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22 and Sydney Kearns

23 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
24 **FOR THE COUNTY OF SANTA CLARA**

25 DAN KEARNS, an individual; DOROTHY  
26 KEARNS, an individual; and SYDNEY KEARNS,  
27 an individual,

28 Plaintiffs,

v.

ROBINHOOD FINANCIAL LLC; ROBINHOOD  
SECURITIES, LLC; ROBINHOOD MARKETS,  
INC.; and DOES 1-10,

Defendants.

Case No.: **21CV375872**

- COMPLAINT FOR:**
- 1. Wrongful Death;**
  - 2. Negligent Infliction of Emotional Distress; and**
  - 3. Unfair Business Practices**

**[Jury Trial Requested]**

1 Plaintiffs Dan Kearns, Dorothy Kearns, and Sydney Kearns (“Plaintiffs”) allege as follows:

2 **NATURE OF THE ACTION**

3 1. “How was a 20-year-old with no income able to get assigned almost \$1 million worth of  
4 leverage?” These were the last known written words of 20-year-old Alex Kearns before he rode his  
5 bicycle to a railroad crossing and ran in front of an oncoming train. The only ones with the answer to  
6 Alex’s question are Defendants Robinhood Markets, Inc, Robinhood Financial LLC, and Robinhood  
7 Securities, LLC (collectively, “Defendants” or “Robinhood”), a financial services company that offers a  
8 mobile app and website where virtually anyone who knows how to fill out a form asking about their  
9 name, age, and source of income (regardless of what that income may be) can invest in stocks, ETFs and  
10 options, regardless of their proficiency, experience, or the amount of money in their bank account.

11 2. This case centers on Robinhood’s aggressive tactics and strategy to lure inexperienced  
12 and unsophisticated investors, including Alex, to take big risks with the lure of tantalizing profits.  
13 Robinhood built out its trading platform to look much like a videogame to attract young users and  
14 minimize the appearance of real-world risk. Though Alex was merely a senior in high school when he  
15 opened an account with Robinhood and had little or no income, Robinhood determined he was qualified  
16 enough to enter into the world of trading sophisticated financial options. Not only did Robinhood permit  
17 Alex to open the account, but when Alex was a freshman in college later that year, it permitted him to  
18 trade options. Those options it turned out had the potential of his becoming obligated to pay for over  
19 \$700,000 in securities, an amount he had no possible means of paying. Worse, Robinhood provided  
20 almost no investment guidance, and its customer “service” was virtually non-existent, consisting of  
21 automated e-mail replies devoid of any human contact or interaction.

22 3. Robinhood’s reckless tactics came to a head in June 2020. On information and belief,  
23 Alex had placed an option spread trade whereby he simultaneously acquired and sold put options in the  
24 same security, in theory limiting his risk, but actually containing a risk Alex did not understand, which  
25 was the risk that the put options he had sold could be assigned before expiration, which resulted in his  
26 being obligated to purchase the underlying security at the strike price of the options, before he was able  
27 to sell the options he owned.

1           4.       On information and belief, this is in fact what occurred. At some time during the trading  
2 day of June 11, 2020, the holder of the options Alex had sold exercised his options, thus obligating Alex  
3 to purchase the underlying security. Alex did not learn this until later, when his account reflected a  
4 negative cash balance in his account of \$730,000 which was more than \$700,000 greater than the amount  
5 of cash he had in the world. At that point, Alex was extremely concerned and upset.

6           5.       At 11:01 p.m. on June 11, 2020, Robinhood notified Alex via email that his account was  
7 restricted (preventing him from executing new trades or making withdrawals), which raised further alarm  
8 bells in Alex’s mind. Eleven minutes later, he was informed by another email that he had been assigned,  
9 which meant Alex was required to purchase the over \$700,000 in shares that were the subject of the  
10 options. The information available to Alex at that point indicated that he had somehow lost \$730,000 on  
11 a trade which he had understood to be limited to a maximum loss of less than \$10,000.

12          6.       Though it was nearly midnight when Robinhood sent these notifications, a desperate Alex  
13 promptly sent an email to its customer support seeking help and answers. Robinhood’s reply consisted  
14 of nothing more than an auto-generated reply, emphasizing a delay in response time and creating a case  
15 number. Robinhood continued to fail Alex throughout the night. At 3:26 a.m., Robinhood—ignoring  
16 Alex’s prior inquiry—sent Alex an email entitled “Immediate Action Required: Reg T Call Due”,  
17 informing Alex that his “account didn’t meet the Regulation T cash requirements for [his] trades on June  
18 10, 2020[,]” and that he was thus required to deposit \$178,612.73 by June 17, 2020. Alex’s account had  
19 held only about \$16,000 before Robinhood allowed him to trade the put spread which actually controlled  
20 hundreds of thousands of dollars’ worth of securities. He had no money to satisfy this margin call, and  
21 he had no one to contact who could explain what was going on.

22          7.       Tragically, Robinhood’s communications were completely misleading, because, in  
23 reality, Alex did not owe any money; he held options in his account that more than covered his obligation,  
24 and the massive negative balance would have been erased by the exercise and settlement of the puts he  
25 held.

26          8.       Robinhood never bothered to explain this to Alex or to respond to his increasingly  
27 desperate pleas for help. Alex’s second email to customer support, sent June 12 at 7:16 a.m. stated he  
28 was incorrectly assigned more than he should have been and that the puts he purchased should have

1 covered the puts he sold. Alex again asked for help but was again met with an auto-generated reply from  
2 Robinhood assigning a new case number. Alex then attempted to reach out again, and out of desperation,  
3 threatened legal action to Robinhood. He sent those emails less than two hours before the market opened  
4 on a regular business day, a time when most brokers were open for business.

5 9. Though Alex’s panic and confusion were clearly caused by Robinhood’s misleading  
6 communications, Robinhood was impossible to reach at the most critical moment to repair the damage it  
7 had created. At that point, Alex believed that he was obligated to repay the deficit in his account and  
8 feared that his family would somehow get stuck with the obligation unless he did something drastic to  
9 protect them. He was in a complete panic. His panic and desperation grew as he was unable to  
10 communicate over a number of hours with anyone at Robinhood. This resulted in a highly distressed  
11 mental condition in Alex, an uncontrollable impulse to commit suicide as the only option he could see.  
12 Alex rode to a railroad crossing on his bicycle and ran in front of an oncoming train, killing himself.

13 10. Though a young and inexperienced individual with little money cannot possibly possess  
14 the sophistication needed to make sound trading decisions, let alone parse out and comprehend  
15 misleading communications from a broker-dealer, Robinhood created the illusion that those qualities are  
16 unnecessary. In fact, Robinhood’s website entices young, inexperienced users with the slogan: “Our goal  
17 is to make investing in financial markets more affordable, more intuitive, and more fun, no matter how  
18 much experience you have (or don’t have).”

19 11. By marketing its online trading platform like a video game, it implied that trading stock  
20 and options was a fun way to make money, perhaps even to get rich, without significant risk. It coupled  
21 its marketing strategy with attractive incentives for young individuals with little or no income, such as  
22 no commissions, free stock, and the chance to receive additional free shares of a “glamour stock” by  
23 encouraging friends to sign up. This campaign was wildly successful, as millions of young people  
24 responded to this campaign—it is certainly no wonder that young people such as Alex would find such  
25 offers appealing.

26 12. As Robinhood would have it, it could lure unsuspecting individuals to use its trading  
27 platform and “play with” hundreds of thousands of dollars in leveraged money, regardless of the  
28

1 suitability of such trades, all the while ignoring its obligation to provide a safety net of any sort, or even  
2 a customer support service where actual humans answer the phone or respond to emails.

3 13. But this is not a game. Defendants' reckless conduct directly and proximately caused the  
4 death of one of its victims. The distress, and the suicide, of this victim was foreseeable. Indeed, it was  
5 almost inevitable that an event like this would occur as a result of such reckless behavior. Defendants  
6 cannot escape the consequences of their actions; they must be held accountable, not only to satisfy the  
7 demands of justice, but to discourage such flagrantly irresponsible actions by themselves and others.

### 8 **JURISDICTION AND VENUE**

9 14. The Court has personal jurisdiction over Defendants because the Robinhood Defendants'  
10 principal place of business is in this County in California.

11 15. Venue is proper in this county in accordance with Section 395(a) of the California Code  
12 of Civil Procedure because Defendants are located in this county, authorized to do business in this county  
13 and the acts and omissions complained of herein occurred in this county.

### 14 **THE PARTIES**

15 16. Plaintiff Dan Kearns is the father of Alex, residing at Naperville, IL.

16 17. Plaintiff Dorothy Kearns is the mother of Alex, residing at Naperville, IL.

17 18. Plaintiff Sydney Kearns is the sister of Alex, residing at Naperville, IL.

18 19. Upon information and belief, Defendant Robinhood Financial LLC ("RHF") is a  
19 Delaware Limited Liability Company, a registered introducing broker specializing in financial services.  
20 RHF accepts orders from customers to buy and sell such securities, manages customer relationships and  
21 communications, customer support, and sends trades to Robinhood Securities, LLC ("RHS") to be  
22 cleared and settled.

23 20. Upon information and belief, Defendant Robinhood Securities, LLC ("RHS") is a  
24 Delaware Limited Liability Company, a registered clearing broker specializing in financial services.

25 21. Upon information and belief, Defendant Robinhood Markets, Inc. ("RHM") is a financial  
26 services company incorporated in the State of Delaware and is the parent company of RHF and RHS.

1 22. On information and belief, RHF, RHS, RHM are subject to myriad SEC and FINRA rules  
2 governing broker-dealers including, among others, requirements related to customer protection, options  
3 trading, margin trading, fair dealing, and net capital.

4 23. The precise role of each of the named Defendants with respect to the matters upon which  
5 this complaint is based is presently unknown and is therefore not specified herein. Plaintiffs will seek  
6 leave of the court to amend this complaint to specify the precise role and to assign responsibility to each  
7 of the Defendants as appropriate when the relevant facts become known. Until that time, Plaintiffs will  
8 refer to the three named Defendants collectively as "Robinhood" or "the Robinhood Defendants".

9 24. Plaintiffs are also unaware at the time of filing of this complaint of whether there are other  
10 persons or entities that also share in the responsibility for the acts complained of herein, and therefore  
11 sues such defendants under fictitious names "DOES 1-10." Plaintiffs will seek leave of the court to  
12 amend this complaint to state the names of the fictitious defendants when the same become known to  
13 Plaintiffs.

14 25. Each of the Robinhood Defendants and each of the fictitious defendants are believed in  
15 good faith to be the agents, servants and employees of the others in doing, conspiring, aiding, abetting,  
16 or otherwise cooperating in performing those acts, and as such, is legally responsible in some manner for  
17 the acts complained of herein.

## 18 GENERAL ALLEGATIONS

### 19 **A. Alex, Who Exemplified Kindness and Passion Throughout His Life, Was Loved and** 20 **Admired By Those Who Knew Him**

21 26. Alex grew up in Naperville, Illinois, with his two parents and sister. Alex was shy as a  
22 little boy but became outgoing and active in high school and college. took great joy in learning, exploring,  
23 and had an intellectual curiosity. Alex had a heart of gold and was loved by his peers.

24 27. Alex showered his mother Dorothy with "Alex time", which meant warm hugs and  
25 affection. Alex was described as the "kid who put a blanket on you when you fell asleep in front of the  
26 TV."

27 28. Alex deeply loved his sister Sydney and shared with her a common love of Mario Kart,  
28 baking and cooking. They shared a deep and close sibling bond.

1           29. Alex’s love for learning was widely recognized and applauded. In middle school, Alex  
2 received the President’s Education Award, which is given by the White House. The Exchange Club of  
3 Naperville recognized Alex for his “outstanding dedication to a high quality of community service,  
4 scholarship, citizenship, and friendship.” Alex received the Jordan Webb Peace Award, which is given  
5 to individuals who “personified perseverance and courage in the face of adversity with an undying spirit  
6 and positive attitude.” Alex received the Jordan Webb Peace Award in recognition of his selfless nature,  
7 kindness, and desire to help others.

8           30. Alex had musical talent, which was nurtured from the time he entered high school until  
9 his death. His high school, Neuqua Valley High School, boasts a world-class music program and a  
10 perennial Grammy Signature School winner, including “Best in Nation” in 2005 and 2013. As part of  
11 Neuqua Valley High School’s band, Alex played trombone in the Outback Bowl Parade and toured Italy.  
12 His talent, leadership and popularity led to his designation as a senior leader in the band.

13           31. The love felt by Alex’s peers and teachers for him was palpable. At the end-of-year  
14 awards ceremony during Alex’s senior year of high school, Alex did not win an award. Deciding that  
15 Alex was too deserving to go home without one, Alex’s fellow students and teachers surprised him by  
16 calling him to stage, while everyone in the room gave a standing ovation. Cheering and shouting filled  
17 the bleachers and room by all, showing their love for Alex.

18           32. Alex finished his senior year in high school playing in a calypso band. He even developed  
19 some unorthodox dance moves during that time—dance moves that may have reminded some of Elaine  
20 Benes of Seinfeld, but which brought a smile to Alex’s face and those around him. Alex was having fun  
21 and enjoying his life.

22           33. As Alex graduated, he received a final award from Neuqua Valley High School—the  
23 Leslie Baumann Spirit Award. The Leslie Baumann Spirit Award is given to only one student, a student  
24 “whose participation in a variety of events lifts school spirit by encouraging others to be enthusiastically  
25 engaged.”

26           34. After graduating from high school, Alex told his parents of his dream to serve in the  
27 United States Air Force. Alex had received a scholarship to the University of Nebraska at Lincoln  
28 (“UNL”). As a way to pursue his dream, he enrolled in the R.O.T.C. program at UNL.

1           35. Alex was passionate about the R.O.T.C. program at UNL. He especially enjoyed the  
2 comradery and purpose behind serving his country. Alex pushed himself further than required and  
3 independently conceived, wrote, and edited recruitment videos for the UNL Air Force R.O.T.C. and the  
4 Arnold Air Society. Alex even starred in and narrated the video for the Arnold Air Society, showing  
5 others his passion and sense of humor. Alex was surprised to learn that UNL was so impressed by his  
6 efforts, that it granted him additional scholarship money.

7           36. Those that were close to Alex knew he was a true goofball with a terrific sense of humor.  
8 Alex often struggled to keep a straight face, and loved to imitate characters, particularly from Saturday  
9 Night Live. While Alex was an Arnold Air Society recruit, one of the members got in his face and told  
10 him to sing a song. Alex responded by breaking out into Mariah Carey’s “All I Want For Christmas”.  
11 Though he tried to keep a straight face, the Arnold Air Society member could not keep himself from  
12 laughing at Alex’s unexpected and hilarious reaction.

13           **B. Professional Broker-Dealers Owe A Duty Of Care To Their Customers**

14           37. Every professional broker-dealer owes its customers a duty of care defined by common  
15 practice and by common and statutory law. They are also regulated by the Financial Industry Regulatory  
16 Authority (“FINRA”), which is charged by Congress to protect investors and ensure that professional  
17 broker-dealers operate fairly and honestly. Included under FINRA’s purview are trades in equities,  
18 corporate bonds, securities futures, and options. Among other things, FINRA licenses individuals and  
19 promulgates rules for licensed brokers and dealers to follow.

20           38. FINRA has promulgated specific rules to guide broker-dealers in how to fulfill their duty  
21 of care to their customers.

22           39. As a starting point, licensed broker-dealers have a duty to take measures to “know” their  
23 customers. This duty is crucial; without knowing enough information about a customer, a broker-dealer  
24 runs the risk of breaching its duty to care to protect its customers’ financial interests in allowing or  
25 executing trades. FINRA enumerates several things broker-dealers should do to Know Your Customer  
26 (“KYC”), including, but not limited to: confirmation of the identity of customers; confirmation of  
27 customers’ employment status; confirmation of customers’ income; verification of customers’  
28



1 investment experience; confirmation of customers' net worth; an understanding of customers' investment  
2 objectives; and verification of customers' source of income to ensure they have adequate funds to trade.

3 40. Broker-dealers also have a duty to their customers to ensure investment strategies in  
4 general and particular trades are suitable for them. FINRA Rule 2111 defines this duty and provides that  
5 brokers must have a firm understanding of both the product and the customer. Ensuring suitability  
6 safeguards investor protection and promotes fair dealing and ethical sales practices. Although Robinhood  
7 has tried in public statements to disclaim this obligation on the grounds that it does not "recommend"  
8 specific securities, on information and belief, Robinhood does make recommendations of trading  
9 strategies and investment plans that would bring it within the purview of the Rule by, among other things,  
10 encouraging frequent trading, encouraging and repeatedly offering options trading, rewarding customers  
11 for frequent trading, publishing and sending to customers lists of popular stocks or stocks that are moving  
12 price-wise,, and similar actions.

13 41. Broker-dealers have further specific duties of care to their customers with regard to  
14 options trading. FINRA Rule 2360 imposes requirements on brokers to fulfil this duty; under Rule 2360,  
15 broker-dealers are required to collect certain customer information to determine whether to approve the  
16 customer's request to trade options.

17 42. Broker-dealers also have a duty of care to their customers with regard to margin  
18 borrowing. FINRA Rule 4210 establishes that this duty is met by imposing margin requirements which  
19 determine the amount of collateral customers are expected to maintain in their margin accounts to prevent  
20 defaults.

21 43. Every broker-dealer registered and licensed under FINRA is required to abide by  
22 FINRA's rules. Failure to do so is prima facie evidence of a breach of a duty of care.

23 **C. Though Licensed As A Professional Broker-Dealer, Robinhood Acts As Anything But, And**  
24 **Excuses Itself From Meeting Any Duty Of Care To Its Customers**

25 44. Upon information and belief, Robinhood, registered in 2013 as a broker-dealer, is  
26 regulated by FINRA and required to provide a duty of care to its customers. Nonetheless, Robinhood,  
27 embraced few of the qualities of a professional financial services company and "excused" itself from  
28 compliance with many of its duties and responsibilities. Although the specifics of Robinhood's

1 compliance (and lack of compliance) with FINRA rules, including those referenced above, is uniquely  
2 within Robinhood’s exclusive possession and control, on information and belief, the allegations  
3 contained in the following eight paragraphs constitute material failures to comply with its duties to  
4 customers and/or compliance with FINRA rules and obligations.

5 45. First, Robinhood glosses over its duty to know its customers. David Dusseault  
6 (“Dusseault”), President and COO of RHF, admitted to Congress that Robinhood only follows up with  
7 verifying customers’ identifying information “in instances of uncertainty or where we are unable to verify  
8 information submitted through third parties.” See Dusseault Letter (Aug. 7, 2020),  
9 <https://s.wsj.net/public/resources/documents/RobinhoodReplyToCongress.pdf>. Robinhood does not  
10 explain what constitutes “uncertainty” or when it deems necessary to make an effort to verify information  
11 on its own. Moreover, Dusseault indicated that the type of information it verifies with third parties merely  
12 pertains to age and identity. *Id.* Thus, Robinhood relies mostly on the word of its users, significantly  
13 with regard to source of income and employment status, even when such answers create a red flag as to  
14 suitability for trading options. Robinhood’s system—taking customers at their words—falls woefully  
15 short of meeting its duty of care to ensure the customers should be trading as well as verifying the types  
16 of trades are appropriate.

17 46. Without knowing its customers at all, Robinhood does not—and cannot—fulfill its duty  
18 to ensure a particular trade or type of trade is suitable for its users. Upon information and belief,  
19 Robinhood has justified its behavior by contending that FINRA 2111 only applies to brokers giving  
20 investment recommendations, which Robinhood does not do. But Robinhood may not excuse itself from  
21 its duty to ensure trades or type of trading are suitable for its customers. First, FINRA itself states that  
22 the phrase “investment strategy involving a security or securities in this Rule is to be interpreted broadly,  
23 and would include, *among other things*, an explicit recommendation to hold a security or securities.”  
24 See FINRA Rules and Guidance, Rule 2111, Supplemented Material: .03, [https://www.finra.org/rules-](https://www.finra.org/rules-guidance/rulebooks/finra-rules/2111)  
25 [guidance/rulebooks/finra-rules/2111](https://www.finra.org/rules-guidance/rulebooks/finra-rules/2111). Second, Robinhood minimizes FINRA 2111 to a verbatim  
26 interpretation that ignores the purpose behind the rule, which is to ensure broker-dealers meet their duty  
27 of care to their customers by ensuring they engage in appropriate and sound trading.

1           47.     Third, Robinhood fails to meet its duty of care to its customers engaging in options  
2 trading. FINRA Rule 2360 promulgates what Robinhood needs to do to meet these duties, i.e., perform  
3 diligence to determine whether to approve a customer’s request to trade options. But instead of doing  
4 anything to meet this duty of care, Robinhood merely has its customers fill out a form when opening the  
5 account. *See* David Dusseault Response to Congressional Letter of July 13, 2020 (“Dusseault Letter”)  
6 (Aug. 7, 2020), <https://s.wsj.net/public/resources/documents/RobinhoodReplyToCongress.pdf>.  
7 Robinhood then relies on the users’ own representations about their experience, knowledge, age,  
8 employment status and estimated annual income. Upon information and belief, Robinhood has no  
9 program in place to either verify the accuracy of the answers provided or to independently seek the  
10 necessary information. Robinhood’s system cannot possibly meet its duty to protect its customers from  
11 making unsound and volatile options trading decisions, or even trading at all.

12           48.     Additionally, Robinhood essentially approves Level 3 options trading for traders who lack  
13 the experience to understand the trades they are making or the financial ability to deal with the  
14 consequences of their trades. As Dusseault stated to Congress, users with Level 2 access can qualify for  
15 Level 3 access simply by providing a self-certification regarding his or her understanding of options  
16 trading, as well as statements as to his or her trading activity and net worth. *Id.* And “[f]or users who  
17 do not currently have access to options trading and are applying for Level 3 access, a customer can qualify  
18 if he or she states a certain number of years of options trading experience.” *Id.* Moreover, while users  
19 that state they do not have much experience in investment cannot open an options account, all they need  
20 to do to gain access is revise their answer. *See* Gunjan Banerji, Alexander Osipovich, *Free Trades,*  
21 *Jackpot Dreams Lure Small Investors to Options*, The Wall Street Journal (Jun. 24, 2020),  
22 [https://www.wsj.com/articles/free-trades-jackpot-dreams-lure-small-investors-to-options-](https://www.wsj.com/articles/free-trades-jackpot-dreams-lure-small-investors-to-options-11592991000?st=0vx2z6r6lckh1tf&reflink=article_imessage_share)  
23 [11592991000?st=0vx2z6r6lckh1tf&reflink=article\\_imessage\\_share](https://www.wsj.com/articles/free-trades-jackpot-dreams-lure-small-investors-to-options-11592991000?st=0vx2z6r6lckh1tf&reflink=article_imessage_share).

24           49.     Further, while Robinhood provides its customers with the Options Clearing Corporation’s  
25 Characteristics and Risks of Standardized Options (“ODD”) booklet at the time a customer applies to  
26 trade options, upon information and belief, Robinhood does nothing to ensure customers understand the  
27 ODD or to provide a way for customers to ask questions related to same. *See* Dusseault Letter (Aug. 7,  
28 2020), <https://s.wsj.net/public/resources/documents/RobinhoodReplyToCongress.pdf>.

1           50. Fourth, Robinhood fails to meet its duty of care to its customers trading on margin.  
2 Robinhood allows its users to purchase securities on margin through its Robinhood Gold program, as  
3 long as they subscribe. *Id.* In his August 7 letter to Congress, Dusseault boasted that Robinhood, though  
4 “not required by law or regulation” imposed eligibility criteria for trading securities on margin. *See*  
5 Dusseault Letter (Aug. 7, 2020), [https://s.wsj.net/public/resources/documents/  
6 RobinhoodReplyToCongress.pdf](https://s.wsj.net/public/resources/documents/RobinhoodReplyToCongress.pdf). However, once again Robinhood’s “vetting” consists of nothing more  
7 than asking customers questions and relying on their answers, without any verification system in place.  
8 *Id.* This can and does result in customers incurring margin obligations they cannot possibly satisfy,  
9 without any understanding the risks they are taking.

10           51. Fifth, Robinhood breaches its duty of care to its customers by failing to provide any  
11 meaningful customer support. With all of its programs, Robinhood does not provide a single phone  
12 number for its users to call with questions. *See* Dusseault Letter (Aug. 7, 2020),  
13 <https://s.wsj.net/public/resources/documents/RobinhoodReplyToCongress.pdf>. Instead, Robinhood  
14 boasts about its “quick” and reliable email support, the same “support” that failed to substantively  
15 respond to Alex’s questions and pleas multiple times. *Id.*

16           52. Indeed, Robinhood has been described as “built for the person who doesn’t know a lot  
17 about the markets and doesn’t ask a lot of questions.” *See* Charles Gasparino, *Robinhood app luring and*  
18 *robbing amateurs—like in the dot-com era*, New York Post (Aug. 8, 2020),  
19 <https://nypost.com/2020/08/08/robinhood-app-luring-and-robbing-amateurs-like-in-the-dot-com-era/>.

#### 20           **D. Robinhood Preys On Inexperienced And Unsophisticated Investors, Much Like Alex**

21           53. As Alex was busy learning and exploring his interests as he grew up in Naperville, he  
22 could not have known that Robinhood would one day, using aggressive tactics, prey on his youth and  
23 inexperience to further its own business interests.

##### 24           (i) Robinhood Designed Its App To Appear Like A Video Game

25           54. Robinhood uses multiple marketing ploys to lure in its customers. First, Robinhood  
26 designed its app to appear much like a video game meant for teenagers or children. For instance, upon  
27 information and belief, users are congratulated on their first trade by confetti. *See* Annie Massa, Edward  
28 Robinson, *Robinhood’s Role in the ‘Gamification’ of Investing*, Bloomberg (Dec. 19, 2020),

1 [https://www.bloomberg.com/news/articles/2020-12-19/robinhood-s-role-in-the-gamification-of-](https://www.bloomberg.com/news/articles/2020-12-19/robinhood-s-role-in-the-gamification-of-investing-quicktake)  
2 [investing-quicktake](https://www.bloomberg.com/news/articles/2020-12-19/robinhood-s-role-in-the-gamification-of-investing-quicktake). Upon information and belief, users are also offered a fractional share of a “glamour  
3 stock” (such as Apple) if they convince a friend to sign up. *Id.* Users can also browse 100 widely-held  
4 stocks amongst fellow users for inspiration and view Tik-Tok videos glamorizing Robinhood’s app. *Id.*  
5 *See also* Robin Wigglesworth, Richard Henderson, Eric Platt, *The lockdown death of a 20-year old day*  
6 *trader*, Financial Times (Jul. 2, 2020), [https://www.ft.com/content/45d0a047-360f-86ee-](https://www.ft.com/content/45d0a047-360f-4abf-86ee-108f436015a1)  
7 [108f436015a1](https://www.ft.com/content/45d0a047-360f-4abf-86ee-108f436015a1) (in reference to Robinhood’s app, noting “[t]he parallels between video games and day  
8 trading is becoming closer and closer”); Jeff Kauflin, Antoine Gara, Sergei Klebnikov, *The Inside Story*  
9 *of Robinhood’s Billionaire Founders, Option Kid Cowboys and the Wall Street Sharks that Feed on*  
10 *Them*, Forbes (Aug. 19, 2020), [https://www.forbes.com/sites/jeffkauflin/2020/08/19/the-inside-story-of-](https://www.forbes.com/sites/jeffkauflin/2020/08/19/the-inside-story-of-robinhoods-billionaire-founders-option-kid-cowboys-and-the-wall-street-sharks-that-feed-on-them/?sh=33aea449268d)  
11 [robinhoods-billionaire-founders-option-kid-cowboys-and-the-wall-street-sharks-that-feed-on-](https://www.forbes.com/sites/jeffkauflin/2020/08/19/the-inside-story-of-robinhoods-billionaire-founders-option-kid-cowboys-and-the-wall-street-sharks-that-feed-on-them/?sh=33aea449268d)  
12 [them/?sh=33aea449268d](https://www.forbes.com/sites/jeffkauflin/2020/08/19/the-inside-story-of-robinhoods-billionaire-founders-option-kid-cowboys-and-the-wall-street-sharks-that-feed-on-them/?sh=33aea449268d) (“And while Robinhood’s successful recruitment of inexperienced young  
13 traders may have inadvertently minted a few new millionaires riding the debt-fueled market, it is also  
14 deluding an entire generation into believing that trading options successfully is as easy as leveling up on  
15 a video game.”).

16 (ii) Users Receive A Free Gift Of Stock Upon Signing Up

17 55. Second, upon signing up, Robinhood users are gifted with a free stock. Upon information  
18 and belief, these stocks are actually penny stocks, trading below \$5.00/share. However, nowhere on  
19 Robinhood’s app or website does Robinhood describe its “gifted” stock. A savvy investor would  
20 understand the value of the stocks that are “gifted” by Robinhood. But a young, inexperienced user  
21 would not as likely know this, and be misled to think the free stock will have or gain significant value.

22 (iii) While Pushing Users To Trade, Robinhood Boasts Charging Zero Commission

23 56. Robinhood touts itself for not charging any fees to its users, a feature that is appealing to  
24 inexperienced individuals with little or no income. What Robinhood fails to disclose in its marketing  
25 ploy is that Robinhood profits from order flow, that is, sending its users’ orders to third-party broker-  
26 dealers to execute the trades. Thus, once Robinhood lures in its users, Robinhood starts generating profits  
27 as soon as the users begin trading. Robinhood has every incentive to push its users to trade options.  
28 Upon information and belief, Robinhood was paid 58 cents per 100 shares for options contracts versus

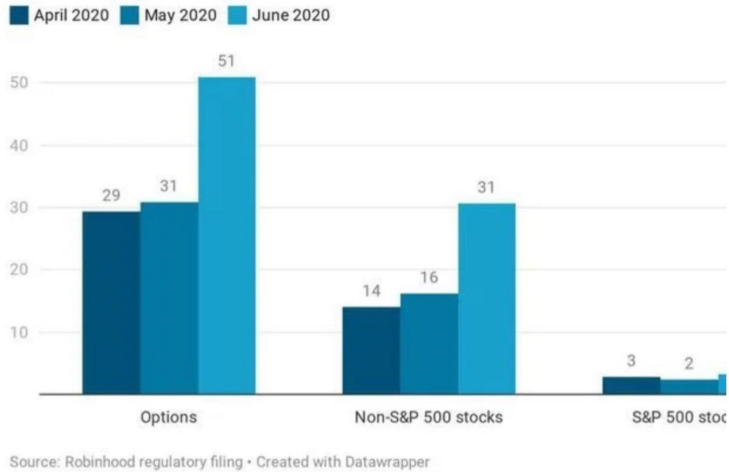
1 only 17 cents per 100 for equities. Jeff Kauflin, Antoine Gara, Sergei Klebnikov, *The Inside Story of*  
2 *Robinhood’s Billionaire Founders, Option Kid Cowboys and the Wall Street Sharks that Feed on Them*,  
3 *Forbes* (Aug. 19, 2020), [https://www.forbes.com/sites/jeffkauflin/2020/08/19/the-inside-story-of-](https://www.forbes.com/sites/jeffkauflin/2020/08/19/the-inside-story-of-robinhoods-billionaire-founders-option-kid-cowboys-and-the-wall-street-sharks-that-feed-on-them/?sh=33aea449268d)  
4 [robinhoods-billionaire-founders-option-kid-cowboys-and-the-wall-street-sharks-that-feed-on-](https://www.forbes.com/sites/jeffkauflin/2020/08/19/the-inside-story-of-robinhoods-billionaire-founders-option-kid-cowboys-and-the-wall-street-sharks-that-feed-on-them/?sh=33aea449268d)  
5 [them/?sh=33aea449268d](https://www.forbes.com/sites/jeffkauflin/2020/08/19/the-inside-story-of-robinhoods-billionaire-founders-option-kid-cowboys-and-the-wall-street-sharks-that-feed-on-them/?sh=33aea449268d).

6 57. Though Robinhood has tried to de-emphasize the importance of options trading by stating  
7 that only 12% of its customers trade options, those trades accounted for 62% of Robinhood’s order flow  
8 revenues in the first half of 2020 alone, which totaled approximately \$270 million. *Id.* See also  
9 Robinhood Securities – Held NMS Stocks and Options Order Routing Public Report (Apr. 2020),  
10 [https://cdn.robinhood.com/assets/robinhood/legal/RHS%20SEC%20Rule%20606a%20and%20607%20](https://cdn.robinhood.com/assets/robinhood/legal/RHS%20SEC%20Rule%20606a%20and%20607%20Disclosure%20Report%20Q2%202020.pdf)  
11 [Disclosure%20Report%20Q2%202020.pdf](https://cdn.robinhood.com/assets/robinhood/legal/RHS%20SEC%20Rule%20606a%20and%20607%20Disclosure%20Report%20Q2%202020.pdf); Kate Rooney, Maggie Fitzgerald, *Here’s how Robinhood is*  
12 *raking in record cash on customer trades – despite making it free*, *CNBC* (Aug. 13, 2020),  
13 [https://www.cnb.com/2020/08/13/how-robinhood-makes-money-on-customer-trades-despite-making-](https://www.cnb.com/2020/08/13/how-robinhood-makes-money-on-customer-trades-despite-making-it-free.html?_source=iosappshare%7Ccom.apple.UIKit.activity.Message)  
14 [it-free.html?\\_source=iosappshare%7Ccom.apple.UIKit.activity.Message](https://www.cnb.com/2020/08/13/how-robinhood-makes-money-on-customer-trades-despite-making-it-free.html?_source=iosappshare%7Ccom.apple.UIKit.activity.Message).

15 58. As Rep. Sean Casten put it, “Robinhood’s entire business model is driven by order flow.  
16 They don’t make their money by making you wealthier, they just push the order flow. That’s not  
17 technically illegal, but it’s unethical. And the time has come for the SEC and FINRA to protect investors  
18 like Alex.” See Avi Salzman, *Congressman Calls Robinhood ‘Unethical’ as Trading Start-Up Vows to*  
19 *Improve*, *Barron’s* (Aug. 14, 2020), [https://www.barrons.com/articles/robinhood-unethical-options-](https://www.barrons.com/articles/robinhood-unethical-options-business-model-market-makers-suicide-51597439667)  
20 [business-model-market-makers-suicide-51597439667](https://www.barrons.com/articles/robinhood-unethical-options-business-model-market-makers-suicide-51597439667).

21 59. Indeed, under its payment structure, just in the first quarter of 2020, as posted on  
22 Robinhood’s website, Robinhood received \$59.8 million in payments for option trades alone. See  
23 Robinhood Financial – Held NMS Stocks and Options Order Routing Public Report, 1st Quarter, 2020  
24 (May 29, 2020), [https://cdn.robinhood.com/assets/robinhood/legal/](https://cdn.robinhood.com/assets/robinhood/legal/RHF%20SEC%20Rule%20606A%20and%20607%20Disclosure%20Report%20Q1%202020.pdf)  
25 [RHF%20SEC%20Rule%20606A%20and%20607%20Disclosure%20Report%20Q1%202020.pdf](https://cdn.robinhood.com/assets/robinhood/legal/RHF%20SEC%20Rule%20606A%20and%20607%20Disclosure%20Report%20Q1%202020.pdf).

### Robinhood's Payment for Order Flow Revenue (\$ million)



11 (iv) Robinhood Actively Urges Its Users To Trade On Margin And Pursue Option Trading

12 60. Given the potential for enormous profit under its payment structure, using multiple  
13 techniques, Robinhood aggressively encourages its customers to trade. First, Robinhood sends its users  
14 unsolicited messages inviting them to apply for a margin account through its program, Robinhood Instant.  
15 Second, Robinhood sets up links on its app to encourage customers to sign up for Robinhood Gold, its  
16 subscription service whereby, among other things, users can have instant access to larger deposits and  
17 can trade on margin for only \$5 a month and a free thirty-day trial. See Robin Wigglesworth, Richard  
18 Henderson, Eric Platt, *The lockdown death of a 20-year old day trader*, Financial Times (Jul. 2, 2020),  
19 <https://www.ft.com/content/45d0a047-360f-4abf-86ee-108f436015a1>. Third, Robinhood prompts  
20 customers to select a choice of investment experience upon opening an account, and if they select “I’m  
21 an expert,” they are simply invited to apply to trade options at the click of a button. See Dusseault Letter  
22 (Aug. 7, 2020), <https://s.wsj.net/public/resources/documents/RobinhoodReplyToCongress.pdf>. Further,  
23 each time users access their account menu tab in the app, Robinhood sends unsolicited notices entreating  
24 them to trade options. Robinhood also pushes these notifications when Android users seek to change  
25 their order type from the default stock order. *Id.*

26 61. The problem with Robinhood’s targeting inexperienced and unsophisticated users is that  
27 these individuals lack the resources, insight, and knowledge that professional traders have amassed  
28 throughout their careers.

1           **E. Cognition in Robinhood’s Targeted Customers Is Not Fully Developed, Emphasizing An**  
2           **Even Stronger Need For Robinhood To Meet Its Duty Of Care To Them**

3           62. Robinhood targets young and inexperienced customers by design. Robinhood’s  
4 aggressive ploys to attract young customers, combined with its flagrant disregard for its duty of care to  
5 its customers, creates a time bomb that was destined to lead to the type of tragedy that happened to Alex.

6           63. Medical journals have researched the under-development of brains in individuals younger  
7 than 25, such as Alex who was 20 at the time at issue.

- 8           • “The rational part of a teen’s brain isn’t fully developed and won’t be until age 25 or so. Adults  
9 think with the prefrontal cortex, the brain’s rational part. This is the part of the brain that responds  
10 to situations with good judgment and awareness of long-term consequences. Teens process  
11 information with the amygdala. This is the emotional part. In teen’s brains, the connections  
12 between the emotional part of the brain and the decision-making center are still developing—and  
13 not always at the same rate. That’s why when teens have overwhelming emotional input, they  
14 can’t explain later what they were thinking. They weren’t thinking as much as they were feeling.”  
15 See *Understanding the Teen Brain*, Univ. of Rochester Med. Ctr., Health Encyclopedia,  
16 <https://www.urmc.rochester.edu/encyclopedia/content.aspx?ContentTypeID=1&ContentID=305>  
17 [1](#).  
18
- 19           • “The frontal lobes, home to key components of the neural circuitry underlying ‘executive  
20 functions’ such as planning, working memory, and impulse control, are among the last areas of  
21 the brain to mature; they may not be fully developed until halfway through the third decade of  
22 life.... Executive functions are a set of supervisory cognitive skills needed for goal-directed  
23 behavior, including planning, response inhibition, working memory, and attention. These skills  
24 allow an individual to pause long enough to take stock of a situation, assess his or her options,  
25 plan a course of action, and execute it.” See Sara B. Johnson Ph.D., M.P.H., Robert W. Blum,  
26 M.D., Ph.D., Jay N. Giedd, M.D., *Adolescent Maturity and the Brain: The Promise and Pitfalls*  
27 *of Neuroscience Research in Adolescence*, J. Adolesc. Health 2009,  
28 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2892678/>.



- 1 • “One key part of that trajectory is the development of the prefrontal cortex, a significant part of  
2 the brain, in terms of social interactions, that affects how we regulate emotions, control impulsive  
3 behavior, assess risk and make long-term plans. Also important are the brain’s reward systems,  
4 which are especially excitable during adolescence. But these parts of the brain don’t stop growing  
5 at age 18. In fact, research shows that it can take more than 25 years for them to reach maturity.”  
6 Stephen Johnson, *Why is 18 the age of adulthood if the brain can take 30 years to mature?* Big  
7 Think (Mar. 20, 2019), <https://bigthink.com/mind-brain/adult-brain?rebelltitem=1#rebelltitem1>.  
8
- 9 • In studying young adults, scientists have found that “[b]rain scans revealed that the regions of  
10 their brains in which emotion is processed were unusually active, while areas dedicated to keeping  
11 those emotions under control were weak. ‘The young adults looked like teenagers,’ said Laurence  
12 Steinberg, a psychologist at Temple University and an author of the study. Dr. Steinberg agreed  
13 with Dr. Somerville that the maturing of the brain was proving to be a long, complicated process  
14 without obvious milestones.” Carl Zimmer, *You’re an Adult. Your Brain, Not So Much.*, N.Y.  
15 Times (Dec. 21, 2016), [https://www.nytimes.com/2016/12/21/science/youre-an-adult-your-  
16 brain-not-so-much.html](https://www.nytimes.com/2016/12/21/science/youre-an-adult-your-brain-not-so-much.html).

17 64. Indeed, adolescents and young adults cognitively lack the ability to control impulses in  
18 the same way as fully mature adults. Studies have linked impulsivity to suicide in adolescents and young  
19 adults. “Suicide is the second leading cause of death among adolescents, and impulsivity has emerged  
20 as a promising marker of risk.” Randy P. Auerback, Jeremy G. Stewart, *et al.*, *Impulsivity and Suicidality*  
21 *in Adolescent Inpatients*, J. Abnorm. Child Psych. (Jan. 2017),  
22 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5045310/>. Research has brought out that “[r]ecent  
23 developments suggest that emotion-relevant impulsivity, particularly negative urgency (i.e., a strong and  
24 immediate need to avoid undesirable emotions or physical sensations) is distinct from other forms of  
25 impulsivity and may be associated with suicide attempts.” *Id.*

26 65. Studies have reported that the highest number of suicides occur in adolescents and young  
27 adults. “[S]uicide ranks higher as a cause of death during youth compared with other age groups. It is  
28 the second leading cause of death during childhood and adolescence, whereas it is the tenth leading cause

1 of death among all age groups.” Christine B. Cha, Peter J. Franz, *et al.*, *Annual Research Review: Suicide*  
2 *among youth – epidemiology, (potential) etiology, and treatment*, J. of Child Psychology and Psychiatry  
3 (Nov. 1, 2017), <https://acamh.onlinelibrary.wiley.com/doi/10.1111/jcpp.12831>.

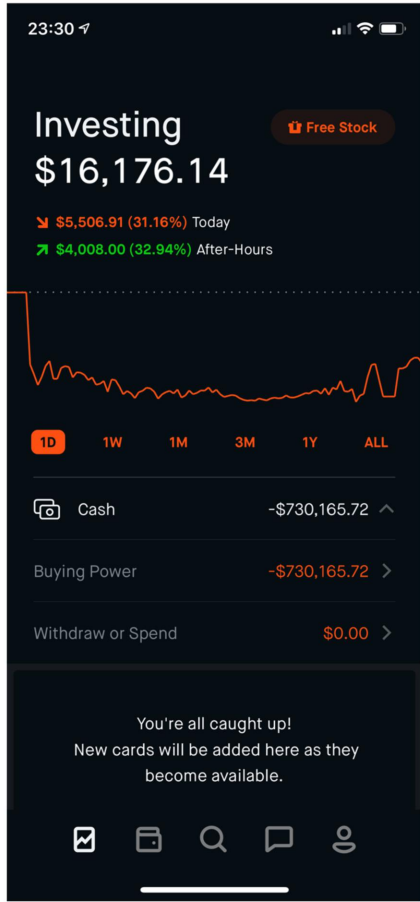
4 66. Trading can have major financial consequences. Broker-dealers owe all customers a duty  
5 of care to ensure that sound and appropriate trading decisions are made. Where broker-dealers target  
6 younger populations whose cognitive development has not fully matured, in particular the prefrontal  
7 cortex of the brain, as Robinhood does, there is an even stronger need to thoroughly fulfill the duty of  
8 care and protect these customers.

9 **F. Robinhood’s Reckless Practices Directly and Proximately Caused The Death Of Alex**

10 67. Alex fell prey to all of Robinhood’s tactics. Prior to even graduating high school, Alex  
11 opened an account with Robinhood, which Robinhood readily approved. Within only a few months,  
12 despite Alex being only eighteen years old and having little or no income, Robinhood approved Alex for  
13 trading in options. On information and belief, during his freshman year at UNL, Alex began trading  
14 options on his Robinhood account.

15 68. At 11:01 p.m. on June 11, 2020, Alex received an email from Robinhood informing him  
16 that his account was restricted. Minutes later, Robinhood then assigned Alex, obligating him to purchase  
17 underlying securities linked to options he had sold.

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69. The email sent by Robinhood failed to clarify that buying power and negative cash are not the same as normal debt. Thus, the \$730,000 may have reflected an options trade that had not yet settled and the value of stocks tied to those options. A corresponding trade to cover a purchase may not be executed until the following trading day. In these instances, as here, cash and buying power will appear as negative until the other side is processed. Thus, the display of negative \$730,000 did not reflect actual debt, but rather, an option trade that had not yet settled. In addition, although the full details of the trades Alex made are within Robinhood’s exclusion possession and control, the \$730,000 negative cash balance appears inconsistent with Alex’s known trades. On information and belief, the options that were assigned to Alex involved 2400 shares of IMW at \$155 per share, for a total trade value of approximately \$372,000. For this additional reason, the \$730,000 negative cash balance appears both misleading and inaccurate.

70. Robinhood’s users—who it aggressively targeted—are generally inexperienced and do not possess market savviness. Robinhood had an obligation to make trading and account activity clear for its users. It is entirely reasonable and foreseeable that a twenty-year old kid would not comprehend

1 the meaning behind the account calculation he received. But Robinhood’s email made no attempt to  
2 clarify that.

3 71. And when Alex desperately tried to contact Robinhood for clarification—multiple  
4 times—Robinhood was nowhere to be found. Rather, in an obvious effort to boost profits at the expense  
5 of its customers, Robinhood made no live customer service personnel available to its customers like Alex.  
6 Robinhood restricted his account at 11:01pm and sent him notice of a debit balance of \$730,000, and  
7 then sent him a REG T call at 3:26am for \$178,000, but they had no one available to answer his three (3)  
8 desperate emails. Indeed, on information and belief, Robinhood outsourced its customer service function,  
9 and at some point terminated its live telephone customer service because it didn’t want to pay for licensed,  
10 knowledgeable professionals to respond to inquiries like Alex’s.

11 72. Alex promptly emailed Robinhood’s support email address seeking help and stating, “I  
12 was recently assigned on puts I sold in a spread. As of tonight, my buying power is over -700,000. Will  
13 the puts that I bought cover this transaction?” Robinhood’s response consisted of an automated email,  
14 emphasizing delays in response time and creating a case number.

15 73. After having fully ignored Alex’s question, at 3:26 a.m., Robinhood sent Alex an alarming  
16 email entitled “Immediate Action Required: Reg T Call Due.” Robinhood’s email warned Alex that his  
17 “account didn’t meet the Regulation T cash requirements for [his] trades on June 10, 2020[,]” and that  
18 he was thus required to deposit \$178,612.73 by June 17, 2020. Robinhood’s email was fatal. In reality,  
19 Alex did not owe any money; he simply needed to close out his position. Had Robinhood acted  
20 responsibly and properly, it either never would have allowed Alex to make these trades he didn’t  
21 understand, would not have allowed such an email to be sent (to a young and inexperienced customer,  
22 no less), or, at the very least, it would have ensured that someone from the company would respond to  
23 Alex to clarify the meaning of the emails. But Robinhood never bothered to explain any of this to Alex,  
24 and instead, sent (or programmed its computer to send) this devastating and inaccurate email in the  
25 middle of the night for Alex to make sense of on his own.

26 74. A few hours later, presumably having seen Robinhood’s email, Alex again wrote to  
27 customer support, stating he was incorrectly assigned more than he should have been and that the puts  
28 he purchased should have covered the puts he sold. Alex again asked for help, but he was only met with

1 another auto-generated reply from Robinhood assigning a new case number. Still believing he owed  
2 nearly \$200,000 and was perhaps as much as \$730,000 in debt, Alex *again* emailed Robinhood, and out  
3 of desperation, threatened legal action. Though Alex’s panic and confusion caused by Robinhood’s  
4 emails was abundantly clear, Robinhood was completely unavailable to fix the mess it had created. Alex  
5 only received another automated reply, generating yet another case number.

6 75. Within the next several hours, never once receiving a substantive response from  
7 Robinhood and believing he had nowhere to turn, Alex ran in front of an oncoming train. He was  
8 pronounced dead later that day.

9 76. Though nothing stopped Robinhood from sending its own emails to Alex—emails which  
10 created a horrifying panic with devastating consequences—at no time did a live person from Robinhood  
11 reply to or otherwise contact Alex to attempt to alleviate the mix-up it created. Upon information and  
12 belief, Robinhood has nearly 1,300 employees. Had any one of these employees bothered to respond to  
13 Alex, or had Robinhood done so much as provide a contact number to its users, Alex would not have  
14 woken up in sheer panic on June 12. He would not have taken a pen and written his final note. He would  
15 not have taken his final bike ride to the train tracks. He would not have given into the uncontrollable  
16 impulse to run in front of an oncoming train and end his life. Alex would have been alive and well today.

17 77. In Alex’s own words in his suicide note, he specifically stated that he did not want to die.  
18 Instead, Alex believed the only way to save his family from financial hardship caused by his confusion  
19 over Robinhood’s program was to commit suicide. Even in his darkest moment, Alex’s first priority was  
20 the people he loved. He was impelled by desperation and a false belief caused by Robinhood’s acts and  
21 omissions into believing he had no other option but suicide. Despite not wanting to die, given his young  
22 age, inexperienced, and under-developed prefrontal cortex and impulse control, Alex simply could not  
23 control the belief that suicide was the only way out and the deadly and uncontrollable impulse resulting  
24 from that belief.

25 78. Alex’s last known written words stated: “If you’re reading this, I am dead. How was a 20  
26 year old with no income able to get assigned almost a million dollars’ worth of leverage? The puts I  
27 bought/sold should have cancelled out, too, but I also have no clue what I was doing now in hindsight.  
28 There was no intention to be assigned this much and take this much risk, and I only thought that I was

1 risking the money that I actually owned. If you check the app, the margin investing option isn't even  
2 'turned on' for me. A painful lesson. Fuck Robinhood. I was starting to look forward to my future, too,  
3 before I hit this pretty large speedbump. I cannot imagine the amount of pain this has caused you. Please  
4 understand that this decision was not made lightly. You could fill an ocean with the amount of tears I've  
5 shed typing this. Please, please take care of yourselves. The amount of my guilt I feel as I commit to  
6 this is unbearable – **I did not want to die.**"

7 79. Alex's own words – "I did not want to die" are indicative of his uncontrollable, impulsive  
8 feeling that he had no other choice in the situation. The situation being, of course, Robinhood's breach  
9 of its duty of care to Alex as its customer, evidenced by its failure to adequately verify that Alex should  
10 be trading on its platform, leveraging irresponsible amounts to him without ever investigating the  
11 appropriateness of same, sending him misleading and inaccurate account information that caused him to  
12 panic, and failing to respond to his desperate pleas for help. Alex's own words leave no doubt that  
13 Robinhood's actions were the direct and proximate cause of his death.

14 **G. Recognizing Its Reckless Practices, Robinhood Has Implemented Changes To Its Business**  
15 **Directly Following Alex's Death**

16 80. Alex's death sparked devastation and outrage both in and outside of the financial world.

17 81. Realizing the gravity of the situation, just days after Alex's death, the Co-Founders and  
18 Co-CEOs of Robinhood, Vlad Tenev ("Tenev") & Baiju Bhatt ("Bhatt"), posted a public letter on  
19 Robinhood's website, acknowledging the link between their product and Alex's death and noting that  
20 "[o]ver the past week, our team at Robinhood has been focused on identifying how we can improve  
21 Robinhood's customer experience, specifically around option flows involving multi-leg exercise and  
22 assignment." See Commitments to Improving our Options Offering, (Jun. 19, 2020),  
23 <https://blog.robinhood.com/news/2020/6/19/commitments-to-improving-our-options-offering>. Such  
24 changes include: new criteria for eligibility to trade options; provision of educational resources related  
25 to options trading; and improving emails sent to users about multi-leg options spreads. *Id.*

26 82. On July 13, 2020, Rep. Sean Casten of Illinois, among other Congressmen and  
27 Congresswomen, asked Tenev and Bhatt exactly how their proposed changes to their account approval  
28

1 process “will have any meaningful impact on the ways [their] platform enables and encourages  
2 inexperienced investors to engage in high risk trading.”

3 83. In his August 7, 2020 response to the inquiries from Congress, Dusseault, President and  
4 COO of Robinhood Financial LLC, a unit of Robinhood, stated “[w]e know we have a responsibility to  
5 our customers, including by providing educational content to support and inform their investing  
6 experience. We take this responsibility seriously.” See Dusseault Letter (Aug. 7, 2020),  
7 <https://s.wsj.net/public/resources/documents/RobinhoodReplyToCongress.pdf>. Dusseault continued,  
8 “[y]our letter understandably focuses on our options offering, and products such as options and margin  
9 trading, which are considered riskier than buying and selling equities in a cash account.” *Id.*

10 84. Dusseault further confirmed that Robinhood “will be implementing additional criteria for  
11 customers seeking Level 3 options authorization, which includes spreads trades. For example, we are  
12 considering requirements for Level 3 options trading access”—something Robinhood should have done  
13 from day one. However, even to this day, Robinhood refuses to be transparent about how it approves  
14 traders for option trading.

15 85. Dusseault continued that Robinhood had “already made significant changes to improve  
16 the educational content platform,” including a Help Center and Learn website “which provides a variety  
17 of educational content on all kinds of investing topics, including options trading (from explaining the  
18 basics of what an option is and how it works to explaining various options trading strategies).” *Id.*  
19 Robinhood further added information “on early options assignments and negative buying power” to its  
20 Help Center and planned to hire an Options Education Specialist “to further enhance education related to  
21 options trading.” *Id.* Again, these were all things Robinhood should have done—but failed to do—since  
22 day one.

23 86. Dusseault further noted that Robinhood was refining its user interface “to enhance clarity  
24 and promote customer understanding” which includes “in-app messages and emails, including additional  
25 detail to the in-app history page, to help customers understand the mechanics of early assignments on  
26 multi-leg options spreads.” Another thing that Robinhood should have done from the start, but  
27 inexplicably, failed to.

1           87.     Notably, Dusseault’s letter did not make any reference to its complete lack of human  
2 contact, either in terms of sending or responding to emails or answering phones, and still is yet to address  
3 this crucial feature which, had Robinhood implemented as it should have, could and would have saved  
4 Alex’s life. Robinhood still fails to provide a telephone number for its customers to call with questions.

5           88.     Nor has Robinhood expressed the desire to meet any suitability and KYC requirements  
6 under FINRA.

7           89.     Indeed, Robinhood’s response has faced criticism for falling woefully short of  
8 meaningfully addressing its problems. Rep. Sean Casten was not impressed, noting that Robinhood  
9 continues to “make money by pushing inexperienced investors into high-risk decisions.” *See* Avi  
10 Salzman, *Congressman Calls Robinhood ‘Unethical’ as Trading Start-Up Vows to Improve*, *Barron’s*  
11 (Aug. 14, 2020), [https://www.barrons.com/articles/robinhood-unethical-options-business-model-](https://www.barrons.com/articles/robinhood-unethical-options-business-model-market-makers-suicide-51597439667)  
12 [market-makers-suicide-51597439667](https://www.barrons.com/articles/robinhood-unethical-options-business-model-market-makers-suicide-51597439667).

13           90.     Additionally, on or about December 16, 2020, the securities regulators in the State of  
14 Massachusetts filed an action against Robinhood, echoing the concerns stated herein. The complaint  
15 cited particular issue with Robinhood’s provision of a platform to customers to “make potentially an  
16 unlimited number of trades[,]” noting that “Robinhood gave hundreds of customers with limited or no  
17 investment experience the ability to make thousands of trades in a matter of months.” *See* Complaint, In  
18 the Matter of: Robinhood Financial, LLC, Dkt. No. E-2020-0047, (Dec. 16, 2020),  
19 [https://www.sec.state.ma.us/sct/current/sctrobinhood/MSD-Robinhood-Financial-LLC-Complaint-E-](https://www.sec.state.ma.us/sct/current/sctrobinhood/MSD-Robinhood-Financial-LLC-Complaint-E-2020-0047.pdf)  
20 [2020-0047.pdf](https://www.sec.state.ma.us/sct/current/sctrobinhood/MSD-Robinhood-Financial-LLC-Complaint-E-2020-0047.pdf). It further condemned Robinhood’s failure to “properly screen customer profiles and  
21 allow[ance of] thousands of inexperienced investors to engage in very risky trading activity[, w]hile  
22 encouraging constant engagement with its platform.” *Id.*

23           91.     Robinhood’s business practices remain reckless and fall exceedingly short of satisfying  
24 its duty of care to its customers. As a direct and proximate result of Robinhood’s acts and/or omissions,  
25 Plaintiffs have sustained damages in the worst way—the loss of someone they love. And if Robinhood  
26 is not held accountable, there will be many more families to share in Plaintiffs’ pain.



1 **FIRST CAUSE OF ACTION**

2 **(Wrongful Death)**

3 92. Plaintiffs re-allege and incorporate by reference each and every allegation and statement  
4 set forth above as if fully set forth herein.

5 93. Plaintiffs are informed and believe, and thereon allege, that at all times mentioned herein,  
6 Defendants owed a duty of care to their customers, including Alex.

7 94. Plaintiffs are informed and believe, and thereon allege, that Defendants had a duty to  
8 ensure suitability of both the investment strategy and trades for their customers, including Alex, that is,  
9 safeguarding that the trades made, and investment strategies implemented, by its customers were suitable  
10 for their age, experience, investment knowledge, and available funds.

11 95. Plaintiffs are informed and believe, and thereon allege, that Defendants had a duty to know  
12 their customers, including Alex, which necessarily includes verification of its customers' identities,  
13 verification of its customers' employment status, source of income, and net worth, and an understanding  
14 of its customers' investment objectives and risk tolerance.

15 96. Plaintiffs are informed and believe, and thereon allege, that Defendants negligently,  
16 carelessly, recklessly, wantonly, and unlawfully breached their duties of care to Alex. Plaintiffs are  
17 informed and believe, and thereon allege, that Defendants breached their duty of care by, among other  
18 things, relying on its customers' answers to questions regarding their source of income, experience, net  
19 worth and investment objectives, including those of Alex.

20 97. Plaintiffs are informed and believe, and thereon allege, that Defendants negligently,  
21 carelessly, recklessly, wantonly, and unlawfully breached their duty of care by relying on third-party  
22 credit card companies to verify customers' responses to Defendants' questions regarding age and identity,  
23 including those of Alex.

24 98. Plaintiffs are informed and believe, and thereon allege, that Defendants negligently,  
25 carelessly, recklessly, wantonly, and unlawfully breached their duty of care by failing to implement any  
26 system to verify or review the information provided by customers, including Alex, to ensure suitability  
27 of trading.

1           99.     Plaintiffs are informed and believe, and thereon allege, that Defendants breached their  
2 duty of care by specifically targeting inexperienced and young investors, including Alex, by: designing  
3 its app to appear as a video game devoid of real world consequences; aggressively pushing its users,  
4 including Alex, to engage in options and margin trading; and flaunting its program as “free” for users,  
5 including Alex, without any transparency that it profited off of the mere act of its users’ trades. Plaintiffs  
6 are informed and believe, and thereon allege, that Defendants knew or reasonably should have known  
7 the customers it targeted, including Alex, would not adequately comprehend the significance of their  
8 trading decisions or the risks of the trades.

9           100.   Plaintiffs are informed and believe, and thereon allege, that Defendants breached their  
10 duty of care by failing to explain their summaries of account activity to its users, including Alex.

11           101.   Plaintiffs are informed and believe, and thereon allege, that Defendants breached their  
12 duty of care in negligently, carelessly, recklessly, wantonly, and unlawfully posting a notice that made it  
13 appear as if he had lost \$730,000 when he had not, and by negligently sending Alex a Regulation T call  
14 that was misleading, stating falsely that he was required to deposit \$178,612.73 within a few days.

15           102.   Plaintiffs are informed and believe, and thereon allege, that Defendants breached their  
16 duty of care by negligently, carelessly, recklessly, wantonly, and unlawfully failing to respond to Alex’s  
17 emails or otherwise provide any customer support whatsoever to Alex, neither by phone nor email,  
18 particularly after having negligently, carelessly, recklessly, wantonly, and unlawfully emailed Alex with  
19 inaccurate and misleading account information.

20           103.   The death of Alex occurred as a direct and proximate cause of Defendants’ breaches of its  
21 duty of care by causing in Alex an uncontrollable impulse to commit suicide.

22           104.   As a direct and proximate result of the reckless and negligent conduct of Defendants,  
23 Plaintiffs have sustained damages resulting from the loss of love, affection, society, service, comfort,  
24 support, right of support, expectations of future support and counseling, companionship, solace and  
25 mental support, as well as other benefits and assistance from Alex, in an exact amount in excess of the  
26 jurisdictional minimum to be proven at trial pursuant to Section 425.10 of the California Code of Civil  
27 Procedure.



1           111. Business and Professions code section 17200, *et seq.*, (“unfair competition law”) prohibits  
2 any unlawful, unfair or fraudulent business act or practice, any unfair, deceptive, untrue or misleading  
3 advertising, and any violation of Business and Professions Code section 17500 *et seq.*

4           112. At all times mentioned herein, Defendants engaged in unfair business practices because  
5 its conduct was immoral, unethical, oppressive, unscrupulous and substantially damaging to Plaintiffs.  
6 Specifically, and without limitation, the particular offensive conduct includes: (a) knowingly and  
7 intentionally targeting young and inexperienced individuals, including Alex, to open accounts on its  
8 platform; (b) knowingly and intentionally approving young and inexperienced individuals to open trading  
9 accounts, including Alex, without independently verifying any of the information provided; (c)  
10 knowingly and intentionally concealing the source of its profit—order flow—while simultaneously  
11 knowingly and intentionally encouraging its users, including Alex, to trade on its app and website,  
12 regardless of their age, source of income, and experience; (d) failing to implement proper compliance  
13 oversight; (e) failing to provide any customer service to support its users, while knowing such users—  
14 young and inexperienced—would inevitably need such support; (f) sending its users, including Alex,  
15 misleading and inaccurate account information; and (g) failing to respond to its users’ inquiries, including  
16 those of Alex.

17           113. At all times mentioned herein, Defendants engaged in fraudulent business practices.  
18 Specifically, and without limitation, Defendants’ fraudulent conduct includes: (a) knowingly and  
19 intentionally failing to vet its users by verifying their suitability (i.e., age, identity, source of income, net  
20 worth, investment experience); (b) knowingly and intentionally failing to disclose that it profited from  
21 order flow, or, in other words, the act of its customers making trades, regardless of their value, while  
22 pushing its customers to maximize their trading activity through sending push notifications, offering  
23 incentives (including offering shares of “glamour stocks” in persuading other customers to open accounts,  
24 gifting free stocks upon signing up, and boasting a margin trading platform for anyone to use, at only \$5  
25 per month with a thirty-day free trial); and (c) providing reckless amounts of leveraged money to its  
26 users.

27           114. Members of the public are likely to be deceived by Defendants’ fraudulent business  
28 practices.



**DEMAND FOR JURY TRIAL**

Plaintiffs hereby demand a trial by jury.

Date: February 8, 2021

**BROWN NERI SMITH & KHAN LLP**

By:  \_\_\_\_\_  
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