% – is allocated to liquidity pools. Specifically, the Company swaps half of that 5% of SAFEMOON Tokens earmarked for liquidity pools for BNB, meaning that SafeMoon ***sells*** half of that 5% (*i.e.*, 2.5%) on the market. The Company then stakes the BNB that it obtains on the market, plus the remaining 2.5% of SAFEMOON Tokens earmarked for liquidity pools, into the liquidity pools. For example, if someone sells 1,000 SAFEMOON Tokens, 100 of those Tokens will be taxed. Of those 100 Tokens, 50 will be allocated to the liquidity pools: 25 will be sold by SafeMoon on the open market for BNB, which will then be staked in the liquidity pools along with another 25 SAFEMOON Tokens. Since SAFEMOON Tokens were first released in early March 2021, the volume of trading in SAFEMOON Tokens has exceeded $7.5 billion. SafeMoon has thus sold (if its

[217] https://www.reddit.com/r/SafeMoon/comments/m87k9l/notes_from_tonights_live_ama/. (last visited Jun 28, 2022).

protocol works the way that SafeMoon has represented it works) at least $189 million in SAFEMOON tokens for BNB, and staked another $189 million worth of SAFEMOON tokens in liquidity pools.

The SAFEMOON Token Is a Security that the Company and Executive Defendants Failed to Register Before Selling

A. SAFEMOON Tokens Are Securities

349. Under Section 2(a)(1) of the Securities Act of 1933 ("Securities Act"), a "security" is defined to include an "investment contract." 15 U.S.C. §77b(a)(1). An investment contract is "an investment of money in a common enterprise with profits to come solely from the efforts of others." *S.E.C. v. W.J. Howey Co.*, 328 U.S. 293, 301 (1946). Specifically, a transaction qualifies as an investment contract and, thus, a security if it is: (1) an investment; (2) in a common enterprise; (3) with a reasonable expectation of profits; and (4) to be derived from the entrepreneurial or managerial efforts of others. *See United Housing Found., Inc. v. Forman*, 421 U.S. 837, 852-53 (1975). This definition embodies a "flexible rather than a static principle, one that is capable of adaptation to meet the countless and variable schemes devised by those who seek the use of the money of others on the promise of profits," and thereby "permits the fulfillment of the statutory purpose of compelling full and fair disclosure relative to the issuance of 'the many types of instruments that in our commercial world fall within the ordinary concept of a security.'" *W.J. Howey*, 328 U.S. at 299. Accordingly, in analyzing whether something is a security, "form should be disregarded for substance," and the emphasis should be "on economic realities underlying a transaction, and not on the name appended thereto." *Forman*, 421 U.S. at 849.

350. Investors who bought SAFEMOON Tokens invested money or other valuable consideration, in a common enterprise: namely SafeMoon. Investors had a reasonable expectation of profit based upon the efforts of the Defendants, including,

among other things, Defendant obtaining favorable listings of their SAFEMOON Tokens on cryptocurrency exchanges such as Pancakeswap.

1. SAFEMOON Token Investors Invested Money

351. Plaintiff and the Class invested fiat, including U.S. dollars, and digital currencies, such as Bitcoin and Ethereum, to purchase SAFEMOON Tokens.

352. The SAFEMOON Tokens were listed on cryptocurrency exchanges like Pancakeswap, which allowed retail investors to purchase SAFEMOON Tokens with traditional and other digital currencies.

353. Defendants sold SAFEMOON Tokens to the general public through global, online cryptocurrency exchanges during its so-called launch.

354. Every purchase of SAFEMOON Tokens by a member of the public is an investment contract.

2. SAFEMOON Token Investors Were Intertwined in a Common Enterprise with Defendants

355. Additionally, investors were passive participants in the SAFEMOON Tokens' launch and the profits of each Plaintiff and the Class were intertwined with those of Defendants and of other investors. SafeMoon concedes that it uses the funds from the SAFEMOON liquidity pool to also fund its operations and promote projects on the SAFEMOON blockchain.

356. Defendants also were responsible for supporting the SAFEMOON Tokens, pooled investors' assets, and controlled those assets.

357. Further, Defendants held and/or hold a significant stake in the SAFEMOON Tokens, and thus shared in the profits and risk of the project.

3. Investors Purchased the SAFEMOON Tokens with a Reasonable Expectation of Profit from Owning Them

358. Investors in the SAFEMOON Tokens, including Plaintiff and the Class, made their investment with a reasonable expectation of profits. The SAFEMOON Tokens were sold to investors prior to a network or "ecosystem" being fully

developed on which they could be used. For pre-functional tokens, such as the SAFEMOON Tokens, the primary purpose for purchasing SAFEMOON Tokens was to make a profit or accumulate additional "reflections" (*i.e.*, additional tokens of value), rather than to utilize the SAFEMOON Tokens themselves for a task.

4. Investors Expected Profits from the SAFEMOON Tokens to Be Derived from the Managerial Efforts of the Executive Defendants

359. Investors' profits in the SAFEMOON Tokens were to be derived from the managerial efforts of others – specifically the Company and the Executive Defendant. SAFEMOON Token investors relied on the managerial and entrepreneurial efforts of the Executive Defendants to manage, oversee, and/or develop the projects funded by sale of the SAFEMOON Tokens.

360. Purchasers of pre-functional tokens necessarily rely on the managerial efforts of others to realize value from their investments. The success of these managerial efforts in developing the networks on which these tokens will operate is the primary factor in their price, that is, until such tokens transition into being functional utility tokens.

361. Each of the SAFEMOON Tokens was a security at issuance because profit from the SAFEMOON Tokens would be derived primarily from the managerial efforts of SafeMoon's teams developing the associated networks on which the SAFEMOON Tokens would function, rather than having their profit derived from market forces of supply and demand, such as might affect the price of a commodity such as gold (or Bitcoin).

362. Investors in SAFEMOON Tokens relied on the managerial and entrepreneurial efforts of SafeMoon and the Executive Defendants to manage, market, and develop the so-called SafeMoon ecosystem.

363. The Executive Defendants typically held themselves out to investors as experts in the blockchain and crypto field. Investors in the SAFEMOON Tokens

reasonably expected the SafeMoon development teams to provide significant managerial efforts after the SAFEMOON Tokens' launch.

364. Investors in SAFEMOON Tokens thus reasonably expected the Company and Executive Defendants to provide significant managerial efforts after the token launch.

365. This dependency, however, on the managerial efforts of the Company and Executive Defendants was not apparent at issuance to a reasonable investor. Considering the limited available information about how these SAFEMOON Tokens were designed and intended to operate, if such an investor were even able to interpret the relevant law at the time, a reasonable investor lacked sufficient bases to conclude whether the SAFEMOON Tokens were securities until the platform at issue, and its relevant "ecosystem," had been given time to develop. In the interim, the investor lacked the facts necessary to conclude – let alone formally allege in court – that the tokens she had acquired were securities. It was only after certain revelations that provided more information about Defendant's intent, SafeMoon's token economics, and how the Executive Defendants operated to hide their ownership in both the Company and the SAFEMOON Token, that an investor could reasonably determine that a token that was advertised as something other than a security was a security all along.

B. Investors Would Not Reasonably Have Understood that SAFEMOON Tokens Were Securities

366. In connection with the SAFEMOON Token launch, the Company and Executive Defendants made statements that reasonably led Plaintiff and Class members to conclude that the SAFEMOON Tokens were not securities.

367. As a threshold matter, the Company refused to register SAFEMOON Tokens with the SEC, which indicated to investors that these were not securities. No such valid exemption from registration requirements exists for SAFEMOON Tokens.

368. Additionally, SafeMoon's whitepaper refers to "new use cases" for the SAFEMOON Tokens,[218] suggesting to investors that SAFEMOON Tokens were "utility tokens," rather than "security tokens" (which would be securities that would have to be registered with the SEC).

369. At the time of the SAFEMOON Token launch, Defendants took advantage of the market's lack of understanding and awareness concerning how cryptocurrency projects – particularly decentralized finance projects – work. Considering the new technology at issue and the Company's other statements, many investors were understandably unaware that SAFEMOON Tokens had fundamentally different features than other cryptocurrencies, which the SEC has determined are not securities.

370. Karony himself stated on September 25, 2021, that "SafeMoon is NOT a token project. We are a tech company, that uses SafeMoon as the connecting agent in our ecosystem." Karony echoed this sentiment in an article on December 21, 2021, being quoted as saying: "SafeMoon is actually a tech company, it's a blockchain innovation company."[219]

371. Moreover, the SafeMoon project was advertised as developing revolutionary and cutting edge blockchain technology that was safer than existing products. Unbeknownst to investors, most of the products ultimately produced by the SafeMoon developers like Smith were simply knockoffs of other existing products.

372. In addition to claiming SafeMoon's technical superiority over other cryptocurrencies, the Company also indicated that it would benefit financially and use the funds raised through SAFEMOON Token launch to continue to enhance the

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[218] *See* fn.18, *supra*.

[219] Vanessa Armstrong, *SafeMoon's emphatic fanbase won't let it fail*, UTAH BUSINESS (Dec. 21, 2021), https://www.utahbusiness.com/the-safemoon-fanbase-wont-let-this-utah-based-crypto-fail/.

SafeMoon-related products (*e.g.*, wallet and exchange) and support the growth of the project.

373. At the time of the SAFEMOON Token launch, Defendants took advantage of the market's lack of understanding and awareness concerning how this investment contract worked. With promises that SAFEMOON Tokens would be better than other cryptocurrencies, many individuals were unaware that SAFEMOON Tokens had fundamentally different features than other cryptocurrencies, including being more centralized than Bitcoin or Ethereum. One of these primary differences is that all SAFEMOON Tokens were issued by Nagy and the Company at creation at very little economic cost – and enormous potential upside – to them.

374. The creation of SAFEMOON Tokens by Nagy and Smith occurred through a centralized process, in contrast to Bitcoin and Ethereum. This would not have been apparent at issuance, however, to a reasonable investor. Rather, it was only after the passage of time and disclosure of additional information about the issuer's intent and process of management to arise that a reasonable purchaser could know that he or she had acquired a security. Purchasers were thereby misled into believing that the SAFEMOON Token was something other than a security, when it was a security.

375. Accordingly, it was not apparent to a reasonable investor, at issuance, that the SAFEMOON Tokens were securities under the law, and a reasonable investor would not have believed they were securities.

C. Guidance from the SEC

1. The SEC's 2019 Framework

376. On April 3, 2019, the SEC published its "Framework for 'Investment Contract' Analysis of Digital Assets" (the "Framework") in which it "provided a framework for analyzing whether a digital asset is an investment contract and whether offers and sales of a digital asset are securities transactions."

377. The Framework described how to analyze the various facts surrounding an ICO in making the determination of whether a given digital asset is a security.

378. In particular, the Framework provides that the "inquiry into whether a purchaser is relying on the efforts of others focuses on two key issues: Does the purchaser reasonably expect to rely on the efforts of an [Active Participant or "AP"]? Are those efforts 'the undeniably significant ones, those essential managerial efforts which affect the failure or success of the enterprise,' as opposed to efforts that are more ministerial in nature?"

379. The Framework further notes that the "stronger the[ ] presence" of the following factors, "the more likely it is that a purchaser of a digital asset is relying on the 'efforts of others.'"

380. The first factor the SEC looked at was whether an AP is responsible for the development, improvement (or enhancement), operation, or promotion of the network, particularly if purchasers of the digital asset expect an AP to be performing or overseeing tasks that are necessary for the network or digital asset to achieve or retain its intended purpose or functionality.

381. At the time of the SAFEMOON Token launch, Defendants actively marketed the token launch and the SafeMoon project, thereby necessitating the continued managerial efforts of the Company and Executive Defendants. Where the network or the digital asset is still in development and the network or digital asset is not fully functional at the time of the offer or sale, purchasers would reasonably expect an AP to further develop the functionality of the network or digital asset (directly or indirectly).

382. Another factor the Framework considers is whether the AP creates or supports a market for, or the price of, the digital asset. This includes, *inter alia*, whether the AP "(1) controls the creation and issuance of the digital asset; or (2) takes other actions to support a market price of the digital asset, such as by

limiting supply or ensuring scarcity through, for example, buybacks, "burning," or other activities."

383. As noted above (*see supra*, ¶252), all of the SAFEMOON tokens in circulation were created at the direction of Nagy and Smith. Additionally, Nagy and Smith also created the protocols by which the SAFEMOON Tokens are burned.

384. The framework further states that "An AP has a continuing managerial role in making decisions about or exercising judgment concerning the network or the characteristics or rights the digital asset represents[.]"

385. Here, the Company and Executive Defendants have discussed the long-term prospects on years-long time frames, continually noting how the SafeMoon ecosystem will "evolve" in the future.

386. The ability to determine whether and where the digital asset will trade is another factor discussed in the Framework. For example, "purchasers may reasonably rely on an AP for liquidity, such as where the AP has arranged, or promised to arrange for, the trading of the digital asset on a secondary market or platform."

387. Here, SafeMoon's whitepaper focuses extensively on the ability of the SAFEMOON Token smart contract to "automatically capture liquidity" and enable trading of the SAFEMOON Token.[220]

388. Another factor the Framework notes is whether the AP has the ability to determine who will receive additional digital assets and under what conditions. This could be, for example, "[m]aking or contributing to managerial level business decisions, such as how to deploy funds raised from sales of the digital asset."

389. Here, the Company, along with the Controlling Defendants, are the arbiters of funding for SafeMoon project.

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[220] *See* fn.18, *supra.*

390. The Company's Twitter account also announced that Karony himself had locked up "$250 MILLION+ DOLLARS WORTH OF LP." in the liquidity pool to fund future project and marketing campaigns.[221]

391. Making other managerial judgements or decisions that will directly or indirectly impact the success of the network or the value of the digital asset generally.

392. The Framework also remarks that purchasers would reasonably expect the AP to undertake efforts to promote its own interests and enhance the value of the network or digital asset, including, but not limited to, the instances where the AP "has the ability to realize capital appreciation from the value of the digital asset. This can be demonstrated, for example, if the AP retains a stake or interest in the digital asset." According to the SEC, in these instances, "purchasers would reasonably expect the AP to undertake efforts to promote its own interests and enhance the value of the network or digital asset."

393. Here, several Defendants – including but not limited to Karony and Arriaga – retain a significant interest in the SafeMoon project even after selling off many SAFEMOON Tokens at the height of the token launch (*see supra*).

2. SEC's Previous Statements and Findings

394. On May 7, 2021, on CNBC's "Squawk Box" television program, chairman of the SEC Gary Gensler stated that "a lot of crypto tokens – I won't call them cryptocurrencies for this moment – ***are indeed securities***[.]"[222] In addition to being the Chairman of the SEC, Mr. Gensler is also a world renowned expert on cryptocurrencies and blockchain technology, having taught the "Blockchain and

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[221] @SafeMoon 2.0 🚀, Twitter (Apr. 21, 2021), https://twitter.com/safemoon/status/1384869489376907265?s=20&t=SNlPI ut6sbeeQ6RbNX8iw.

[222] Jesse Point, *SEC Chairman Gary Gensler says more investor protections are needed for bitcoin and crypto markets*, CNBC (May 7, 2021), https://www.cnbc.com/2021/05/07/sec-chairman-gary-gensler-says-more-investor-protections-are-needed-for-bitcoin-and-crypto-markets.html.

Money" course at the Sloan School of Management at the Massachusetts Institute of Technology ("MIT").[223] [Emphasis added.]

395. In a June 14, 2018 speech entitled "Digital Asset Transactions: When Howey Met Gary (Plastic)" that is available on the SEC's website,[224] the following observations were made on "when a digital transaction may no longer represent a security offering":

> If the network on which the token or coin is to function is sufficiently decentralized – where purchasers would no longer reasonably expect a person or group to carry out essential managerial or entrepreneurial efforts – the assets may not represent an investment contract. Moreover, when the efforts of the third party are no longer a key factor for determining the enterprise's success, material information asymmetries recede. As a network becomes truly decentralized, the ability to identify an issuer or promoter to make the requisite disclosures becomes difficult, and less meaningful.
>
> And so, when I look at Bitcoin today, I do not see a central third party whose efforts are a key determining factor in the enterprise. The network on which Bitcoin functions is operational and appears to have been decentralized for some time, perhaps from inception.

396. A key factor in determining whether a digital asset is a security or not is whether the there is a centralized entity behind the digital asset.[225]

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[223] Lectures and Materials from Chairman Gensler's MIT course are available to the public for free at: https://ocw.mit.edu/courses/sloan-school-of-management/15-s12-blockchain-and-money-fall-2018/video-lectures/session-1-introduction/.

[224] William Hinman, *Digital Asset Transactions: When Howey Met Gary (Plastic), Remarks at the Yahoo Finance All Markets Summit: Crypto*, SEC (Speech) (June 14, 2018), https://www.sec.gov/news/speech/speech-hinman-061418.

[225] *Id*. (noting that the "decentralized structure" of Bitcoin and Ethereum placed these digital assets outside the "disclosure regime of the federal securities laws").

397. As discussed above, the circumstances surrounding the creation of the SAFEMOON Token demonstrate that an exceedingly small number of centralized insiders maintained exclusive control over the SafeMoon project.

398. Finally, the SEC also already concluded that another virtual currency (*i.e.*, DAO tokens) that substantially similar to SAFEMOON Tokens are "securities and therefore subject to the federal securities laws." As stated by the SEC, "issuers of distributed ledger or blockchain technology-based securities must register offers and sales of such securities unless a valid exemption applies."[226]

CLASS ALLEGATIONS

399. Plaintiff brings this action, individually, and on behalf of a nationwide class, pursuant to Federal Rules of Civil Procedure 23(a), 23(b)(2), and/or 23(b)(3), defined as follows:

> All persons who, during the Class Period, purchased SafeMoon's SAFEMOON Tokens and were subsequently damaged thereby.

400. The Class Period is defined as the period between March 8, 2021 and the date of this filing.[227]

401. Excluded from the Class are: (a) Defendants; (b) Defendants' affiliates, agents, employees, officers, and directors; (c) Plaintiff's counsel and Defendants' counsel; and (d) the judge assigned to this matter, the judge's staff, and any member of the judge's immediate family. Plaintiff reserves the right to modify, change, or expand the various class definitions set forth above, based on discovery and further investigation.

402. **Numerosity**: Upon information and belief, the Class is so numerous that joinder of all members is impracticable. While the exact number and identity

[226] Press Release, *SEC Issues Investigative Report Concluding DAO Tokens, a Digital Asset, Were Securities*, SEC (July 25, 2017), https://www.sec.gov/news/press-release/2017-131.

[227] Plaintiff reserves the right to expand or amend the Class Period based on discovery produced in this matter.

of individual members of the Class is currently unknown, such information being in the sole possession of SafeMoon and/or third parties and obtainable by Plaintiff only through the discovery process, Plaintiff believes, and on that basis alleges, that the Class consists of at least hundreds of people. The number of Class members can be determined based on SafeMoon's and other third party's records.

403. **Commonality**: Common questions of law and fact exist as to all members of the Class. These questions predominate over questions affecting individual Class members. These common legal and factual questions include, but are not limited to:

a. whether the SAFEMOON Tokens are securities under the Securities Act;

b. whether the sale of SAFEMOON Tokens violates the registration of the Securities Act;

c. whether Defendants improperly and misleadingly marketed SAFEMOON Tokens;

d. whether Defendants' conduct violates the state consumer protection statutes asserted herein;

e. whether Promoter Defendants aided and abetted violations of the state consumer protection statutes asserted herein;

f. whether Executive Defendants conspired to artificially inflate the price of the SAFEMOON Tokens and then sell their SAFEMOON Tokens to unsuspecting investors;

g. whether Defendants have been unjustly and wrongfully enriched as a result of their conduct;

h. whether the proceeds that Defendants obtained as a result of the sale of SAFEMOON Tokens, rightfully belongs to Plaintiff and Class members;

i. whether Defendants should be required to return money they received as a result of the sale of SAFEMOON Tokens to Plaintiff and Class members;

j. whether Executive Defendants breached the implied covenant of good faith and fair dealing; and

k. whether Plaintiff and Class members have suffered damages, and, if so, the nature and extent of those damages.

404. **Typicality**: Plaintiff has the same interest in this matter as all Class members, and Plaintiff's claims arise out of the same set of facts and conduct as the claims of all Class members. Plaintiff's and Class members' claims all arise out of SafeMoon's uniform misrepresentations, omissions, and unlawful, unfair, and deceptive acts and practices related to the sale of SAFEMOON Tokens.

405. **Adequacy**: Plaintiff has no interest that conflicts with the interests of the Class and are committed to pursuing this action vigorously. Plaintiff has retained counsel competent and experienced in complex consumer class action litigation. Accordingly, Plaintiff and Lead Counsel will fairly and adequately protect the interests of the Class.

406. **Superiority**: A class action is superior to all other available means of fair and efficient adjudication of the claims of Plaintiff and members of the Class. The injury suffered by each individual Class member is relatively small compared to the burden and expense of individual prosecution of the complex and extensive litigation necessitated by the Company's conduct. It would be virtually impossible for individual Class members to effectively redress the wrongs done to them. Even if Class members could afford individualized litigation, the court system could not. Individualized litigation would increase delay and expense to all parties, and to the court system, because of the complex legal and factual issues of this case. Individualized rulings and judgments could result in inconsistent relief for similarly situated individuals. By contrast, the class action device presents far fewer

management difficulties, and provides the benefits of single adjudication, economy of scale, and comprehensive supervision by a single court.

407. Defendants have acted or refused to act on grounds generally applicable to the Class, thereby making appropriate final injunctive relief and corresponding declaratory relief with respect to the Class as a whole.

FIRST CAUSE OF ACTION

Section 10(b) and Rule 10b-5
False and Misleading Statements
(Against the Company and Executive Defendants)

408. Plaintiff restates and realleges all preceding allegations above as if fully set forth herein.

409. Plaintiff incorporates the allegations above.

410. Plaintiff brings this claim for violations of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §78j(b), and Rule 10b-5(b) promulgated thereunder, 17 C.F.R. §240.10b-5(b).

411. Plaintiff brings this claim on behalf of all Class members who purchased SAFEMOON Tokens from March 8, 2021 to the time of this filing.

412. The SAFEMOON Tokens are securities within the meaning of Section 2(a)(1) of the Securities Act, 15 U.S.C. §77b(a)(1). Moreover, the Company's CEO, Karony, has admitted that SafeMoon is not a token project. Instead, as a self-described "tech company," Defendants sold these securities to Plaintiff and the other Class members during and after the March 2021 launch.

413. Section 10(b) and Rule 10b-5(b) make it illegal, in connection with the purchase or sale of any security, "for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange . . . to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the

statements made, in the light of the circumstances under which they were made, not misleading."

414. Defendants carried out a plan, scheme, and course of conduct that SafeMoon intended to and did deceive the retail investors – Plaintiff and the other Class members – who acquired SAFEMOON Tokens pursuant to the March 2021 launch offering and thereby caused them to purchase SAFEMOON Tokens at artificially inflated prices.

415. In connection with the March 2021 launch of SAFEMOON Tokens, Defendants disseminated, approved, and/or endorsed the false statements described herein, which these Defendants knew or recklessly should have known were materially misleading in that they contained material misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not materially misleading.

416. Defendants employed devices, schemes, and artifices to defraud; made untrue statements of material fact and omitted to state material facts necessary to make the statements made not misleading; and engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the Class members that resulted in artificially high market prices for SAFEMOON Tokens in connection with the March 2021 launch, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

Misrepresentations and Omissions

417. Defendants' untrue statements and omissions of material facts in connection with the sale of SAFEMOON Tokens include at least the following:

a) In the Long Whitepaper (published prior to the launch of SAFEMOON Tokens in March 2021), the Company represented that it had devised a "Step-by-Step Plan to Ensure 100% Safety," and that, as step 3 of that plan, "LP Locked on DxLocker for 4 years." In order to make this statement not misleading, the Company was required to, but did not, disclose that it was not using a mechanism to lock funds in the liquidity pools such that those funds could not be accessed by the Company or the Executive Defendants.

b) On March 19, 2021, the Company stated: "The moon just became even more #SAFU. Now completed is the 4 year lock on the second LP. We now have 2 locked LP expiring on May 1, 2025." In order to make this statement not misleading, the Company was required to, but did not, disclose that it was not using a mechanism to lock funds in the liquidity pools such that those funds could not be accessed by the Company or the Executive Defendants.

c) On March 19, 2021, in a now-deleted post on his official Twitter account, Phillips publicly stated: "I keep seeing #SafeMoon everywhere anyone know about it? Is it gonna pop? Or . . . has it got Big #Doge energy."[228] In order to make this statement not misleading Phillips was required to, but did not, disclose his connection to the Company and that the "buzz" about SafeMoon manufactured by Defendants themselves instead of being naturally created by investor interest.

d) On March 21, 2021, the Company released a statement via its official Twitter account, stating that 841,685,253,836 SAFEMOON Tokens "have been burnt in the last 24 hours alone. That's over 800 billion tokens permanently removed from the circulating supply!" By stressing the "burn" of the SAFEMOON Token supply in a short period of time, the Company purposefully suggested to investors that the value of SAFEMOON Token would increase as more SAFEMOON Tokens are burned. In this statement and thereafter, however, SafeMoon has never disclosed the details of the Company's token burning protocols, which was material information. In order to make this statement not misleading, Defendants were obligated to (but did not) disclose that the Company could change the burn rate at will, thus there was no guarantee to investors that the supply of SAFEMOON Tokens would continue to depreciate from tokens being burned.

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[228] *See* https://www.reddit.com/r/SafeMoon/comments/m8mjpk/safemoontweet_by_ben_phillips_benphillipsuk/ (last visited Feb. 16, 2022).

e) On March 22, 2021, the Company announced that "over 1.1 trillion tokens [were] permanently removed from the circulating supply" and that this amount of tokens were "burnt in the last 24 hours alone. By stressing the "burn" of the SAFEMOON Token supply in a short period of time, the Company purposefully suggested to investors that the value of SAFEMOON Token would increase as more SAFEMOON Tokens are burned. In this statement and thereafter, however, SafeMoon has never disclosed the details of the Company's token burning protocols, which was material information. In order to make this statement not misleading, Defendants were obligated to (but did not) disclose that the Company could change the burn rate at will, thus there was no guarantee to investors that the supply of SAFEMOON Tokens would continue to depreciate from tokens being burned.

f) On March 27, 2021, Paul, speaking on behalf of the Company, promoted SAFEMOON in a tweet stoking investors' fear of missing out on the next big thing (*i.e.*, SAFEMOON Tokens). In order to make this statement not misleading, Defendants were obligated to disclose that (1) Paul was a paid promotor working for the Company and (2) Paul was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

g) On March 29, 2021, McCollum, speaking on behalf of the Company, promoted SAFEMOON in a tweet that suggested that the SAFEMOON Token would be just as profitable for investors as another more-popular token: Doge coin. In order to make this statement not misleading, Defendants were obligated to disclose that (1) McCollum was a paid promotor working for the Company and (2) McCollum was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

h) On March 31, 2021, McCollum, speaking on behalf of the Company, promoted SAFEMOON in a tweet repeating "SAFEMOON" over and over again in an attempt to generate sales of the SAFEMOON Tokens. In order to make this statement not misleading, Defendants were obligated to disclose that (1) McCollum was a paid promotor working for the Company and (2) McCollum was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

i) On April 3, 2021, the Company announced that 396 trillion SAFEMOON Tokens were "burnt" and "gone." That same day, Karony, speaking as the Company's CEO, reposted the token announcement on his personal Twitter account and noted in the caption that the supply of SAFEMOON Tokens would receive "continual burns" and that the price of the SAFEMOON Tokens was at an all-time high ("ATH") and would be going to the "moon" imminently. By stressing the "burn" of the SAFEMOON Token supply in a short period of time, the Company and Karony purposefully suggested to investors that the value of SAFEMOON Token would increase as more SAFEMOON Tokens are burned. In this statement and thereafter, however, SafeMoon has never disclosed the details of the Company's token burning protocols, which was material information. In order to make this statement not misleading, Defendants were obligated to (but did not) disclose that the Company could change the burn rate at will, thus there was no guarantee to investors that the supply of SAFEMOON Tokens would continue to depreciate (and, in turn, increase the scarcity and value of the SAFEMOON Tokens) from "continual burns."

j) On April 6, 2021, Keem, speaking on behalf of the Company, advised investors to "HODL da #SAFEMOON" because "12 months from now looks good." In order to make this statement not misleading, Defendants were obligated to (but did not) disclose that (1) Keem was a paid promoter working for (not with) the Company, (2) Keem was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions, and (3) Keem was not look "12 months from now" at the long-term growth prospects for Safemoon but rather was planning on selling (and did) at the first opportunity.

k) On April 7, 2021, the Company's official Twitter account posted a video update from Karony, wherein he stated, among other things, that the Company's developers were using the "most innovative" features for the exchange. In order to make this statement not misleading, Defendants were obligated to (but did not) disclose that the Company had no intention of creating innovations for the SafeMoon exchange or wallet but rather planned on (and did) using a copied version of existing smart contracts and cryptocurrency coding.

l) On April 8, 2021, the Company, and Karony speaking on the Company's behalf, stated: "400 TRILLON TOKENS BURNT GONE! NEVER COMING BACK." By stressing the "burn" of the SAFEMOON Token supply in a short period of time, the Company purposefully suggested to investors that the value of SAFEMOON Token would increase as more SAFEMOON Tokens are burned. In this statement and thereafter, however, SafeMoon has never disclosed the details of the Company's token burning protocols, which was material information. In order to make this statement not misleading, Defendants were obligated to (but did not) disclose that the Company could change the burn rate at will, thus there was no guarantee to investors that the supply of SAFEMOON Tokens would continue to depreciate from tokens being burned.

m) On April 17, 2021, Way, speaking on behalf of the Company, stated on his personal Twitter account that he had a public wallet address for SAFEMOON Tokens, signaling to investors that Way was investing his own money into SAFEMOON Tokens. In order to make this statement not misleading, Defendants were obligated to disclose that (1) Way was a paid promotor working for the Company and (2) Way was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

n) On April 18, 2021, Keem, speaking on behalf of the Company, urged investors to "CHECK YOUR #SAFEMOON RIGHT NOW!" because the "price is going through the damn roof!", cheering them on "bro we're rich!"[229] Keem went on to state: "Truly believe in #SAFEMOON & not for this quick 🚀 boom. I'm long. People at @safemoon are doing some much good stuff. Love the roadmap. Huge community already. Feels like the start of something huge. In a world of 100,000 new crypto coins. This one sticks out!" In order to make these statements not misleading, Defendants were obligated to disclose that (1) Keem was a paid promotor working for the Company and (2) Keem was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

o) On April 18, 2021, Witriol, speaking on behalf of the Company, posted a screenshot that showed the hashtag "#SAFEMOON" was trending in California and stated in the caption to that post: "This is only in California" and "#safemoonisthenewdoge coin." In order to make these statements not misleading, Defendants were obligated to disclose that: (1) SafeMoon's popularity specifically in California was not organically created (as suggested by Witriol) but rather artificially manufactured by Witriol himself and the other Defendants; and (2) the comparison to the heavily-traded Dogecoin was not based on any measurable similarities but rather it was simply meant to have investors believe that the SAFEMOON Token would be just as profitable for investors as Dogecoin.

p) On April 21, 2021, the Company and Haines-Davies stated in response to a drop in the price of the SAFEMOON Tokens: "That wasn't a dip today . . . we went back to earth for a bigger rocket and more passengers." In order to make these statements not misleading, Defendants were obligated to disclose that they were responsible for the downward selling pressure on the SAFEMOON Tokens and, as a result, that investors would be unable to receive any return on investment.

q) On April 21, 2021, Karony stated in a series of all-caps tweets: "THE LP LOCK IS NOT AUTOMATIC BUT AUTOMATED. AUTOMATED

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229 https://twitter.com/KEEMSTAR/status/1383976698098507785.

AND AUTOMATIC ARE NOT THE SAME THING. THIS IS ONE FOR BOTH SECURITY AND LONGEVITY OF #SAFEMOON. WE ARE FOCUSED ON THE FUTURE, AND UNDERSTAND THAT SITUATIONS ARISE WHICH MAY REQUIRE THE USE OF THE LP. USES INCLUDE: SEEDING OTHER EXCHANGES AND DEX'S, DEVELOPMENT COSTS OF FUTURE SAFEMOON INNOVATIONS." In order to make this statement not misleading, Karony was obligated to disclose that the liquidity pools were not locked in an automatic fashion ***because*** the Company and the Executive Defendants wanted to, and did in fact, siphon funds from those pools (not because they wanted to reserve their right to use such funds to invest in "future Safemoon innovations"). He was likewise obligated to disclose that the funds were not "locked" in any meaningful way because they could be accessed by the Company and the Executive Defendants.

r) On April 21, 2021, the Company stated on its official Twitter account that SafeMoon was going to lock up $250 million of the SafeMoon liquidity pool. That same day, Karony stated: "We are locking away the current LP, which is a quarter of a billion+ dollars worth of tokens." In order to make that statement not misleading at the time, Defendants were obligated to disclose that Karony and the Executive Defendants had not, in truth, locked the liquidity pool but were instead using the funds in the liquidity pool for non-business/personal purchases and expenses. Months later, on June 2, 2021, Arriaga admitted that the liquidity pool was not locked (in an automatic fashion or otherwise). Karony was likewise obligated to disclose that the funds were not "locked" in any meaningful way because they could be accessed by the Company and the Executive Defendants.

s) On May 3, 2021, the Company stated:

> In regards to owner control, we are a fair launch governed by a central board which is subject to governmental regulations and law. We are a legally registered entity in accordance to the law and jurisdiction in which we operate. SafeMoon is very different from other projects, and

> our differences provide more security for the community vs. anonymous teams and projects. Risks in regard to "rug pulls" or anything else is mitigated due to the fact that every member of SafeMoon would be subject to litigation and likely a swift prison sentence. Additionally, outside of the law, our social lives would be in ruin, and we would not be able to show our faces in public again, let alone get another job. This should be taken into account when looking at the SafeMoon project as a whole.

This statement thus suggested that the Company and the Executive Defendants would not siphon funds from the liquidity pools. In order to make this statement not misleading, the Company was obligated to disclose that it and the Executive Defendant had, and were in fact, siphoning funds from the liquidity pools.

t) On May 16, 2021, Karony, speaking on behalf of the Company, stated that SafeMoon was in "ongoing conversations about SafeMoon" with Gambia's "Ambassador at-Large, Sankung Jawara, who has done the initial vetting of Safemoon." Karony further stated that SafeMoon would be used as "another tool in [Gambia's] forward-leaning, innovative efforts." In order to make these statements not misleading, Defendants were obligated to disclose that the Company was not in any meaningful discussions with the Gambian government about implementing SafeMoon into the country's financial system but instead that the meeting with Gambia's "Ambassador at-Large" was just a meet and greet that was arranged by Karony's parents in order to give the appearance of authenticity to investors.

u) On May 18, 2021, Portnoy, acting as a representative of the Company, recommended to his followers: "If it is a Ponzi, get in on the ground floor. To the Moon, safely we go." He further discloses that he had purchased $40,000 in SAFEMOON Tokens and that "he will not sell in the near future." Within an hour of Portnoy's post, the price of SAFEMOON Tokens rose about 18%. Portnoy tweeted later that day: "Ps - #safemoon is up 25% since I adopted it" and "Rules of #SAFEMOON": "Always tell people you bought it," "Never sell it," "Get pucks in deep," and "Make memes." In order to make these statements not misleading, the Company was obligated to disclose that: (1) many of the Executive Defendants, including, but not limited to Nagy, Smith, Haines-Davies, and Wyatt, as well as the Promotor Defendants had already sold off some or all of their SAFEMOON Token holdings when the trading volume was artificially inflated between March 2021 and May 2021; and (2) without continued artificial pumping of the volume, the SAFEMOON Tokens price would never recover, leaving investors stuck holding worthless tokens that no one wants to buy.

v) On May 24, 2021, Arriaga, operating on behalf of the Company, created the "FUD Hound" account on YouTube and published videos "debunking" and "exposing" critics of SAFEMOON. In particular, Arriaga posted six videos to the FUD Hound channel on the following dates: (1) May 24, 2021; (2) May 28, 2021; (3) June 2, 2021; (4) June 7, 2021; (5) June 13, 2021; and (6) June 21, 2021. Each one of these videos contains misleading statements about SafeMoon's growth prospects, the safety and functionality of SafeMoon's technology, the Hashex audit's findings, and the timing of milestones for the Company, etc. In order to make these videos as a whole, and the statements made therein, not misleading, the Company was obligated to disclose that Arriaga was working on behalf of the Company at the time these videos were made and released.

w) On June 1, 2021, the Company published a photo of puppies with SafeMoon badges photoshopped on, with accompanying text that read: "No rug pulls here." In order to make this post not misleading, the Company was obligated to disclose that: (1) many of the Executive Defendants, including, but not limited to Nagy, Smith, Haines-Davies, and Wyatt, as well as the Promotor Defendants had already sold off some or all of their SAFEMOON Token holdings when the trading volume was artificially inflated between March 2021 and May 2021; and (2) without continued artificially pumping of the volume, the SAFEMOON Tokens price would never recover, leaving investors stuck holding worthless tokens that no one wants to buy. This post was further misleading because the Company and the Executive Defendants had ***already*** engaged in a rug pull, by siphoning funds from the liquidity pools.

x) On June 5, 2021, Witriol, speaking on behalf of the Company, stated that there was a "low chance of a rug pull" of the SAFEMOON Tokens because Karony would "lose his credentials" with the U.S. Department of Defense. In order to make this post not misleading, the Company was obligated to disclose that: (1) many of the Executive Defendants, including, but not limited to Nagy, Smith, Haines-Davies, and Wyatt, as well as the Promotor Defendants had already sold off some or all of their SAFEMOON Token holdings when the trading volume was artificially inflated between March 2021 and May 2021; and (2) without continued artificially pumping of the volume, the SAFEMOON Tokens price would never recover, leaving investors stuck holding worthless tokens that no one wants to buy. This post was further misleading because the Company and the Executive Defendants had ***already*** engaged in a rug pull, by siphoning funds from the liquidity pools.

y) On June 7, 2021, Karony, speaking on behalf of the Company, stated that the Company had "identified glaring security gaps with a lot of wallet providers" and was in the process of "integrating game changing encryption into the wallet." Karony further stated that, "The SafeMoon wallet will be one of / if not the strongest wallets on the market. #SAFEMOON is the #Evolution! In order to make these statements not misleading, Defendants were obligated to (but did not) disclose that: (1) the Company had no intention of creating innovations for the SafeMoon wallet that would make it safer or have better encryption than other pre-existing wallets; (2) the Company intended to (and did) use a copied version of existing wallets with no additional security features; and (3) that the Company used the

SafeMoon wallet to collect investors' personal data without first obtaining informed consent.[230]

z) On June 11, 2021, Karony, speaking on behalf of the Company, stated that the Company was "smashing out our internal deadlines." Karony also hinted at imminent release dates for promised features for "the Wallet, exchange and more importantly Operation Pheonix." In order to make these statements not misleading, Defendants were obligated to (but did not) disclose that: (1) the Company, up to that point, had made little (if any) progress with developing the SafeMoon wallet (much less the innovative, military-grade encrypted wallet that Karony promised) or exchange; and (2) that this lack of progress would delay to promised launch date for the wallet and exchange.

aa) On June 13, 2021, Karony, speaking on behalf of the Company, stated that Smith was "involved with the Doge Coin x SpaceX partnership." In order to make these statements not misleading, Defendants were obligated to (but did not) disclose that: (1) the Smith's so-called involvement was merely serving as the moderator for the Doge coin Facebook account Company, and not in any leadership or developer roles; and (2) Smith had no direct contact or relationship with Elon Musk or Space X.

bb) On August 14, 2021, the Company stated that the "Full Launch" of the SafeMoon Wallet would occur on August 28, 2021 and that the wallet would be "available on Android and iOS." In order to make these statements not misleading, Defendants were obligated to (but did not) disclose that: (1) the lack of progress with the development of the SafeMoon wallet would likely (and did) delay its "full launch" beyond August 28, 2021; and (2) the SafeMoon wallet would not be available on both Android and iOS at the time of launch.

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[230] Upon information and belief, the Company is, without consent, using this information to identify investors for targeted marketing for SafeMoon's financial products and/or selling their investors' personal data to third-party purchasers.

cc) On August 19, 2021 and August 24, 2021, Karony, speaking on behalf of the Company, stated: "Looking forward to #SAFEMOONWALLET launch on August 28th!" In order to make these statements not misleading, Defendants were obligated to (but did not) disclose that the lack of progress with the development of the SafeMoon wallet would likely (and did) delay its "full launch" beyond August 28, 2021.

dd) On November 22, 2021, Way, speaking on behalf of the Company, stated: "Safemoon just tweeted about WAGMI. Don't miss the rocket." In order to make this statement not misleading, Defendants were obligated to disclose that: (1) Way was a paid promotor working for the Company; and (2) Way was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

ee) On December 12, 2021, Karony, speaking on behalf of the Company, stated: "Shoutout to our brilliant community, the product team and all #SAFEMOON employees for all the hard work these past 9 months, looking forward to the next 9 of evolution. Always out front! #SAFEMOONV2 is the #Evolution." Karony also posted some frequently asked questions about the V2 Migration and provided answers on the Company's behalf. In order to make these statements not misleading, Defendants were obligated to disclose that the primary purpose of the V2 migration was not due to purported technological innovations by the Company's "team" but rather it was purposefully designed as a vehicle to extract value from investors and transfer that to the Company and Karony.

Materiality

418. The forgoing misrepresentations and omissions were each material. These representations related to critical issues concerning the security of SAFEMOON tokenholders' investments. Indeed, if the foregoing representations were true (and the Company had in fact locked SAFEMOON Tokens in liquidity

pools), then the Company and the Executive Defendants would not have been able to access or withdraw those tokens.

419. These misrepresentations and omissions related to, among other things: (i) the extent to which the Defendants and other insiders were restricted from selling substantial amounts of SAFEMOON Tokens on crypto-asset exchanges in the weeks immediately following the March 2021 launch; (ii) the extent to which Defendants and its insiders intended to sell their SAFEMOON Token holdings over that same period; and (iii) the extent to which Defendants and its insiders did in fact sell substantial amounts of their SAFEMOON Tokens crypto-asset exchanges over that same period. If a reasonable investor knew that the Company and the Executive Defendants could in fact abscond with those tokens (or did in fact abscond with those tokens), then that investor would reasonably expect the price of SAFEMOON Tokens to be substantially lower, given that the investment would be much riskier.

420. Accordingly, there is a substantial likelihood that the disclosure of the omitted facts would have been viewed by the reasonable investor as having significantly altered the "total mix" of information made available.

Scienter

421. The Company and Executive Defendants acted with scienter in engaging in the forgoing misconduct, in that they either had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them.

422. Indeed, the Company and the Executive Defendants created and controlled the software that determined whether they would have the ability to retain control over funds staked in liquidity pools and whether they could draw on those funds. They have likewise admitted that they intentionally decided to retain control over funds supposedly "locked" in liquidity pools because they wanted to provide themselves with flexibility to pay for expenses that could arise in the future.

423. Defendants knew before the March 2021 launch that any applicable vesting periods would not preclude the Executive Defendants or their friends and family dumping massive quantities of SAFEMOON Tokens on the market and SafeMoon intended to transfer billions of the newly issued SAFEMOON Tokens to project insiders, and that it, along with those insiders, intended to dump tens of millions of these tokens on crypto-asset exchanges, such that SafeMoon and its insiders intended to profit massively from the offering, while outside investors would be precluded from doing so.

424. Indeed, Defendants necessarily knew what restrictions were imposed on their own tokens, as well as the tokens that they issued and allocated to current and former team members, and to outside investors. These Defendants likewise knew that they, along with current and former team members, held a significant amount of the total SAFEMOON Token supply in circulation, and that if that portion of the Float were sold, the price of SAFEMOON Tokens would likely collapse. It was thus highly unreasonable for Defendants to conceal information relating to selling restrictions imposed on their and their insiders' tokens.

425. In addition, starting on March 5, 2021, Executive Defendants siphoned funds from the liquidity pools. Smith even admitted in an April 21, 2022 interview that "when the organization started, [Karony] leveraged to have [the liquidity pools] unlocked." The Executive Defendants thus knew that funds from the liquidity pools were being siphoned from the outset.

426. Defendants' failure to disclose such information, coupled with their imposition of various taxes on transactions on outside investors but not on themselves as well as undisclosed use of the Promotor Defendants to marketing SAFEMOON Tokens to unsuspecting investors, demonstrates that these Defendants intended that they and their insiders would sell substantial amounts of SAFEMOON Tokens at significant profits high the price was artificially inflated on and during the weeks and months that followed the March 2021 launch.

427. The Company and the Executive Defendants had the motive not to disclose these facts because such disclosure would have been self-defeating. They controlled a significant proportion of SAFEMOON Tokens, and such a disclosure would decrease the value of those assets. In other words, they had an incentive to ensure that the price of SAFEMOON Tokens remained inflated.

428. These Defendants executed on that plan, too, by (along with current and former team members) selling trillions of SAFEMOON Tokens on the market during that period.

429. Defendants knew that they had sold SAFEMOON Tokens on the market on and in the months that followed March 8, 2021. They likewise know that their current and former team members sold SAFEMOON Tokens: in addition to stating that such individuals had sold, these Defendants know which SAFEMOON TOKENS they allocated to team members and can therefore track the transaction history of that SAFEMOON TOKENS on the blockchain.

Reliance, Economic Loss, and Loss Causation

430. As a result of the publication and dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the price of the SAFEMOON Tokens upon issuance on March 8, 2021, and for a period of time, thereafter, was artificially inflated.

431. In ignorance of the fact that the price of SAFEMOON Tokens was artificially inflated, and relying directly or indirectly on the false, misleading, and materially incomplete statements that Defendants made and approved, or upon the integrity of the market in which the SAFEMOON Tokens were sold, or on the absence of material adverse information that these Defendants knew or recklessly should have known of but failed to disclose in public statement, Plaintiff and the other Class members acquired SAFEMOON Tokens at artificially high prices and were damaged thereby.

432. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other Class members suffered damages in connection with the respective purchases of SAFEMOON Tokens and are entitled to an award compensating them for such damages.

433. Indeed, the price of SAFEMOON TOKENS dropped significantly as Defendants disclosed, and the market discovered, the truth concerning the SAFEMOON project and its prospects. For example, following the release of the HashEX report on May 22, 2021, the price of SafeMoon tokens dropped approximately 30% from an opening of $0.00000568 on May 22, 2021 to a close of $0.00000396 on May 23, 2021. Furthermore, the price of SAFEMOON TOKENS went from a high of $0.00000355 on August 28, 2021 in advance of the Wallet Release to a low of $0.00000119 on September 10, 2021 in the wake of the failed wallet launch and executive departures.

434. On December 31, 2021, the price of the SAFEMOON Token hit a low of $0.0000006521 per token, an over 80% drop from its height during the Class Period, which it has not been able to recover.

435. Worse still, after briefly recovering some of these losses, the price fell again to fall in 2022.

436. For example, on the news that the Company and the Executive Team ***did in fact*** draw on the liquidity pools (on April 18, 2022, April 21, 2022, and April 28, 2022), the price of SAFEMOON Tokens (V2) further plummeted. Specifically, the price of such Tokens fell from $0.0008177 on April 17, 2022, to $0.0006161 on April 18, 2022, and to $0.0004777 by the end of April 2022.

437. In addition, as a direct and proximate result of Defendants' wrongful conduct, SafeMoon has generated and retained ill-gotten in connection with the March 2021 launch of SAFEMOON Tokens, such that Plaintiff and the other Class members are entitled to the disgorgement of SafeMoon's ill-gotten gain from such misconduct.

SECOND CAUSE OF ACTION

Section 10(b) and Rule 10b-5
Scheme Liability
(Against the Company, the Executive Defendants, and the Promoter Defendants)

438. Plaintiff restates and realleges all preceding allegations above as if fully set forth herein.

439. Plaintiff incorporates the allegations above.

440. Plaintiff brings this claim for violations of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §78j(b), and Rule 10b-5(b) promulgated thereunder, 17 C.F.R. §240.10b-5(b).

441. Plaintiff brings this claim on behalf of all Class members who purchased SAFEMOON Tokens from March 8, 2021 to the time of this filing.

442. The SAFEMOON Tokens are securities within the meaning of Section 2(a)(1) of the Securities Act, 15 U.S.C. §77b(a)(1). Moreover, the Company's CEO, Karony, has admitted that SafeMoon is not a token project. Instead, as a self-described "tech company," Defendants sold these securities to Plaintiff and the other Class members during and after the March 2021 launch.

443. Section 10(b) and Rule 10b-5(b) make it illegal, in connection with the purchase or sale of any security, "for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange: (a) [t]o employ any device, scheme, or artifice to defraud; (b) [t]o make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) [t]o engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person." (*Id.*)

444. Defendants carried out a plan, scheme, and course of conduct that SafeMoon intended to and did deceive the retail investors – Plaintiff and the other

Class members – who acquired SAFEMOON Tokens pursuant to the March 2021 launch offering thereafter, and thereby caused them to purchase SAFEMOON Tokens at artificially inflated prices.

445. In connection with the March 2021 launch of SAFEMOON Tokens, Defendants disseminated, approved, and/or endorsed the false statements described herein, which these Defendants knew or recklessly should have known were materially misleading in that they contained material misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not materially misleading.

446. Defendants employed devices, schemes, and artifices to defraud; made untrue statements of material fact and omitted to state material facts necessary to make the statements made not misleading; and engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the Class members that resulted in artificially high market prices for SAFEMOON Tokens in connection with the March 2021 launch and thereafter, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

447. Specifically, the Company, the Executive Defendants, and the Promoter Defendants engaged in a pump-and-dump scheme, whereby: (i) the Company provided consideration to the Promoter Defendants in exchange for their promotion of SAFEMOON Tokens; (ii) the Promoter Defendants promoted SAFEMOON Tokens on their social media platforms without disclosing that they had been given consideration to post such promotions; (iii) the Company and the Executive Defendants "re-tweeted" or otherwise broadcasted the Promoter Defendants' promotions of SAFEMOON Tokens without disclosing that the Promoter Defendants had received consideration from the Company to post such promotions; (iv) such promotions (both when posted by the Promoter Defendants and when re-posted by the Company and the Executive Defendants) artificially inflated the demand for, and thus the price of, SAFEMOON Tokens; (v) the

Executive Defendants and Promoter Defendants sold their SAFEMOON Tokens at those inflated prices; and (vi) such sales caused the price of SAFEMOON Tokens to decrease over time.

448. Examples of the Promoter Defendants misleading promotions include the following statements:

a. On March 19, 2021, in a now-deleted post on his official Twitter account, Phillips publicly stated: "I keep seeing #SafeMoon everywhere anyone know about it? Is it gonna pop? Or . . . has it got Big #Doge energy."[231] In order to make this statement not misleading Phillips was required to, but did not, disclose his connection to the Company and that the "buzz" about SafeMoon manufactured by Defendants themselves instead of being naturally created by investor interest.

b. On March 27, 2021, Paul, speaking on behalf of the Company, promoted SAFEMOON in a tweet stoking investors' fear of missing out on the next big thing (*i.e.*, SAFEMOON Tokens). In order to make this statement not misleading, Defendants were obligated to disclose that (1) Paul was a paid promotor working for the Company and (2) Paul was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

c. On March 29, 2021, McCollum, speaking on behalf of the Company, promoted SAFEMOON in a tweet that suggested that the SAFEMOON Token would be just as profitable for investors as another more-popular token: Doge coin. In order to make this statement not misleading, Defendants were obligated to disclose that (1) McCollum was a paid promotor working for the Company and (2) McCollum was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

d. On March 31, 2021, McCollum, speaking on behalf of the Company, promoted SAFEMOON in a tweet repeateding "SAFEMOON" over and

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[231] *See* https://www.reddit.com/r/SafeMoon/comments/m8mjpk/safemoon_tweet_by_ben_phillips_benphillipsuk/ (last visited Feb. 16, 2022).

over again in an attempt to generate sales of the SAFEMOON Tokens. In order to make this statement not misleading, Defendants were obligated to disclose that: (1) McCollum was a paid promotor working for the Company: and (2) McCollum was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

e. On April 6, 2021, Keem, speaking on behalf of the Company, advised investors to "HODL da #SAFEMOON" because "12 months from now looks good." In order to make this statement not misleading, Defendants were obligated to (but did not) disclose that: (1) Keem was a paid promoter working for (not with) the Company; (2) Keem was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions; and (3) Keem was not looking "12 months from now" at the long-term growth prospects for Safemoon but rather was planning on selling (and did) at the first opportunity.

f. On April 17, 2021, Way, speaking on behalf of the Company, stated on his personal Twitter account that he had a public wallet address for SAFEMOON Tokens, signaling to investors that Way was investing his own money into SAFEMOON Tokens. In order to make this statement not misleading, Defendants were obligated to disclose that: (1) Way was a paid promotor working for the Company; and (2) Way was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

g. On April 18, 2021, Keem, speaking on behalf of the Company, urged investors to "CHECK YOUR #SAFEMOON RIGHT NOW!" because the "price is going through the damn roof!," cheering them on "bro we're rich!"[232] Keem went on to state: "Truly believe in #SAFEMOON & not for this quick 🚀 boom. I'm long. People at @safemoon are doing some much good stuff. Love the roadmap. Huge community already. Feels like the start of something huge. In a world of 100,000 new crypto coins. This one sticks out!" In order to make these

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232 https://twitter.com/KEEMSTAR/status/1383976698098507785.

statements not misleading, Defendants were obligated to disclose that: (1) Keem was a paid promotor working for the Company; and (2) Keem was paid in SAFEMOON Tokens and could (and did) sell those tokens immediately with no restrictions.

449. Indeed, far from reflecting sincere endorsements regarding the prospects of the Company or SAFEMOON Tokens, the foregoing statements reflected paid celebrity endorsements.

450. As explained above, such endorsements – many of which were re-tweeted by the Company and the Executive Defendants – caused the price and trading volume of SAFEMOON Tokens to increase substantially throughout March 2021, April 2021, and May 2021.

451. The price of SAFEMOON Tokens, as explained above, likewise decreased as the Executive Defendants and Promoter Defendants offloaded their SAFEMOON Tokens to retail investors.

452. The Company, the Executive Defendants, and the Promoter Defendants acted with scienter in connection with the foregoing scheme. Indeed, they necessarily knew that: (i) the Promoter Defendants received consideration for their social-media promotions of the Company and SAFEMOON Tokens; (ii) such promotions did not reflect the sincere beliefs of the Promoter Defendants; and (iii) they sold SAFEMOON Tokens in the period of and immediately following such promotions.

453. Plaintiff and the Class relied on such promotions in deciding whether to purchase SAFEMOON Tokens (including because the price of SAFEMOON Tokens incorporated such promotions), and further relied on the reasonable assumption that they were trading in an efficient market free of manipulation.

454. As a direct and proximate cause of Defendants' conduct, Plaintiff and the Class have suffered damages in connection with their purchases of SAFEMOON Tokens.

THIRD CAUSE OF ACTION

Unregistered Offering and Sale of Securities in Violation of Sections 5 and 12(a)(1) of the Securities Act (Against All Defendants)

455. Plaintiff restates and realleges all preceding allegations above as if fully set forth herein.

456. Plaintiff, on behalf of itself and all others similarly situated, realleges and incorporates herein by reference each and every allegation contained in the preceding paragraphs of this complaint, and further alleges as follows:

457. Defendants, and each of them, by engaging in the conduct described above, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or cause such securities to be carried through the mails or in interest commerce for the purpose of sale or for delivery after sale.

458. SAFEMOON Tokens are securities within the meaning of Section 2(a)(1) of the Securities Act, 15 U.S.C. §77b(a)(1).

459. Plaintiff and members of the Class purchased SAFEMOON Token securities.

460. No registration statements have been filed with the SEC or have been in effect with respect to any of the offerings alleged herein. No exemption to the registration requirement applies.

461. The U.S. Supreme Court has held that statutory sellers under §12(a)(1) also include "the buyer's immediate seller" and any person who actively solicited the sale of the securities to plaintiff and did so for financial gain. *See Pinter v. Dahl*, 486 U.S. 622, 644 n.21 & 647 (1988); *accord, e.g.*, *Steed Finance LDC v. Nomura Sec. Int'l, Inc.*, No. 00 Civ. 8058, 2001 WL 1111508, at *7 (S.D.N.Y. Sept. 20, 2001). That is, §12(a)(1) liability extends to sellers who actively solicit the sale of securities with a motivation to serve their own financial interest or those of the

securities owner. *Pinter*, 486 U.S. at 647; *Capri v. Murphy*, 856 F.2d 473, 478 (2d Cir. 1988). Defendants are all statutory sellers.

462. By reason of the foregoing, each of the Defendants have violated Sections 5(a), 5(c), and 12(a) of the Securities Act, 15 U.S.C. §§77e(a), 77e(c), and 771(a).

463. As a direct and proximate result of Defendants' unregistered sale of securities, Plaintiff and the Class have suffered damages in connection with their SAFEMOON Token purchases.

FOURTH CAUSE OF ACTION

Violation of Sections 15 of the Securities Act
(Against the Executive Defendants)

464. Plaintiff, on behalf of itself and all others similarly situated, realleges and incorporates herein by reference, each and every allegation contained in the preceding paragraphs of this Complaint, and further alleges as follows:

465. This Count is asserted against the Executive Defendants (collectively, the "Control Person Defendants") under Section 15 of the Securities Act, 15 U.S.C. §77o.

466. The Control Person Defendants, by virtue of their offices, ownership, agency, agreements or understandings, and specific acts were, at the time of the wrongs alleged herein, and as set forth herein, controlling persons within the meaning of Section 15 of the Securities Act. The Control Person Defendants, and each of them, had the power and influence and exercised the same to cause the unlawful offer and sale of SAFEMOON Tokens securities as described herein.

467. The Control Person Defendants, separately or together, possess, directly or indirectly, the power to direct or cause the direction of the management and policies of SafeMoon, through ownership of voting securities, by contract, subscription agreement, or otherwise.

468. The Control Person Defendants also have the power to direct or cause the direction of the management and policies of SafeMoon.

469. The Control Person Defendants, separately or together, have sufficient influence to have caused SAFEMOON Tokens and/or the Company to submit a registration statement.

470. The Control Person Defendants, separately or together, jointly participated in SafeMoon's failure to register SAFEMOON Tokens.

471. By virtue of the conduct alleged herein, the Control Person Defendants are liable for the wrongful conduct complained of herein and are liable to Plaintiff and the Class for rescission and/or damages suffered.

FIFTH CAUSE OF ACTION

Violation of Sections 20(a) of the Exchange Act
(Against the Executive Defendants)

472. Plaintiff, on behalf of itself and all others similarly situated, realleges and incorporates herein by reference, each and every allegation contained in the preceding paragraphs of this Complaint, and further alleges as follows:

473. This Count is asserted against the Executive Defendants (collectively, the "Control Person Defendants") under Section 20(a) of the Exchange Act, 15 U.S.C. §78t(a).

474. The Control Person Defendants, by virtue of their offices, ownership, agency, agreements or understandings, and specific acts were, at the time of the wrongs alleged herein, and as set forth herein, controlling persons within the meaning of Section 15 of the Securities Act. The Control Person Defendants, and each of them, had the power and influence and exercised the same to cause the unlawful scheme to artificially increase the price of SAFEMOON Tokens described above.

475. The Control Person Defendants, separately or together, possess, directly or indirectly, the power to direct or cause the direction of the management

and policies of SafeMoon, through ownership of voting securities, by contract, subscription agreement, or otherwise.

476. The Control Person Defendants also have the power to direct or cause the direction of the management and policies of SafeMoon.

477. The Control Person Defendants, separately or together, have sufficient influence to have caused SAFEMOON Tokens and/or the Company to engage in the fraudulent conduct described above.

478. The Control Person Defendants, separately or together, jointly participated in the Company's fraudulent conduct described above.

479. By virtue of the conduct alleged herein, the Control Person Defendants are liable for the wrongful conduct complained of herein and are liable to Plaintiff and the Class for rescission and/or damages suffered.

SIXTH CAUSE OF ACTION

Aiding and Abetting
California Common Law
(Against Promoter Defendants)

480. Plaintiff restates and realleges all preceding allegations above as if fully set forth herein.

481. Plaintiff Vlad Iacob is a resident and citizen of the State of California.

482. Under California law, aiding and abetting requires not agreement, but simply assistance. The elements of aiding and abetting liability have cited the elements of the tort, as they are set forth in the RESTATEMENT (SECOND) OF TORTS §876, and have omitted any reference to an independent duty on the part of the aider and abettor.

483. Under California law, "[l]iability may . . . be imposed on one who aids and abets the commission of an intentional tort if the person: (a) knows the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other to so act; or (b) gives substantial assistance to the other in accomplishing a tortious result and the person's own conduct, separately

considered, constitutes a breach of duty to the third person." *Neilson v. Union Bank of Cal., N.A.*, 290 F. Supp. 2d 1101, 1118 (C.D. Cal. 2003) (citations omitted).

484. "Unlike a conspirator, an aider and abettor does not 'adopt as his or her own' the tort of the primary violator. Rather, the act of aiding and abetting is distinct from the primary violation; liability attaches because the aider and abettor behaves in a manner that enables the primary violator to commit the underlying tort." *Id.*

485. The Promoter Defendants have previous knowledge and experience with making misleading promotional statements (with Defendant Mayweather having nearly an identical experience with a previous fraudulent cryptocurrency promotion), and, as such, knew or should have known that the marketing strategy employed by the Executive Defendants for the SAFEMOON Tokens was unlawful, deceitful, fraudulent, and/or violated the terms of the California, Florida, and New York state statutes described in this Complaint.

486. By promoting the SAFEMOON Tokens on their social media platforms and through their reported conduct, the Promotor Defendants provided assistance that was a substantial factor causing the SAFEMOON Token price to both surge and do so long enough to allow all Defendants to sell their SAFEMOON Tokens for huge profits at the expense of their followers and investors. Without the help of the Promoter Defendants' activities, the Executive Defendants would have been unable to use the misleading marketing strategy devised by Haines-Davies, Arriaga, and Witriol, and Defendants would not have been able to commit the violations of California state consumer protection statutes alleged herein.

487. As a direct and proximate result of Promotor Defendants' unlawful, unfair, and deceptive practices, Plaintiff and Class members suffered damages. The Executive Defendants' activities with the Promoter Defendants caused Plaintiff and the Class members to purchase and/or hold the SAFEMOON Tokens when they otherwise would not have done so.

488. Plaintiff seeks to enjoin further unlawful, unfair, and/or fraudulent acts or practices by SafeMoon, to obtain monetary damages, restitution and disgorgement of all monies generated as a result of such practices, and for all other relief allowed under California law.

SEVENTH CAUSE OF ACTION

Conversion
(California Common Law)
(Against the Company and Individual Defendant Karony)

489. Plaintiff restates and realleges all preceding allegations above as if fully set forth herein.

490. Plaintiff Vlad Iacob is a resident and citizen of the State of California.

491. At all relevant times, Plaintiff and the class maintained a possessory interest in the V1 SAFEMOON Tokens in their respective wallets at the time of the V1 to V2 migration in December 2021.

492. Through creating and implementing the 100% tax on V1 SAFEMOON Tokens being migrated to V2 SAFEMOON Tokens, the Company, under Karony's leadership, targeted and restricted Plaintiff and the class from accessing all the SAFE/MOON Tokens in their respective personal wallets. In doing so, the Company and Karony assumed control over Plaintiff's property, without authorization.

493. Plaintiff asked the Company to return and/or reimburse the V1 Safemoon Tokens that were improperly seized as a part of the compulsory migration from V1 to V2.

494. To date, neither the Company nor Individual Defendant Karony has returned the confiscated V1 SAFEMOON Tokens (or the equivalent value in V2 SAFEMOON Tokens or other currencies) to Plaintiff or the class.

495. Accordingly, Plaintiff seeks compensatory damages and punitive damages.

EIGHTH CAUSE OF ACTION

Violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO") 18 U.S.C. §1961, *et seq*. (Against Executive Defendants and Promoter Defendants Paul, Phillips, and Keem)

496. Plaintiff restates and reallege all preceding allegations above as if fully set forth herein.

497. This claim is brought on behalf of the class against Defendants for actual damages, treble damages, and equitable relief under 18 U.S.C. §1964 for violations of 18 U.S.C. §1962, *et seq*. Defendants are "person[s]" within the meaning of 18 U.S.C. §1961(3) who conducted the affairs of an enterprise through a pattern of racketeering activity, in violation of 18 U.S.C. §1962(c).

498. Plaintiff and the members of the class are each "persons," as that term is defined in 18 U.S.C. §1961(3) who were injured in their business or property as a result of Defendants' wrongful conduct.

The SAFEMOON Token Enterprise

499. Under 18 U.S.C. §1961(4), a RICO "enterprise" may be an association-in-fact that, although it has no formal legal structure, has: (i) a common purpose; (ii) relationships among those associated with the enterprise; and (iii) longevity sufficient to pursue the enterprise's purpose.

500. Defendants formed such an association-in-fact enterprise, namely, the SAFEMOON Token Enterprise that included the Executive Defendants, along with Promoter Defendants Paul, Phillips, and Keem. For the purpose of this claim, these Defendants are collectively referred to as the "RICO Defendants."

501. The SAFEMOON Token Enterprise are ongoing and continuing business organizations consisting of "persons" within the meaning of 18 U.S.C. §1961(3) that created and maintained systematic links for a common purpose: to ensure that the RICO Defendants could sell off their SAFEMOON Token holdings to retail investors at artificially inflated prices without their fraud being detected.

502. To accomplish this purpose, the SAFEMOON Token Enterprise periodically and systematically promoted the SAFEMOON Tokens – either affirmatively or through half-truths and omissions – to retail investors, including Plaintiff and the class, that the SAFEMOON Tokens had real utility (as opposed to pure speculation). The SAFEMOON Token Enterprise concealed from investors, like Plaintiff and the Class members, that the SAFEMOON Tokens were not the sound investment that the RICO Defendants claimed. This scheme of the SAFEMOON Token Enterprise translated into increased volume and more SAFEMOON Token investors buying at artificially inflated prices (and therefore, more profits) for the RICO Defendants.

503. The persons engaged in the SAFEMOON Token Enterprise are systematically linked through contractual relationships, financial ties, and continuing coordination of activities, as spearheaded by the Executive Defendants and Promoter Defendant Phillips. There is regular communication between the RICO Defendants, in which information is shared. Typically, this communication occurred, and continues to occur, through the use of the wires and the mail in which RICO Defendants share information regarding various timing and content of promotional activities for the SAFEMOON Tokens. The RICO Defendants through their administration, funding, and execution of the scheme to misleadingly market the SAFEMOON Tokens each functioned as a continuing unit for the purposes of implementing, respectively, the SAFEMOON Token pump and dump scheme and, as set forth above, when issues arise during the scheme, the scheme's participants agreed to take actions to hide the scheme and continue its existence.

504. At all relevant times, Executive Defendants were aware of the Promoter Defendants' conduct, were knowing and willing participants in that conduct, and reaped profits from that conduct. Executive Defendants concealed the members of the Safemoon leadership and founding team, which allowed the unidentified co-conspirators to sell their portion of the Float without any scrutiny or complaint.

Executive Defendants represented to investors that Safemoon had staying power, long-term value, and tremendous growth potential. But they knew that the conduct of the Promotor Defendants was artificially inflating the price of the SAFEMOON Tokens. Executive Defendants also knew, but did not disclose, that both the trading volume and price action for the SAFEMOON Tokens would plummet if the promotional activities ceased. Promotor Defendants Phillips, Paul, and Keem also knew that their promotional activities artificially caused spikes in the SAFEMOON Token price and trading volume, but likewise would not disclose the fraud. By failing to disclose this information, the RICO Defendants perpetuated the SAFEMOON Token Enterprise's scheme, and reaped substantial profits.

505. During the time that the SAFEMOON Tokens were being launched and were first publicly marketed to retail investors, the Executive Defendants were aware of the promotional activities of Phillips, Paul, and Keem, were knowing and willing participants in that conduct, and reaped profits from that conduct. The Executive Defendants knew that using misleading marketing would result in lawsuits and even criminal charges. Accordingly, the Executive Defendants concealed the identities of the Safemoon founders and insiders in order to escape detection and punishment for their participation in the SAFEMOON Token Enterprise. The RICO Defendants knew, but did not disclose, that they were promoting the SAFEMOON Tokens, then turning around and selling off their holdings as retail investors, like Plaintiff and the Class members, were buying in. The Executive Defendants knew, but did not disclose, that they were allowing the Promoter Defendants to engage in this fraud to the detriment of retail investors.

506. The RICO Defendants participated in the conduct of the SAFEMOON Token Enterprise, sharing the common purpose of inflating the price and trading volume of SAFEMOON Tokens in order to sell their respective portion of the Float for substantial profit, through a pattern of racketeering activity within the meaning of 18 U.S.C. §§1961(1) and (5), which includes multiple instances of mail fraud in

violation of 18 U.S.C. §1341, and multiple instances of wire fraud in violation of 18 U.S.C. §1343. In the SAFEMOON Token Enterprise, the RICO Defendants knowingly made material misstatements to retail investors in furtherance of the fraudulent scheme regarding:

a. the ownership interests and identities of the Safemoon founders;

b. the timing and amount of SAFEMOON Token sales made by the RICO Defendants; and

c. the RICO Defendants' intent to sell their SAFEMOON Tokens after artificially inflating the price.

507. The Executive Defendants alone could not have accomplished the purpose of the SAFEMOON Token Enterprise without the assistance of the Promoter Defendants. For the Executive Defendants to profit from the scheme, the Promoter Defendants needed to use their influence to mislead investors into buying the SAFEMOON Tokens. And the Promoter Defendants did so. They then, through misrepresentations and failures to disclose material information, failed to disclose to investors that the Promoter Defendants were simultaneously selling their SAFEMOON Tokens at inflated prices. Without these misrepresentations, the SAFEMOON Token Enterprise could not have achieved its common purpose.

508. The SAFEMOON Token Enterprise engaged in and affected interstate commerce because, *inter alia,* it created the SAFEMOON Tokens that were paid for by thousands of Class members throughout the United States.

509. The foregoing evidence that the RICO Defendants were each willing participants in the SAFEMOON Token Enterprise, that the SAFEMOON Token Enterprise had a common purpose and interest in the objective of the scheme, and functioned within a structure designed to effectuate the Enterprise's purpose, *i.e.*, through the Executives' creation of the SAFEMOON Tokens, coupled with the Promoter Defendants' misleading promotion of the SAFEMOON Tokens.

510. During the Relevant Period, the RICO Defendants exerted control over the SAFEMOON Token Enterprise and participated in the operation or management of the affairs of the SAFEMOON Token Enterprise, directly or indirectly, in the following ways:

a. The RICO Defendants concealed the identities of the leadership team behind Safemoon and the individuals that own/controlled key SAFEMOON Token wallet addresses in order to get away with improperly promoting the SAFEMOON Tokens to investors;

b. The RICO Defendants concealed that they were causing the SAFEMOON Token price to artificially inflate in order to allow themselves to sell off their respective SAFEMOON Token holdings at that inflated price; and

c. The Executive Defendants expected and intended that the Promoter Defendants Paul, Phillips, and Keem would (and did) distribute through the U.S. Mail and interstate wire facilities, communications that failed to disclose that the RICO Defendants were pumping up price and trading volume of SAFEMOON Tokens artificially.

511. The scheme had a hierarchical decision-making structure that was headed by the Executive Defendants. They controlled the minting of the SAFEMOON Tokens and directed Promotor Defendants Paul, Phillips, and Keem to misleadingly promote the SAFEMOON Tokens to their social media audiences.

512. The scheme devised and implemented by the RICO Defendants, as well as other members of the SAFEMOON Token Enterprise, amounted to a common course of conduct intended to (a) allow the RICO Defendants to artificially inflate the price of and trading volume for the SAFEMOON Tokens; and (b) sell their respective portion of the Float for a profit at the expense of Plaintiff and the Class members.

RICO Defendants' Pattern of Racketeering Activity

513. The RICO Defendants conducted and participated in the conduct of the affairs of the SAFEMOON Token Enterprise through a pattern of racketeering activity, including acts that are indictable under 18 U.S.C. §1341, relating to mail fraud, and 18 U.S.C. §1343, relating to wire fraud. The pattern of racketeering activity by the SAFEMOON Token Enterprise likely involved thousands of separate instances of use of the U.S. Mail or interstate wire facilities in furtherance of the unlawful HSP pricing scheme. Each of these fraudulent mailings and interstate wire transmissions constitutes "racketeering activity" within the meaning of 18 U.S.C. §1961(1)(B). Collectively, these violations constitute a "pattern of racketeering activity," within the meaning of 18 U.S.C. §1961(5), through which the RICO Defendants intended to defraud Plaintiff, members of the class, and other intended victims.

514. Each instance of racketeering activity alleged herein was related, had similar purposes, involved the same or similar participants and methods of commission, and had similar results affecting similar victims, including Plaintiff and members of the class. The RICO Defendants calculated and intentionally crafted the SAFEMOON Token Enterprise to ensure their own profits remained high, without regard to the effect such behavior had on Plaintiff and members of the class who would were buying the SAFEMOON Tokens at artificially inflated prices.

515. By intentionally and artificially inflating the SAFEMOON Token prices, and then subsequently failing to disclose such practices to the investors, the RICO Defendants engaged in a fraudulent and unlawful course of conduct constituting a pattern of racketeering activity.

516. The pattern of racketeering activity alleged herein was continuing until June 27, 2021.

The RICO Defendants' Use of the U.S. Mail and Interstate Wire Facilities

517. The SAFEMOON Token Enterprise engaged in and affected interstate commerce because it transmitted and published false and misleading information concerning the growth potential for Safemoon across state lines.

518. During the Class Period, the SAFEMOON Token Enterprise's unlawful conduct and wrongful practices were carried out by an array of employees, working across state boundaries, who necessarily relied upon frequent transfers of documents, communications, information, products, and funds by the U.S. Mail and interstate wire facilities.

519. The nature and pervasiveness of the fraudulent token promotion scheme, which was orchestrated by Executive Defendants, necessarily required those headquarters to communicate directly and frequently by U.S. Mail and interstate wire facilities.

520. Many of the precise dates of the SAFEMOON Token Enterprise's uses of the U.S. Mail and interstate wire facilities (and corresponding RICO predicate acts of mail and wire fraud) have been hidden and cannot be alleged without access to the Executive Defendants' or Promoter Defendants Paul, Phillips, and Keem. Indeed, an essential part of the successful operation of the Enterprise alleged herein depended upon secrecy. However, Plaintiff can generally describe the occasions on which the RICO predicate acts of mail fraud and wire fraud occurred, and how those acts were in furtherance of the scheme; Plaintiff describes this below.

521. The RICO Defendants' use of the U.S. Mail and interstate wire facilities to perpetrate the fraudulent promotion scheme involved thousands of communications throughout the class period including, *inter alia*:

a. Communications on official Safemoon accounts on various social media platforms, including, but not limited to: Twitter, Reddit, Telegram, and

Discord to investors, which occurred on a regular basis as investors like Plaintiff and Class members purchased SAFEMOON Tokens;

b. Written representations and telephone calls between the Executive Defendants and Promotor Defendants Paul, Phillips, and Keem regarding the promotion of SAFEMOON Tokens and the financial benefits to the RICO Defendants for doing so;

c. Written representations and telephone calls between any of the RICO Defendants and Promoter Defendants Portnoy, Way, and McCollum regarding the promotion of SAFEMOON Tokens and the financial benefits to the RICO Defendants for doing so;

d. Written representations and telephone calls between the RICO Defendants and the moderators of the Safemoon social media accounts regarding the promotion of SAFEMOON Tokens and the financial benefits to the RICO Defendants for doing so;

e. Emails between the Executive Defendants and Promotor Defendants Paul, Phillips, and Keem agreeing to or effectuating the implementation of the SAFEMOON Token fraud scheme;

f. Written and oral communications directed to retail investors that fraudulently misrepresented the growth potential for the SAFEMOON Tokens that were designed to conceal the scheme and deter investigations into the SAFEMOON Token Enterprise; and

g. Receipts of increased profits sent through the U.S. Mail and interstate wire facilities – the wrongful proceeds of the scheme.

522. In addition to the above-referenced RICO predicate acts, it was foreseeable to the Executive Defendants that Promoter Defendants Paul, Phillips, and Keem would distribute publications through the U.S. Mail and by interstate wire facilities, and in those publications, conceal that the SAFEMOON Token price was fraudulently inflated.

Motive and Common Purpose

523. The RICO Defendants' motive and purpose in creating and conducting the scheme and the Enterprise(s) was to increase the price and trading volume for the SAFEMOON Tokens so that they could sell off their portion of the Float for grossly inflated prices. Each person joined in that common purpose because each person made more money the higher the SAFEMOON Token price rose and, as trading volume increased, the RICO Defendants would be able to sell off in the increased liquidity.

Damages Caused by the RICO Defendants Marketing Fraud

524. The RICO Defendants violations of federal law and its pattern of racketeering activity have directly and proximately caused Plaintiff and Class members to be financially injured as a result of purchasing the SAFEMOON Tokens.

525. As described above, when the RICO Defendants executed the SAFEMOON Token promotional scheme, the result was an artificial increase in both price and trading volume. When the SAFEMOON Token price and trading volume is artificially inflated, investors like Plaintiff and the class overpay due to a fraudulent price.

526. Plaintiff's injuries, and those of the Class members, were proximately caused by the RICO Defendants' racketeering activity. But for the misleading statements and omissions made by the RICO Defendants, Plaintiff and others similarly situated would have paid less for the SAFEMOON Tokens.

527. Plaintiff's injuries were directly caused by the RICO Defendants' racketeering activity. The RICO Defendants' racketeering activity inflated the SAFEMOON Token price, which was ultimately paid for by Plaintiff and the other class members.

528. Plaintiff and those similarly situated were most directly harmed by the fraud, and there is no other Plaintiff or class of plaintiffs better situated to seek a

remedy for the economic harms to consumers from the RICO Defendants' fraudulent scheme.

529. By virtue of these violations of 18 U.S.C. §1962(c), the RICO Defendants are liable to Plaintiff for three times the damages they have sustained, plus the cost of this suit, including reasonable attorneys' fees.

NINTH CAUSE OF ACTION

Common Law Conspiracy
(Against All Defendants)

530. Plaintiff restates and realleges all preceding allegations above as if fully set forth herein.

531. Beginning in March 2021, and continuously thereafter up to and including the date of the filing of the Complaint, the Executive Defendants did engage in the formation and operation of a conspiracy with the Promotor Defendants to misleadingly promote the SAFEMOON Tokens to retail investors in order to artificially inflate the price and trading volume so that Defendants could sell their respective SAFEMOON Tokens for substantial profits.

532. As alleged above, each Defendant acted in furtherance of the conspiracy by, among other things, concealing the identity and ownership interests of, and association with, the Safemoon leadership team; falsely promoting the SAFEMOON Tokens as sound investments with significant growth potential; and making misleading statements about the Defendants holding their SAFEMOON Tokens along with the retail investors who bought, while, in truth, the Defendants were selling their SAFEMOON Tokens for substantial profits.

533. As a proximate result of said conspiracy, as described in the foregoing paragraphs, Plaintiff suffered, continues to suffer, and will suffer in the future, the damages alleged herein.

534. For Defendants' conduct in the alleged conspiracy, Plaintiff seeks compensatory damages against all Defendants, and each of them, jointly and

severely, in an as-yet undetermined amount; punitive damages, injunctive relief enjoining Defendants from continuing to falsely and misleadingly promote the SAFEMOON Tokens; and divestiture of all money wrongfully obtained, whether directly or indirectly, as part of the alleged conspiracy

TENTH CAUSE OF ACTION

Violation of Florida's Deceptive and Unfair Trade Practices Act ("FDUTPA") Ch. 501, §211(1), Fla. Stat. Ann.
(Against All Defendants)

535. Plaintiff restates and realleges all preceding allegations above as if fully set forth herein.

536. Plaintiff Combs is a resident of the State of Florida.

537. Chapter 501, Fla. Stat., FDUTPA is to be liberally construed to protect the consuming public, such as Plaintiff in this case, from those who engage in unfair methods of competition, or unconscionable, deceptive, or unfair acts or practices in the conduct of any trade or commerce.

538. Plaintiff is a "consumer" within the meaning of Fla. Stat. §501.203(7).

539. By soliciting investor funds in the manner in which they did, Defendants engaged in "trade and commerce" within the meaning of Fla. Stat. §501.203(8).

540. While FDUTPA does not define "deceptive" and "unfair," it incorporates by reference the Federal Trade Commission's interpretations of these terms. The FTC has found that a "deceptive act or practice" encompasses "a representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer's detriment."

541. The federal courts have defined a "deceptive trade practice" as any act or practice that has the tendency or capacity to deceive consumers and have defined an "unfair trade practice" as any act or practice that offends public policy and is immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers.

542. Defendants engaged in business acts and practices deemed "deceptive" because of the conduct, statements, and omissions described above, including, but not limited to, the following:

(a) knowingly and intentionally concealing the Executive Defendants' specific roles and ownership interests in Safemoon; and

(b) knowingly and intentionally using and/or failing to disclose the use of the Promotor Defendants to "instill trust" in uninformed investors to promote the financial benefits of a highly speculative and risky investment in SAFEMOON Tokens, in an effort to manipulate and artificially inflate the price and trading volume of the SAFEMOON Tokens and allow Defendants to sell their SAFEMOON Tokens at those inflated prices.

(c) knowingly and intentionally using and/or failing to disclose that the V1 to V2 Migration would likely result in the total loss of the investors' SAFEMOON Tokens via the V1 to V2 migration scheme.

(d) knowingly and intentionally using and/or failing to disclose that the Company was not using a mechanism to lock funds in the liquidity pools as promised but instead created a backdoor by which the Company or the Executive Defendants could access those funds.

543. These acts and omissions constitute both deceptive and unfair trade practices because the false representations and omissions made by Defendants have a tendency or capacity to deceive consumers, such as Plaintiff, into investing in the SAFEMOON Tokens to their collective financial detriment. Such conduct is immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers.

544. As a result of Defendants' deceptive trade practices, Plaintiff was deceived into retaining functionally worthless cryptocurrencies and/or investing their cryptocurrency and/or fiat currency with a company that functioned solely as an engine of fraud – thus causing significant economic damage to Plaintiff.

545. The materially false statements and omissions as described above, and the fact that this was a misleading investment, were unfair, unconscionable, and deceptive practices perpetrated on Plaintiff which would have likely deceived a reasonable person under the circumstances.

546. Defendants were on notice at all relevant times that the false representations of material facts described above were being communicated to prospective investors (such as Plaintiff) by their authorized agents.

547. As a result of the false representations and violations of the laws described above, Plaintiff has been damaged by, among other things losing the true value of their invested cryptocurrency.

548. Plaintiff has also been damaged in other and further ways subject to proof at trial.

549. Therefore, Defendants engaged in unfair and deceptive trade practices in violation of Florida Statute Section 501.201, *et seq*.

550. Plaintiff seeks to enjoin further unlawful, unfair, and/or fraudulent acts or practices by Defendants, to obtain restitution and disgorgement of all monies generated as a result of such practices, and for all other relief allowed under Florida law.

551. Pursuant to Florida Statute Sections 501.211(1) and 501.2105, Plaintiff is entitled to recover from Defendants the reasonable amount of attorneys' fees Plaintiff has had to incur in representing their interests in this matter.

ELEVENTH CAUSE OF ACTION

Unjust Enrichment/Restitution
(California Common Law, in the Alternative)
(Against All Defendants)

552. Plaintiff restates and realleges all preceding allegations above as if fully set forth herein.

553. Plaintiff Vlad Iacob is a resident and citizen of the State of California.

554. Plaintiff and members of the Class conferred a monetary benefit on Defendants by raising the price and trading volume of the SAFEMOON Tokens, which allowed Defendants to sell their SAFEMOON Tokens to Plaintiff and Class members at inappropriately and artificially inflated prices.

555. Defendants received a financial benefit from the sale of their SAFEMOON Tokens at inflated prices and are in possession of this monetary value that was intended to be used for the benefit of, and rightfully belongs to, Plaintiff and members of the Class.

556. Plaintiff seeks restitution in the form of the monetary value of the difference between the purchase price of the SAFEMOON Tokens and the price those SAFEMOON Tokens sold for.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, individually, and on behalf of all others similarly situated, respectfully requests that this Court:

A. Determine that the claims alleged herein may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and issue an order certifying one or more of the Classes defined above;

B. Appoint Plaintiff as a representative of the Class and Lead Counsel as Class counsel;

C. Declare that the Company and Executive Defendants offered and sold unregistered securities in violation of Sections 5(a), 12(a), and 15 of the Securities Act;

D. Declare that Defendants made fraudulent misstatements and omission with scienter in violation of Section 10b of the Securities Exchange Act;

E. Award all actual, general, special, incidental, statutory, rescission, punitive, and consequential damages and restitution to which Plaintiff and the Class members are entitled;

F. Award post-judgment interest on such monetary relief;

G. Grant appropriate injunctive and/or declaratory relief;

H. Award reasonable attorneys' fees and costs; and

I. Grant such further relief that this Court deems appropriate.

JURY DEMAND

Plaintiff, individually, and on behalf of the putative Class, demands a trial by jury on all issues so triable.

DATED: June 28, 2022

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Additional Counsel for Plaintiffs

CERTIFICATE OF SERVICE

I hereby certify that on June 28, 2022, I electronically filed the foregoing with the Clerk using CM / ECF, which will send notification via electronic means to all counsel of record.

DATED: June 28, 2022

SCOTT+SCOTT ATTORNEYS AT LAW LLP

s/ John T. Jasnoch
John T. Jasnoch