IN THE GENERAL DIVISION OF THE HIGH COURT

OF THE REPUBLIC OF SINGAPORE

HC/OC 247/2022

Between

JULIAN MORENO BELTRAN
(Spanish Passport No. XDC853917)

… 1st Representative Claimant

DOUGLAS GAN YI DONG
(NRIC No. S8322576I)

… 2nd Representative Claimant

And

1. TERRAFORM LABS PTE LTD
(UEN No. 201813807M)

2. KWON DO HYEONG
(Employment Pass No. G4004976U)

3. NIKOLAOS ALEXANDROS PLATIAS
(Greek Passport No. AT3683471)

4. LUNA FOUNDATION GUARD LTD.
(UEN No. 202144909Z)

... Defendants

STATEMENT OF CLAIM

I. THE PARTIES

1. The Claimants are a group of individuals who purchased TerraUSD stablecoin tokens issued by the 1st Defendant ("**UST**") and who, amongst other things, utilised fiat currency, including US dollars and digital currencies such as Tether ("**USDT**") and USD Coin ("**USDC**") to do so. The Claimants are represented by Mr Julian Moreno Beltran, a Spanish citizen ordinarily resident in Australia, ("**Mr Beltran**") and Mr Douglas Gan, a Singaporean citizen ("**Mr Gan**").

2. The 1st Defendant, Terraform Labs Pte Ltd, is a company incorporated in Singapore on 23 April 2018 in the business of developing software and applications, with its registered address at 1 Wallich Street #37-01 Guoco Tower Singapore 078881.

3. The 1st Defendant's shareholders are the 2nd Defendant and one Mr Daniel Hyunsung Shin, an American citizen. The 1st Defendant has S$12 worth of paid-up capital, with the 2nd Defendant owning 11 out of the 12 shares allocated, and Mr Shin owning 1 out of the 12 shares allocated.

4. The 2nd Defendant, Kwon Do Hyeong, is a South Korean citizen and is the co-founder, shareholder, Director and Chief Executive Officer of the 1st Defendant, with his place of residence at 37 Nassim Road #10-03 Nassim Regency Singapore 258423.

5. The 3rd Defendant, Nikolaos Alexandros Platias (also known as Nicholas Platias), is a Greek citizen with his place of residence at Markou Botsari Adiexodo Rodopoli, Athens 14575. He has also been described as one of the co-founders and Head of Research of the 1st Defendant, and one of the co-founders/creators of the Anchor Protocol, which runs on the Terra blockchain.

6. The 4th Defendant, Luna Foundation Guard Ltd., is a public company limited by guarantee incorporated in Singapore on 29 December 2021 in the business of development of software and applications, with its registered address at 1 Irving Place, #08-11, The Commerze@Irving, Singapore 369546. The 2nd and 3rd Defendants are the named members and/or guarantors of the 4th Defendant for a guaranteed amount of S$100 each.

7. The following are the best particulars that the Claimants can provide pending further discovery.

II. BACKGROUND

8. The 1st Defendant operates the Terra blockchain which serves as a platform for the 1st Defendant's development and sale of decentralised financial assets/products and services ("**Terra Ecosystem**").

9. As part of the Terra Ecosystem, the 1st Defendant issued algorithmic stable cryptocurrency tokens named TerraUSD ("**UST**"), which is the subject matter of the present action. UST was supposed to be designed to be protected from the volatility of the cryptocurrency markets and acts as a store of value, being pegged 1:1 to the US Dollar.

10. In addition to UST, the 1st Defendant also developed and issued other cryptocurrency tokens, mainly the LUNA tokens ("**LUNA**"). LUNA is not meant to be stable and/or pegged to the US Dollar and has similar characteristics to regular cryptocurrencies.

11. The Terra Ecosystem's most popular application is the Anchor Protocol ("**Anchor**"), which is a lending and borrowing platform where users can 'stake' their UST in consideration for promised returns calculated on an annualized yield basis, which is analogous to placing deposits in a bank to earn interest.

III. REPRESENTATIONS MADE BY THE DEFENDANTS TO INDUCE THE CLAIMANTS TO PURCHASE UST TOKENS

A. Representations as to UST's price stability

12. In or around April 2019, a white paper detailing the mechanics of the UST token in the Terra Ecosystem was published by the 2nd and 3rd Defendants, amongst other authors ("**Terra Money White Paper**"), for and on behalf of the 1st Defendant.

13. In order to induce the Claimants to purchase UST tokens, the 1st to 3rd Defendants made the following representations:

a. First, that the UST tokens were stable by design, as they were pegged to a stable fiat currency ("**1st Representation**").

b. Second, that the Terra protocol and its underlying token mechanics would be able to maintain the price stability of UST regardless of market size, volatility or demand through an algorithm that would allow an arbitrage process to happen with UST's sister token, LUNA, guaranteeing that UST would always return to the 1 USD peg ("**2nd Representation**").

c. Third, that UST holders would always be able to exchange 1 UST for 1 USD's worth of LUNA on the Terra protocol ("**3rd Representation**").

Particulars

The 1st Representation was reflected in both the Terra Money White Paper and the 1st Defendant's website:

Terra Money White Paper

- "*the protocol will issue Terra currencies pegged to USD, EUR,… TerraSDR will be the flagship currency of* [the Terra] *family, given that it exhibits the lowest volatility against any one fiat currency*"

1st Defendant's Website

- "*the Terra protocol creates stablecoins that consistently track the price of any fiat currency.*"
- "***Terra:*** *Stablecoins that track the price of fiat currencies*"

  [Emphasis in bold in the original]

- "*Stablecoins are the main feature of the Terra protocol: crypto assets that track the price of an underlying currency…* ***Terra stablecoins can be used just like fiat currency*** *with blockchain's added benefits: an unchangeable public ledger, instant transactions, faster settlement times, and fewer fees*"

  [Emphasis added in bold and underline]

The 2nd Representation was reflected in both the Terra Money White Paper and the 1st Defendant's website:

Terra Money White Paper

- "…*the protocol adjusts its stability levers in response to economic conditions, and … those adjustments in turn shape unit mining rewards* [to maintain Terra's price stability]"

- "*While we think that Terra's adoption-driven demand will be far more stable than Bitcoin's speculation-driven demand, the stability mechanism has been designed to confidently withstand Bitcoin-level volatility.*"

- "*Luna also serves as the most immediate defense against Terra price fluctuations. The system uses Luna to make the price for Terra by agreeing to be counter-party to anyone looking to swap Terra and Luna at Terra's target exchange rate*"

1st Defendant's Website

- "*the price stability of Terra is achieved by the protocol's algorithmic market module, which incentivizes the minting or burning of Terra through arbitrage opportunities.*"
- "*Stablecoins are only valuable to users if they maintain their price peg. The Terra protocol uses the basic market forces of supply and demand to maintain the price of Terra".*

- *"The protocol ensures the supply and demand of Terra is always balanced, leading to a stable price*"

- *The Terra protocol is scalable: it is designed to maintain Terra's price stability regardless of market size, volatility, or demand. The monetary policies encoded into the protocol ensure its durability and resilience in all market fluctuations*."

The 3rd Representation was reflected in the 1st Defendant's website:

"*The Terra protocol's market module* ***enables users to always trade 1 USD worth of Luna for 1 UST, and vice versa, incentivizing users to maintain the price of Terra.*** *This same principle is true for all Terra stablecoin denominations*."

[Emphasis added in bold and underline]

14. Induced by and acting in reliance upon the 1st to 3th Representations stated above, the Claimants purchased UST as stated in the 1st Schedule annexed below, thereby entering into an agreement with the 1st Defendant on terms set out below:

a. UST was stable by design, and pegged to the US Dollar;

b. the Terra protocol and its underlying token mechanics would be able to maintain UST's price stability regardless of market size, volatility and/or demand through its algorithm; and

c. that UST would always be able to exchange 1 UST for 1 USD's worth of LUNA on the Terra protocol.

15. Further and/or in the alternative, by reason of the matters aforesaid, the 1st Defendant made a unilateral offer to the world on the 1st to 3th Representations as the main terms of offer. A unilateral contract between the 1st Defendant and the Claimants listed in the 1st Schedule was formed with the 1st to 3th Representations as the main terms.

B. Representations as to Anchor's sustainability

16. In or around July 2020, a white paper was published by the 3rd Defendant and several other authors, detailing Anchor's utility in the Terra Ecosystem as a lending and borrowing platform ("**Anchor White Paper**").

17. In order to induce readers on the Internet, including several of the Claimants, to purchase UST tokens and to 'stake' (i.e., deposit) the UST tokens on Anchor, the 1st to 3rd Defendants made the following representations:

a. that Anchor was a principal-guaranteed stablecoin savings product where UST holders could enjoy the stability of holding a stablecoin while earning passive income ("**4th Representation**");

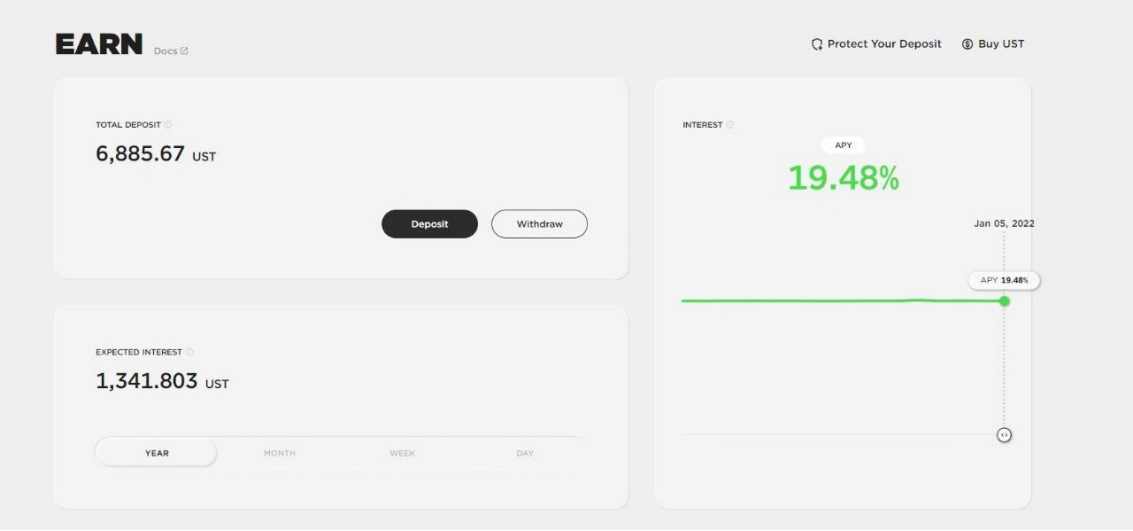
b. that purchasers of UST would earn up to 20% Annualized Percentage Yield ("**APY**") on Anchor if they staked their UST on the protocol ("**5th Representation**").

Particulars

The 4th Representation was reflected in the Anchor White Paper:

- "*Anchor offers a principal-protected stablecoin savings product that pays depositors a stable interest rate*."
- ["Depositors will enjoy] *passive income with low price exposure*", making Anchor a "*fitting answer to the search for a household savings product powered by cryptocurrency*"
- "*Anchor is a savings protocol that accepts Terra deposits, allows instant withdrawals and pays depositors a low-volatility interest rate… It guarantees the principal of depositors by liquidating borrowers' collateral via liquidation contracts and third-party arbitrageurs*."

The 5th Representation was reflected on Anchor's website, which is reproduced below as a screenshot for reference:



18. Induced by and acting in reliance upon the 1st to 5th Representations stated above, the Claimants, listed in the annexed 2nd Schedule, purchased UST, thereby entering into an agreement with the 1st Defendant on terms set out below:

a. UST was stable by design, and pegged to the US Dollar;

b. the Terra protocol and its underlying token mechanics would be able to maintain UST's price stability regardless of market size, volatility and/or demand through its algorithm;

c. that UST would always be able to exchange 1 UST for 1 USD's worth of LUNA on the Terra protocol;

d. that Anchor was a principal-guaranteed stablecoin savings product where UST holders could enjoy the stability of holding a stablecoin while earning passive income;

e. that UST purchasers would earn up to 20% APY if they staked their UST on the protocol.

C. Representations that the 4th Defendant would backstop the UST peg

19. On or around 19 January 2022, to further promote the stability of UST, the 1st Defendant announced the formation of the 4th Defendant on a popular website, Medium.com.

a. The 1st Defendant stated that the 4th Defendant would be operated by an independent Governing Council, comprising of the following individuals:

i. The 2nd Defendant (Founding Member and Director)

ii. The 3rd Defendant (Founding Member)

iii. Jose Maria Delgado (Governing Council)

iv. Jonathan Caras (Governing Council)

v. Remi Tetot (Governing Council)

vi. Kanav Kariya (Governing Council)

b. Amongst other things, the 1st Defendant, for and on behalf of the 4th Defendant, promised to support and fund the Terra Ecosystem to "*buttress the stability of the UST peg*";

c. To maintain the UST's peg to the US Dollar, the 4th Defendant would build "*reserves that backstop the peg of algorithmic stablecoins amid volatility*".

20. On 22 February 2022, the 4th Defendant announced that it had successfully raised USD 1 billion through the sale of LUNA tokens as a reserve fund to maintain the UST peg to the US Dollar by way of a PR release.

a. The 4th Defendant stated that the funding would be utilised toward building a bitcoin-denominated foreign-exchange reserve for UST.

b. Kanav Kariya stated, for and on behalf of the 4th Defendant, that the funding would be used to maintain the peg of the UST token:

> "[the funding would] *help protect the peg of the UST stablecoin in stressful conditions… similar to how many central banks hold reserves of foreign currencies to back monetary liabilities and protect against dynamic market conditions*"

c. Crucially, the 3rd Defendant represented, for and on behalf of the 4th Defendant, that with the reserves built, the price peg and stability of the UST was assured:

> "[w]*ith the UST Forex Reserve, the primary counter-argument for the sustainability of algorithmic stablecoins is eliminated*"

(the "**6th Representation**")

21. By 5 May 2022, the 4th Defendant was reported to have amassed a total Bitcoin holding valued at USD3.5 billion as of that date.

22. By 5 May 2022, as a result of the successful marketing strategy of the Defendants, the market capitalisation of UST had reached USD 18.73 billion, with most of the UST being staked on Anchor.

23. Induced by and acting in reliance upon each of the 1st to 6th Representations stated above, the Claimants believed that UST would be a token that was stable by design, whose price would always be pegged to the US Dollar, and which offered attractive APY returns for UST staked in Anchor. Additionally, the Claimants believed that the 4th Defendant would be able to maintain UST's peg to the USD in any market situation due to its Bitcoin reserves.

24. Accordingly, the Claimants, listed in the annexed 3rd Schedule, purchased UST, thereby entering into an agreement with the 1st Defendant on terms set out below:

a. UST was stable by design, and pegged to the US Dollar;

b. the Terra protocol and its underlying token mechanics would be able to maintain UST's price stability regardless of market size, volatility and/or demand through its algorithm;

c. that UST would always be able to exchange 1 UST for 1 USD's worth of LUNA on the Terra protocol;

d. that Anchor was a principal-guaranteed stablecoin savings product where UST holders could enjoy the stability of holding a stablecoin while earning passive income;

e. that UST purchasers would earn up to 20% APY if they staked their UST on the protocol; and

f. that the 4th Defendant's reserves would be able to protect the price stability of UST vis-à-vis the 1 USD peg.

25. Between 7 May 2022 and 13 May 2022, the price of UST collapsed from USD 1 to less than USD 0.15. On or about 13 May 2022, the function to exchange 1 UST for 1 USD's worth of LUNA was disabled without notice to the Claimants.

IV. THE REPRESENTATIONS BY THE DEFENDANTS WERE FRAUDULENTLY MADE AND THE DEFENDANTS ARE LIABLE FOR THE TORT OF DECEIT

26. Each of the Representations stated above were false in that:

a. In respect of the 1st Representation: UST was not "*stable by design*", as it was not able to maintain its peg to the US Dollar.

b. In respect of the 2nd Representation: UST's algorithm was not able to maintain the price stability of UST, as the peg was never able to recover.

c. In respect of the 3rd Representation: UST holders did not always maintain the ability to trade 1 UST for 1 USD's worth of LUNA, given that the exchange function between UST and LUNA on the Terra protocol was turned off.

d. In respect of the 4th Representation: Anchor was not in fact "*principal-guaranteed*", given that the underlying value of UST collapsed.

e. In respect of the 5th Representation: Anchor was artificially subsidised by the 1st and 4th Defendants, and in fact had no actual way to keep up the 20% APY in the long run.

f. In respect of the 6th Representation: the 4th Defendant was not able to maintain the price peg of UST to the US Dollar as it had not in fact built up sufficient reserves, contrary to what the Defendants represented.

27. The Defendants made the said representations fraudulently either well knowing that they were false and untrue, or recklessly not caring whether they were true or false.

PARTICULARS

a. In respect of the 1st and 2nd Representations: The 1st to 3rd Defendants knew, or ought to have known, that the 1st and 2nd Representations were false at the time they were made in the Terra Money White Paper and/or the 1st Defendant's website. In particular, the 1st and 2nd Defendants knew that UST's price peg to the US Dollar was not stable by design and/or that the algorithm was not able to support the price peg.

i. The fact that the 4th Defendant's incorporation was needed to "*protect the peg of the UST stablecoin*" demonstrates that the 1st to 3rd Defendants knew that the 1st and 2nd Representations were false: UST required actual assets to back the peg, and the algorithm or design of the UST tokens on its own were insufficient to maintain its peg to the US Dollar.

ii. Further, the 1st and 2nd Defendants knew, or ought to have known, that the algorithm could not ensure UST's price peg given that an analogous algorithmic stablecoin scheme, 'Basis Cash', was attempted by the 2nd Defendant unsuccessfully. In fact, 'Basis Cash' had failed for the same reasons as UST.

iii. As the 2nd Defendant was the director and therefore the controlling mind of the 1st Defendant, the 2nd Defendant's knowledge can be attributed to the 1st Defendant.

iv. Further, given that the 2nd and 3rd Defendant worked intimately on the Terra Ecosystem and UST, the 3rd Defendant knew, or ought to have

known of the 2nd Defendant's involvement in 'Basis Cash', given the inherent similarities between UST and 'Basis Cash'.

v. Further and/or in the alternative, the 1st to 3rd Defendants' failure to disclose the 2nd Defendant's involvement in 'Basis Cash', which was a material fact to the viability and stability of UST as a stablecoin, gave the Claimants the false impression that the UST was a stablecoin which was safe to purchase.

vi. In fact, the 2nd Defendant had actively sought to conceal his involvement in 'Basis Cash' and actively represented that he was not involved in the project.

b. In respect of the 3rd Representation: The 1st to 3rd Defendants knew, or ought to have known, that the ability to swap 1 UST for 1 USD's worth of LUNA would not <u>always</u> be available given that the 1st to 3rd Defendants have exclusive control over the function. In fact, the function to swap UST for LUNA was disabled, without notice, on or about 13 May 2022.

c. In respect of the 4th Representation: The 1st to 3rd Defendants knew, or ought to have known, that Anchor was not able to act as a principal-protected stablecoin savings product. The deposits in Anchor could not be "*principal-protected*" given the inherent instability of the UST tokens which were to be staked in Anchor. In this regard, paragraphs 25 and 26 above are repeated.

d. In respect of the 5th Representation: the 1st to 3rd Defendants knew, or ought to have known, that the marketed APY was unsustainable given that the historical organic growth of the Terra ecosystem, and Anchor's revenue model specifically, could never support the APY without artificial capital injections from the 1st and 4th Defendants.

e. In respect of the 6th Representation: the 2nd, 3rd and 4th Defendants knew that the 4th Defendant's bitcoin reserves were insufficient to match the rate of growth in demand for UST. In particular, the advisor to the 4th Defendant, Remi Tetot, admitted that the advisors to the 4th Defendant (including the 2nd and 3rd Defendants) knew, at the time the 6th Representation was made, that the 4th Defendant's capabilities could not be developed fast enough to match the growing demand of UST. Accordingly, the Defendants would have known that any representation that the 4th Defendant's capabilities to maintain the UST's peg to the US Dollar would be false.

28. By reasons of the matters above, the UST tokens are now worth far less than the represented peg price of 1 USD per UST token and the Claimants have suffered loss and damage as specified in the of the sum total of US$56,948,675.49, being the cumulative value of the Claimants' UST tokens purchased and held and/or sold at a loss through the UST crash in May 2022.

29. By reason of the fraudulent misrepresentations set out above, the Claimants are entitled to claim for the loss and damage suffered in purchasing the UST tokens.

30. Further, the Claimants seek aggravated damages on account of the matters pleaded in paragraphs 26 to 28 above.

V. NEGLIGENT MISSTATEMENT BY THE DEFENDANTS

31. Further or alternatively, the Claimants claim against the 1st to 4th Defendants for negligent misstatement.

32. The 1st to 4th Defendants made the representations as set out in paragraphs 13, 17 and 20 above. The Claimants adopt and repeat the matters set out in paragraphs 1 to 27 above.

33. At the time of making the representations referred to in paragraphs 13, 17 and 20 above, the 1st to 4th Defendants intended and knew or ought to have known that the Claimants would rely on the said representations and statements and be induced thereby to buy UST and/or stake UST in Anchor and/or hold UST through the crash in May 2022.

Particulars

a. The 1st to 4th Defendants knew or ought to have known that the Claimants wished to buy and hold cryptocurrency stablecoins that were not subject to the volatility of the wider market and earn a decent passive return.

b. The 1st to 4th Defendants knew or ought to have known that the Claimants would rely on the information shared by the Defendants (on all public sources, social media or otherwise), specifically the representations made by the 1st to 4th Defendants, in deciding whether to buy UST and/or stake UST in Anchor and/or hold UST through the crash in May 2022.

    i. The 1st to 4th Defendants held themselves out to be experienced and sophisticated players in the cryptocurrency ecosystem, with the technical and financial expertise to operate a stablecoin project of this magnitude.

    ii. The information about UST's token mechanics and/or algorithm were matters that were within the knowledge of the 1st to 4th Defendants, not the Claimants.

    iii. In particular, the structural weakness of algorithmic stablecoins was a matter specifically known to the 2nd Defendant, being the founder of an analogous failed stablecoin project, 'Basis Cash'. The Claimants repeat and adopt paragraph 27(a) above.

iv. Further, the knowledge that Anchor was unsustainable and unable to keep up its ~20% APY was a matter specifically known to the 1st to 4th Defendants, as they had variously caused the 1st and 4th Defendants to artificially subsidize the APY yield. The 1st to 4th Defendants would also have known that Anchor had never in its history turned a profit such that it could sustain the APY yield.

34. In the premises, the 1st to 4th Defendants were under a duty to take care in the making of the representations and statements as set out in paragraphs 13, 17 and 20 above.

35. In reliance of the truth of the said representations and statements, and not otherwise, and induced thereby, the Claimants bought UST and/or staked UST in Anchor and/or held UST through the crash in May 2022.

36. The 1st to 4th Defendants breached their duty to take care in making of the said representations and statements to the Claimants.

Particulars

a. The Claimants repeat paragraphs 27(a) to (e) above.

b. The 1st to 4th Defendants failed to take any or any reasonable steps to:

i. disclose potential structural risks to the algorithmic stablecoin model;

ii. disclose the 2nd Defendant's involvement in 'Basis Cash';

iii. disclose the need for asset collateralisation to prop up UST from the beginning;

iv. disclose the centrally controlled nature of the UST-LUNA swap mechanism and the potential that the swap would be disabled in certain circumstances;

v. disclose Anchor's inability to generate sustainable revenue to support the ~20% APY; and

vi. disclose the insufficiency of the 4th Defendant's Bitcoin reserves to defend the UST peg, given that a key advisor to the 4th Defendant was clearly aware of this.

37. As a result of the matters set out above, the Claimants have thereby suffered loss and damage, the particulars of which are as follows:

PARTICULARS

a. The Claimants have suffered loss amounting to US$56,948,675.49, being the sum equivalent to the diminution in value between the 1 USD peg for UST and the value of the UST being held by the Claimants and/or the price at which a Claimant sold below the 1 USD peg.

b. If the Claimants had not purchased UST, they would likely have kept the purchase sum in fiat currency or equivalent.

VI. INNOCENT MISREPRESENTATION AND/OR LIABILITY UNDER SECTION 2(1) OF THE MISREPRESENTATION ACT

38. Alternatively, the 1st to 4th Defendants are liable to the Claimants for innocent misrepresentation and/or under s 2(1) of the Misrepresentation Act.

39. The 1st to 4th Defendants made the representations as set out in paragraphs 13, 17 and 20 above. The Claimants adopt and repeat the matters set out at paragraphs 12 to 25 above.

40. The said representations were false, for the reasons set out in paragraph 26 above.

41. In reliance of the truth of the representations set out in paragraphs 13, 17 and 20 above, and induced thereby, the Claimants bought UST and/or staked UST and/or held UST through the May 2022 crash.

42. On account of the matters pleaded above, the Claimants are entitled to rescission of the unilateral contracts entered into with the 1st Defendant.

43. Alternatively, as a result of the matters set out above, the Plaintiff has thereby suffered loss and damage, the particulars of which are stated in paragraph 37 above.

44. Further and/or in the alternative, if the said representations were not made fraudulently, the Claimants will rely upon the provisions of section 2 of the Misrepresentation Act 1967 entitling them in the circumstances to the relief claimed therein.

VII. FURTHER AND/OR IN THE ALTERNATIVE, THE 1ST DEFENDANT HAS BREACHED THE UNILATERAL CONTRACTS FORMED WITH THE CLAIMANTS

45. Further and/or in the alternative, the 1st to 4th Defendants had made the 1st to 6th Representations as set out above. Paragraphs 12 to 25 are repeated.

46. Acting in reliance of the said representations, the Claimants agreed to purchase UST and/or stake UST in Anchor and/or hold UST through the May 2022 crash.

a. A unilateral contract between the 1st Defendant and the Claimants listed in the 1st Schedule was formed with the 1st to 3rd Representations as the main express terms. Paragraphs 12 to 15 are repeated.

b. Further and/or in the alternative, a unilateral contract between the 1st Defendant and the Claimants listed in the 2nd Schedule was formed with the 1st to 5th Representations as the main express terms and/or conditions. Paragraphs 16 to 18 are repeated.

c. Further and/or in the alternative, a unilateral contract between the 1st Defendant and the Claimants listed in the 3rd Schedule was formed with the 1st to 6th Representations as the main express terms and/or conditions. Paragraph 19 to 20 are repeated.

47. The unilateral contracts between the Claimants and the 1st Defendant were validly entered into in consideration of each Claimant's purchase of UST and use of the Terra blockchain, including Anchor.

48. The said representations were false and the Defendants were in breach of each of the express terms:

PARTICULARS

a. Despite the Defendants representing that UST was "stable by design", the UST was unable to maintain its peg to the US dollar.

b. Despite the Defendants representing that UST's algorithm would be able to maintain the price stability of UST, the peg was never able to recover.

c. Despite the Defendants representing that UST holders would always be able to trade 1 UST for 1 USD's worth of LUNA, the exchange function between UST and LUNA on the Terra protocol was disabled.

d. Despite the Defendants representing that Anchor was "*principal-guaranteed*", the underlying value of UST collapsed and the value of the Claimants' principal holdings likewise crashed.

e. Despite the Defendants representing that Anchor was able to provide a sustainable ~20% yield, it was in fact not able to do so.

f. Despite the Defendants representing that the 4th Defendant's reserve funds would be able to maintain the price peg of UST to the US Dollar, it did not have enough reserves to do so.

49. By reason of the said misrepresentations, the Claimants are entitled to rescind the unilateral contracts entered into between them and the 1st Defendant. Alternatively, by reason of the 1st Defendant's breaches of the said terms, the 1st Defendant repudiated the agreement.

50. Alternatively, by reason of the said misrepresentations and breaches of the said conditions and/or express terms, the Claimants have suffered loss and damage, as set out in paragraph 28 above.

VIII. INDUCEMENT OF BREACH OF CONTRACT

51. Further and/or alternatively, the 2nd to 4th Defendants wrongfully induced and procured the 1st Defendant to breach the unilateral contracts with the Claimants.

52. The material terms of the unilateral contracts are set out at paragraph 24 above.

53. The 2nd and 3rd Defendants, being the individuals controlling the 1st Defendant, had caused the 1st Defendant to breach the terms of the unilateral contract as set out in paragraph 48 above.

PARTICULARS

a. Specifically, the 2nd and 3rd Defendants caused the 1st Defendant to disable the swap mechanism between 1 UST and 1 USD's worth of LUNA in or around 13 May 2022.

IX. FURTHER, THE DEFENDANTS WRONGFULLY CONSPIRED TO COMMIT FRAUD ON THE CLAIMANTS

54. By reason of the matters set out above at paragraphs 12 to 25, the 1st to 4th Defendants (or any two or more together) wrongfully and with intent to injure the Claimants by unlawful means, conspired and combined together to commit fraudulent misrepresentations on the Claimants causing injury to the Claimants.

55. In making the fraudulent representations detailed above at paragraphs 12 to 20, the Defendants acted in combination to dishonestly induce the Claimants to purchase UST and stake UST in Anchor.

56. By reason of the matters set out above at paragraphs 12 to 27, the 1st to 3rd Defendants (or any two or more together) wrongfully and with intent to injure the Claimants by unlawful means, conspired and combined together to defraud the Claimants and to conceal such fraud and the proceeds of such fraud from the Claimants.

PARTICULARS

a. The 2nd and 3rd Defendants were directors of the 1st and 4th Defendants and were therefore their controlling minds.

b. As set out in paragraphs 12 to 15 above, the 2nd and 3rd Defendants caused the 1st Defendant to make the 1st, 2nd and 3rd Representations.

c. As set out in paragraphs 16 to 18 above, the 2nd and 3rd Defendants caused the 3rd Defendant to make the 4th and 5th Representations.

d. As set out in paragraphs 19 to 20 above, the 1st, 2nd and 3rd Defendant caused the 3rd Defendant to make the 6th Representation.

e. At all material times the 1st to 3rd Defendants would have known that the representations as detailed above in paragraphs 12 to 20 would have been false.

f. As a result of the matters set out in paragraphs 27 above, the Claimants have suffered loss and damage in the sum of US$56,948,675.49, being the sum equivalent to the diminution in value between the 1 USD peg for UST and the value of the UST being held by the Claimants and/or the price at which a Claimant sold below the 1 USD peg.

AND the Claimants therefore claim: -

(1) Against the 1st to 4th Defendants a declaration under paragraphs 26 and 27 above that the Defendants are jointly and severally liable for the fraudulent misrepresentations made;

(2) A declaration that the unilateral contracts between the 1st Defendant and each individual Claimant be rescinded;

(3) The sum of US$56,948,675.49, being the sum equivalent to the diminution in value between the 1 USD peg for UST and the value of the UST being held by the Claimants and/or the price at which a Claimant sold below the 1 USD peg;

(4) Further, an order that the Defendants pay the Claimants aggravated damages, to be assessed;

(5) In the alternative to the above primary relief, if the Honourable Court does not grant the relief of rescission and the return of the sum of US$56,948,675.49, the Claimants seek the following reliefs:

a. an order that the Defendants pay the Claimants damages, including aggravated damages, for fraudulent misrepresentation, to be assessed;

b. alternatively, an order that the Defendants pay the Claimants damages for misrepresentation pursuant to section 2(1) of the Misrepresentation Act, to be assessed;

c. alternatively, an order that the Defendants pay the Claimants damages for negligent misstatement, in respect of the loss and damage referred to in paragraph 50 above, to be assessed;

d. Interest, pursuant to s 12 of the Civil Law Act;

e. Costs; and

f. Such further and other relief as this Honourable Court deems fit.

Dated this 23rd day of September 2022.

Solicitors for the Plaintiff
Drew & Napier LLC