



claimed these investments were for the vague purpose of supporting free speech, he did not disclose that he used millions of dollars of PulseChain investor funds to buy luxury goods for himself. Heart, Hex, PulseChain, and PulseX violated the federal securities laws through the unregistered offer and sale of securities. Additionally, through the misappropriation of investor assets, Heart and PulseChain defrauded their investors.

2. Beginning in December 2019, Heart offered and sold Hex tokens, promising investors many incentives and bonuses, while marketing Hex as the first high-yield “Blockchain Certificate of Deposit” launched on the Ethereum network. Additionally, Heart touted a Hex feature that he developed and dubbed “staking,” which he described as allowing Hex investors to lock up their Hex tokens for a designated period of time in return for additional Hex tokens at the end of their lock-up period. Heart claimed that investors who participated in the so-called “staking” of Hex tokens could earn an average of 38% annual return in the form of additional Hex tokens.

3. Between December 2019 and November 2020, Heart, via the Hex public wallet address, accepted more than 2.3 million ether (“ETH”), putatively from investors, worth more than \$678 million at the time of deposits. In exchange for their investment, Heart issued Hex tokens to investors. It appears that 94-97% of these ETH deposits, however, were “recycling” transactions directed by Heart or other insiders, which enabled Heart or other insiders to gain control of a large number of Hex tokens, while creating the false impression of significant trading volume and organic demand for Hex tokens.

4. Between July 2021 and April 2022, Heart conducted additional unregistered offerings of investments he developed called PulseChain (offering “PLS” tokens) and PulseX (offering “PLSX” tokens). For both the PulseChain and PulseX offerings, Heart urged investors

to invest by depositing their crypto assets to the PulseChain and PulseX public wallet addresses in exchange for a promise to deliver PLS and PLSX tokens in the future.

5. Investors invested more than \$354 million by depositing their crypto assets to the PulseChain public wallet address in exchange for the promise of future delivery of PLS tokens. In connection with PulseX, investors invested more than \$676 million by depositing their crypto assets to the PulseX public wallet address in exchange for the promise of future delivery of PLSX tokens.

6. Heart is familiar with the U.S. securities laws and the test (established in *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946)) for determining what is and is not a security, specifically. So he frequently makes veiled references about why investors can expect profits while also making tongue-in-cheek disavowals. But his efforts to obfuscate are unavailing. Each of the Hex, PulseChain, and PulseX offerings involved investments of money in common enterprises with the reasonable expectation of profits to be derived based on the efforts of others. Accordingly, the Hex, PulseChain, and PulseX offerings were securities offerings. At no time did Heart (or anyone else associated with these offerings) register the Hex, PulseChain, or PulseX offerings with the Commission.

7. Additionally, Heart and PulseChain defrauded investors by misappropriating at least \$12.1 million of PulseChain investor funds. Instead of using these investor funds to develop and market the PulseChain network, or even to fulfill Heart's explicit statement that invested funds supported "freedom of speech," Heart and PulseChain used at least \$12.1 million of investor funds for Heart's personal luxury purchases, including a 555-carat diamond, expensive watches, and high-end automobiles.

8. Through their actions, Defendants Heart and PulseChain violated, and unless enjoined will continue to violate, the antifraud provisions of the federal securities laws, namely Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a) and (c)] and Sections 17(a)(1) and (3) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§ 77q(a)(1) and (3)].

9. Additionally, through their actions, all Defendants violated, and unless enjoined will continue to violate, the securities-registration provisions of the federal securities laws, namely Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)].

10. To protect the public from further harm and fraudulent activity, the SEC brings this action against Defendants and seeks: (i) permanent injunctive relief; (ii) disgorgement of ill-gotten gains, plus prejudgment interest; and (iii) civil penalties.

### **DEFENDANTS**

11. **Richard J. Schueler, a/k/a Richard Heart**, age 43, is a U.S. citizen who, upon information and belief, currently resides in Helsinki, Finland. He is the founder of Hex, PulseChain, and PulseX.

12. **Hex** is an ERC-20<sup>1</sup> token and an unincorporated entity established by Heart, which serves as an alter-ego entity for Heart. Heart operates Hex’s websites at hex.com, hex.win, and ethhex.com. Offerings for and sales of Hex or Hex tokens have not been registered with the Commission.

13. **PulseChain** purports to be an Ethereum fork and layer-1 blockchain that Heart released on May 12, 2023. PulseChain is an unincorporated entity established by Heart that serves as an alter-ego entity for Heart. Heart operates PulseChain’s website at pulsechain.com. Pulse

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<sup>1</sup> ERC-20 is a technical standard that defines how so-called “fungible tokens” operate on the Ethereum blockchains.

(PLS) is the native token for PulseChain. Offerings for and sales of PulseChain and PLS tokens have not been registered with the Commission.

14. **PulseX** is a self-described decentralized protocol on the Ethereum blockchain that Heart developed to serve as PulseChain’s so-called decentralized crypto asset trading platform through a fork of the Uniswap platform. Rather than employing a traditional order book and matching engine to execute orders for securities, Uniswap’s core feature is an automated market maker, a smart contract on the Ethereum blockchain that allows “liquidity providers” to pool assets for sale and allows people to purchase those assets from the pools. Heart deployed PulseX on May 12, 2023. PulseX is an unincorporated entity established by Heart that serves as an alter-ego entity for Heart. Heart also operates a website for PulseX at pulsex.com. PulseX (PLSX) is the native token for PulseX. Offerings for and sales of PulseX and PLSX tokens have not been registered with the Commission.

#### **JURISDICTION AND VENUE**

15. The Commission brings this action pursuant to authority conferred upon it by Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

16. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), (e), and 78aa].

17. In connection with the conduct described in this Complaint, Defendants, directly or indirectly, made use of the mails or the means or instruments of transportation or communication in interstate commerce, including but not limited to email, wiring of funds, and use of brokerage accounts.

18. Venue is proper in this District because many of the crypto asset transactions described herein took place on Uniswap, a so-called decentralized crypto asset trading platform whose developers are headquartered in Brooklyn. Heart specifically designed PulseX as a fork of Uniswap. Additionally, at least one investor of PulseChain and PulseX resides in this District.

## **FACTUAL ALLEGATIONS**

### **I. HEART**

19. Richard Heart was born Richard J. Schueler and raised in Florida. Heart is an Internet marketer, and prolific content creator who claims to have founded and managed several successful Internet startups, including a business he claims employed 150 people and had \$60 million in annual sales.

### **II. HEX**

#### **a. Heart's Development and Promotion of Hex**

20. Heart is the founder and creator of Hex and the Hex token, a crypto asset security he designed to operate on the Ethereum network. Heart has often touted Hex as the first high-yield “Blockchain Certificate of Deposit.” Heart first marketed Hex to public investors at a Crypto Finance Live conference in November 2018—more than a year before his first sales of Hex tokens. Heart was the sole promoter of Hex and appeared on several online platforms to promote it before he launched the offering of Hex tokens. Heart promoted Hex, the contract code,<sup>2</sup> various incentive and referral bonuses, and Hex’s so-called “staking” feature across multiple online and social media platforms, but particularly in YouTube livestream videos. Heart continued to market Hex throughout 2019 and during his offer and sale of Hex tokens, which commenced on or about December 3, 2019 and continued through at least November 19, 2020 (the “Hex Offering”).

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<sup>2</sup> Certain blockchains have the ability to run self-executing computer programs, known colloquially as “smart contracts,” that perform certain functions when predetermined conditions are met.

i. Investors Reasonably Expected to Derive Profits from Hex Tokens

21. Hex investors could derive increased value by holding their Hex tokens and waiting for them to appreciate based on principles of supply and demand, or by trading them, but Heart designed Hex so that the tokens had an additional benefit—a so-called “staking” option that would allow investors to lock up their Hex tokens in order to receive additional Hex tokens in the future, depending on a number of factors, including the duration of the token holder’s so-called “stake.” Hex’s so-called “staking” mechanism does not involve validating transactions on the blockchain. On the Hex.com website, Heart analogized his so-called “staking” process to conventional interest payments and investment returns.

22. Heart told potential investors on many occasions, including via several YouTube livestreams, that Hex investors could “stake” their Hex tokens through a process in which the tokens are sent to the Ethereum blockchain’s genesis address. That address has no “owner” and, therefore, assets that are sent to it cannot be transferred out. In exchange for investors locking up their Hex tokens, Heart promised that the Hex smart contract would pay the investors investment returns in the form of additional Hex tokens to be delivered in the future. Heart has repeatedly explained, including during a YouTube livestream interview in December 2019, that the purpose of this form of purported “staking” was to incentivize investors to lock up their Hex tokens—which reduced the number of Hex tokens in circulation—to drive up their price. Heart and Hex repeatedly advertised, including on Hex.com, social media, and in interviews, that investors would receive an average investment return of 38% in exchange for so-called “staking” their Hex tokens.

23. Heart explained that this self-described “staking protocol” benefited all holders of Hex tokens by increasing the token price based on supply-and-demand principles.

ii. Heart Emphasized that Investors Would Profit from Hex Tokens

24. Heart has repeatedly made statements on Hex.com and social media that would lead potential investors to believe that they would profit from an investment in Hex. For example, Heart often promoted Hex on social media. Leading up to the Hex Offering, Heart touted on a November 8, 2019 YouTube livestream that, “if you want to get rich, [Hex is] built for that,” a refrain that he would repeat many times.

25. Heart pumped Hex’s capacity for investment gain, claiming at Hex.com (until at least November 1, 2020) that, “Hex is designed to surpass ETH, which did 10,000x price in 2.5 years. It’s working! So far, HEX’s USD price went up 115x in 129 days.” On December 2, 2019, during a seven-hour livestream on YouTube hours before the Hex Offering commenced, Heart stated that Hex “was built to outperform Ethereum and Bitcoin and all other cryptocurrencies.” Heart added that “[Hex] was built to be the highest appreciating asset that has ever existed in the history of man. That’s the design intention.”

iii. Heart Personally Undertook Efforts He Claimed Would Make Hex Successful

26. From the outset, Heart controlled—and continues to control—nearly all aspects of the Hex ecosystem. In a November 17, 2019 livestream on YouTube, Heart shared with potential investors “how-to” videos that he created to explain how investors could: (1) purchase Hex tokens during the offering period, and (2) stake their Hex tokens. In that livestream, Heart also shared additional efforts he was undertaking, including the creation of more “walk through” videos and “ringing up some more exchanges and whales [he] know[s]” in order to make the Hex launch successful. In the same video, Heart disclosed that he directed certain developers to work on the Hex code to the extent that their work “benefit[ted] the ecosystem.”

27. In a November 12, 2020 YouTube livestream, Heart was asked how much of his time was going towards Hex; Heart stated: “almost all of it.” As recently as the January 2023 Hex



Conference (which was virtual, and available on YouTube), Heart stated regarding Hex, “I want to be – I want to have the best performing asset that’s ever existed. I want to be the best crypto founder that’s ever existed. I like doing – I like owning the world’s largest diamond. I like having a coin that went up a million percent that’s had 3 years of flawless operation, that’s never been hacked. The front end has never gone down.”

28. In an earlier YouTube livestream on July 16, 2019, Heart admitted how important his efforts were to ensuring that the Hex token, once launched, would be available for trading on so-called crypto asset trading platforms. He promised that he was “going to personally call everyone and see where [he] can get [Hex] listed.” In fact, before the close of the Hex Offering, Heart contacted representatives of a so-called crypto asset trading platform at least twice through private Twitter messages. In those messages, Heart discussed the potential promotion of Hex tokens on the platform through Twitter, and also commented on Hex being the number one volume liquidity pool<sup>3</sup> on the platform. It appears that, on December 15, 2019, the platform began listing Hex’s tokens on its so-called decentralized crypto asset trading platform as a result of Heart’s direct efforts.

**b. The Hex Offering**

29. From December 3, 2019 through at least November 19, 2020 (the “Hex Offering Period”), Hex and Heart offered and sold Hex tokens to investors in exchange for ETH. As part of the Hex Offering, Hex and Heart accepted investments of ETH from the public, including from investors in the United States, and delivered Hex tokens in return.

30. During the Hex Offering Period, investors purchased Hex tokens by transferring ETH to a Hex wallet address on the Ethereum blockchain. This wallet is known as the “Hex

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<sup>3</sup> A liquidity pool is a collection of crypto assets grouped into a smart contract to facilitate trades on a blockchain network.

contract address” (“Hex CA”). Heart provided the Hex CA to developers so that it would be programmed into Hex’s contract code. Initially, investors who wanted to obtain Hex tokens purchased them through an online portal called the “Adoption Amplifier.” Heart designed, controlled, and promoted the Adoption Amplifier to potential Hex investors, and Heart oversaw the development of Hex’s code in its smart contract.

31. Heart publicly claimed that he relied on game theory in designing the purchase process for Hex tokens to reward larger, longer, and earlier investments. For example, Hex and Heart made available only a pre-determined number of Hex tokens for purchase each day. For the first day of the Hex Offering Period, the pre-determined number was one billion Hex tokens. Investors who wanted to purchase Hex tokens sent their ETH to the Hex CA, and Hex tokens were distributed to these investors based on: (1) how much total ETH the investors sent to the Hex CA on that particular day, and (2) the pre-determined amount of Hex tokens that Heart and Hex made available that day.

i. Heart Designed Incentives to Generate Investor Interest

32. During the Hex Offering Period, Heart designed and implemented many incentives and bonuses to lure investors, including the promise of additional future Hex tokens. For example, Heart used bonus payments to encourage investors to increase their investments in order to make profits from the price appreciation that Heart told investors to expect. Hex.com promoted the Hex ecosystem and, at least through November 25, 2020, stated: “Hex aligns incentives, so the more people that participate, the better everyone does.”

33. Heart conducted two separate airdrops<sup>4</sup> during the Hex Offering Period to generate additional investor interest by promoting Hex to the broader crypto asset market. Via these airdrops, Heart directed Hex developers to deposit Hex tokens into a large number of wallets that he identified as significant holders of Bitcoin, even though the people controlling those Bitcoin wallets had not requested Hex tokens. Heart orchestrated a similar airdrop on a later date to a list of wallet addresses that Heart identified as large holders of ETH. If those wallet holders accepted the airdropped Hex tokens from Hex, Heart required that 90% of those Hex tokens be “staked” in the process described in more detail in paragraphs 44-49 below.

ii. Heart Pooled Investor Funds

34. Heart conducted the Hex Offering worldwide, via the Internet, with no restrictions on who could access the Hex.com and Hex.win websites. During the Hex Offering, there were more than 2,371,362 ETH deposits to the Hex CA, totaling approximately 1.3 million transactions. These transactions can be traced to at least 21,156 identifiable wallet addresses, including wallet addresses that belong to investors in the United States.

35. Upon receipt of ETH from investors, Hex and Heart pooled these investor crypto assets into the same wallet address: the Hex CA. Heart specifically directed his developers to program the Hex code to create the pooling of crypto assets received from investors. Heart directed that Hex’s code include a function that “flushed,” or automatically transferred, all of these pooled investor crypto assets out of the Hex CA to a separate private wallet address that Heart also provided to the Hex developers. This wallet address was referred to as the “Hex Flush Address.”

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<sup>4</sup> In the crypto asset space, an airdrop typically refers to the distribution of crypto assets to certain recipients, purportedly without requiring them to pay cash consideration to receive the asset. On blockchains, typically a wallet automatically receives crypto assets sent to it without the owner having to take any steps to accept that new asset. Heart employed a variation on the typical airdrop, requiring a large portion of the tokens to be “staked.”

36. Before he began selling Hex tokens, Heart provided his developers with both the Hex CA and the Hex Flush Address and instructed them on the flow of invested funds out of the Hex CA and into the Hex Flush Address. It appears that Heart owns and controls both the Hex CA and the Hex Flush Address.

37. After the more than 2.3 million ETH (see Paragraph 34 above) was deposited to the Hex CA and transferred to the Hex Flush Address, the ETH was subsequently sent on through a number of transactions—typically involving a series of intermediary addresses—to a so-called crypto asset trading platform. Then, the ETH was sent back to the Hex CA through another series of transactions involving intermediary addresses. An analysis of these repetitive ETH transactions into the Hex CA indicates that approximately 94-97% of the ETH deposited into the Hex CA was recycled through the so-called crypto asset trading platform. This created the inaccurate appearance that there was significant organic demand for Hex tokens. The series of transactions and the use of intermediaries obscured that 94-97% of ETH deposits was directed from the Hex Flush Address back to the Hex CA as seemingly new investments by unrelated investors.

**c. Hex and Heart Continued to Promote and Develop the Hex Ecosystem after the Hex Offering**

38. After the Hex Offering concluded in November 2020, Heart continued to engage in extensive marketing efforts and social media campaigns to promote Hex, because Hex’s success is, and has been, dependent on Heart’s efforts and his maintenance of the Hex ecosystem and secondary market demand.

39. After the Hex Offering concluded, Hex and Heart continued to make public statements extolling the value of Hex tokens. For example, Hex’s website currently states:

- “Hex has already done a 10,000x in under 2 years . . .”;
- “The price of Hex appreciated faster than anything else”;

- “Hex’s price went up 1421x against Bitcoin and 361x against Ethereum”; and
- “Hex’s primary design intention is price appreciation . . .”

40. Similarly, after the Hex Offering concluded, Heart continued to tout to investors Hex’s so-called “staking” feature and to develop Hex’s secondary market, including through multiple websites that he owns and controls, including Hex.com, hex.win, and Ethhex.com, and on social media, including YouTube, Twitter, and Instagram.

41. Since the Hex Offering closed, Hex investors can only purchase Hex tokens from third parties on various centralized and so-called decentralized crypto asset trading platforms. Heart’s entrepreneurial efforts continued as he instructed potential investors to do the following: (1) download and install a crypto asset browser extension that allows investors to store and manage their investments in Hex tokens; (2) purchase ETH using the browser extension via two online crypto asset trading platforms; (3) visit Ethhex.com, a domain that Heart controls and pays for, where investors are further directed on how to exchange their ETH for Hex tokens sold by secondary market participants; and (4) “stake” their HEX tokens by visiting go.hex.com (which is discussed further below in paragraphs 44-49). Most secondary market transactions in Hex tokens occur on Uniswap, a self-described decentralized crypto asset trading platform whose developers are headquartered in Brooklyn.

42. In a continued effort to build the Hex ecosystem and sustain a market for the exchange of Hex tokens, Heart developed Ethhex.com, a website interface that allows investors to engage in secondary market purchases of Hex tokens directly through Uniswap.

43. As described in paragraph 72 below, Heart also touted to investors that the launch of PulseChain and PulseX would lead to an increase in profits for Hex investors.

**d. Heart Developed a So-called Staking Feature Designed to Deliver Additional Profits to Investors**

44. Leading up to, during, and after the Hex Offering Period, Heart heavily marketed Hex’s alleged “staking” feature, which he designed. In touting Hex’s so-called “staking” feature, Heart frequently marketed Hex as the first high-interest or high-yield “Blockchain Certificate of Deposit” launched on the Ethereum network. In so doing, Heart and Hex created a reasonable expectation of profits—independent of any effort by investors.

45. Heart designed the so-called staking feature of the Hex ecosystem whereby Hex investors were, and are, encouraged to lock up their Hex tokens for a designated period of time in exchange for the promise of receiving additional Hex tokens in the future, *i.e.*, a return on their investments. Hex investors can lock up their Hex tokens for periods ranging from one day to 15 years through a software extension. Hex investors purportedly lock up their Hex tokens by sending them to the Ethereum blockchain’s genesis address. In the Hex ecosystem, Heart’s form of “staking” purportedly removes Hex tokens from circulation and thereby, according to Heart, increases the price of the Hex token based on general principles of supply and demand.

46. Based on several factors, including the length of time that a Hex investor stakes their Hex tokens, Heart programmed the Hex smart contract to pay investors new Hex tokens, amounting to the number of tokens the investor staked *plus* accrued “interest” (calculated daily, but not paid out until the end of the lock-up period). Heart has repeatedly claimed at Hex.com, in online interviews, and on Twitter that Hex “stakers” will receive an average annual return of 38% for their “stake.” Heart has claimed on YouTube and Twitter that approximately ten percent of Hex token holders have staked their Hex tokens.

47. During the Hex Offering Period, Heart also touted a rewards program called “BigPayDay,” in which he distributed unclaimed Hex tokens, plus other types of bonuses at the

close of the offering, to investors who staked their Hex tokens. These unclaimed Hex tokens were distributed to “stakers” based on the length of their lock-up period (with preference given to longer periods) and the number of Hex tokens they “staked.” On November 18, 2020, just before the Hex Offering closed, Hex announced that the Hex tokens distributed via the BigPayDay event were worth at least \$1 billion.

48. In a November 27, 2019 interview livestreamed on YouTube shortly before the Hex Offering, Heart described the so-called “staking” feature as “virtual lending” within the Hex ecosystem, saying that, “when people stake their coins . . . the supply has reduced, which means that everyone that hasn’t staked their coins just virtually borrowed the money. . . . If you’re holding an unstaked Hex, every time someone else stakes the Hex, your Hex that you can trade and sell for fiat, it goes up in value.”

49. Throughout the relevant time period, Heart has emphasized that the principles of supply and demand create a direct relationship between the number of “staked” tokens and the market value of Hex tokens. For example, on December 2, 2019, Heart emphasized on YouTube how his so-called “staking” program would benefit all Hex token holders: “[b]ut in Hex, when people lock up their coins, and that is what caused the price to go up, then the market cap will go down, which gives you more room to grow . . . [a]nd then you could just keep building appreciations and mad gains.” The Hex.com website currently states that “by staking their Hex, Stakers reduce the supply, which puts upwards pressure of Hex’s price.”

50. Neither Heart nor Hex has ever registered Hex tokens or the Hex Offering with the Commission.

### III. PulseChain

#### a. PulseChain Development and Offering

51. After the Hex Offering concluded in November 2020, Heart started developing PulseChain, which Heart publicly claimed would be a fork of the Ethereum network. The PulseChain website (pulsechain.com), which Heart controls, describes PulseChain as having cheaper gas fees<sup>5</sup> and being four times faster than the Ethereum network. Between July 15, 2021 and August 3, 2021<sup>6</sup> (the “PulseChain Offering Period”), Heart orchestrated an offering to raise investor funds to develop PulseChain. During the PulseChain Offering Period, Heart and PulseChain instructed investors to invest in PulseChain by, as Heart called it, “sacrificing” (depositing) various forms of crypto assets (including ETH and others) to the PulseChain “sacrifice” address (“PulseChain SA”). Through PulseChain’s website, Heart instructed investors on how to “sacrifice” their crypto assets to purchase Pulse (“PLS”), PulseChain’s native token.

52. In exchange for an investment (a deposit of crypto assets), Heart promised to deliver PLS tokens to the investor in the future, tied to the amount of the investor’s investment (the “PulseChain Offering”). Heart represented that the calculation of the promised number of PLS tokens to be delivered to an investor was based, in part, on: (a) the amount of the investor’s investment (or “sacrifice”) of crypto assets, and (b) how early in the PulseChain Offering Period the investment took place. As a result, Heart incentivized investors to invest in PulseChain early.

53. PLS tokens were delivered to investors on or about May 12, 2023, when PulseChain was deployed publicly, or as Heart described, available on “main net.”

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<sup>5</sup> A gas fee refers to the fee required to conduct transactions or execute contracts on the network.

<sup>6</sup> The PulseChain Offering Period was unofficially extended until at least approximately April 6, 2022 to allow Heart to continue accepting investor assets.



54. According to Heart and PulseChain, because PLS tokens must be used for gas (or transaction) fees on PulseChain, PLS investors could make a profit from that demand simply by holding PLS. Heart frequently stated that the purpose of PulseChain was to save Hex token holders from the high gas fees they were being forced to pay for Hex transactions on Ethereum. Upon PulseChain's release, PulseChain investors received a PulseChain-compatible copy of all their Ethereum-network crypto assets through an "airdrop," in addition to the newly issued PLS tokens described above in paragraphs 51-53.

55. To date, more than 59,000 deposits to the PulseChain SA have been identified, reflecting more than \$354 million of crypto assets invested in PulseChain, including crypto assets invested by investors in the United States. Neither Heart nor PulseChain has registered the PulseChain Offering with the Commission.

**b. Heart Emphasized that Investors Would Profit from PLS Tokens and Directly Tied the Value of the PLS Tokens to the Development of PulseChain**

56. On the PulseChain website that he controls and in a May 16, 2021 livestream on his YouTube channel, Heart touted the various benefits and value of PulseChain, including that it purportedly has faster transaction times and cheaper gas fees than Ethereum. Heart indicated that PLS investors would profit from the transaction fees paid for crypto asset transactions on PulseChain.

57. PulseChain operates by purportedly paying 75% of all PLS tokens generated through gas fees to PLS validators.<sup>7</sup> The other 25% of the fees are sent to the Ethereum blockchain's genesis address. Any PLS investor can become a validator by "staking," or locking up, five million PLS tokens.

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<sup>7</sup> In a blockchain network, a validator is a participant that is responsible for validating new transactions and maintaining the security of the blockchain.

58. Similar to the Hex Offering, Heart told PulseChain investors during the PulseChain Offering Period that they could expect to make profits by investing in PulseChain. For example, on August 1, 2021, via a YouTube video he posted during the PulseChain Offering, Heart claimed that “14,000x is a reasonable estimate for what could be possible for Pulse because that’s what Ethereum did and this is a very similar thing but better.”

59. At the 2023 Hex Conference on January 9, 2023—four months before the release of PulseChain—Heart explicitly referred to the value of PulseChain as a return on investment, using the phrase “ROI.” Heart stated: “PulseChain’s gonna launch at zero...it’s pretty hard to beat the ROI of something that goes from zero to anything because, you know, in theory it’s like infinite ROI.”

60. PLS tokens derive their value from Heart’s efforts in developing and releasing PulseChain and in making it successful. In fact, investors did not receive their PLS tokens until PulseChain was released on May 12, 2023, almost two years after the end of the official PulseChain Offering Period. One PulseChain investor, who resides in Brooklyn, confirmed that he invested in PulseChain because he believed he would receive PLS tokens in exchange for his investment and that he expected, based on Heart’s statements, that the PLS tokens would increase in value.

**c. Heart Misappropriated PulseChain Investor Funds**

61. During the PulseChain Offering Period, as extended (see footnote 6), investors invested more than \$354 million of crypto assets in PulseChain. Between July 15, 2021 and March 3, 2022, however, it appears as if Heart transferred or directed the transfer of approximately \$217 million in PulseChain offering proceeds, consisting of various crypto assets (ETH, DAI, USDC, and Tether), from the PulseChain SA to a privately held wallet (“Private Wallet”). On January 26, 2022, after the official closing of the PulseChain Offering, more than \$26.5 million of Tether was transferred from the Private Wallet in 22 back-and-forth transactions resulting in approximately

\$26 million in ETH being deposited to the Private Wallet. Next, it appears as if Heart transferred, or directed the transfer of, \$26 million in ETH through a crypto asset mixer (“Mixer”)—that facilitates anonymous transactions by obfuscating their origin, destination, and counterparties—and then through at least 50 intermediary wallets before ending up on three purported crypto asset platforms. As discussed below in paragraphs 62-63, it appears that that Heart controlled, and ultimately benefited (in the form of luxury purchases) from, these transactions. Notably, Heart previously discussed his familiarity with the Mixer in a December 2, 2019 livestream video on YouTube, and highlighted its purported anonymity protections.

62. Following the Mixer transactions, Heart misappropriated at least \$12.1 million of PulseChain investor assets between August 3, 2021 and September 22, 2022, to fund his purchases of luxury goods, including cars and watches. For example, on August 3, 2021, Heart spent \$337,642 of PulseChain investor assets on the purchase of a luxury car from a European luxury car dealer. On August 24, 2021, Heart transferred another \$534,916 to the same luxury car dealer for the purchase of a McLaren sports car. On August 29, 2021, Heart purchased a 2020 white Ferrari Roma for \$314,125. From January 2022 through March 2022, Heart also purchased five watches in separate transactions. Heart’s first purchase, on January 20, 2022, included: (1) a \$285,799 Rolex Submariner Oyster, (2) a \$550,000 Rolex Daytona Eye of the Tiger, and (3) a \$800,000 Rolex GMT – Master II. On April 5, 2022, Heart spent an additional \$1.38 million to purchase another Rolex watch. On April 10, 2022, Heart spent \$419,192 of PulseChain investor assets to purchase another watch. Collectively, from the Mixer transactions alone, Heart spent nearly \$7.2 million of PulseChain investor assets on luxury watches and high-end automobiles that he purchased in the United States, Finland, and Estonia.

63. In additional transactions occurring after the Mixer transfers, Heart misappropriated approximately \$5 million of PulseChain investor assets, sending a majority of the assets to Sotheby's in February 2022 to purchase a 555-carat black diamond called "The Enigma," purportedly the largest black diamond in the world. Heart purchased the diamond for £3,161,000 (\$4.28 million at the time of the transaction), funding the purchase by transferring both ETH and fiat currency to Sotheby's.

64. Often discussing the development work surrounding PulseChain, Heart gave investors a reasonable expectation that their funds would be used to develop PulseChain. He also tied investors' receipt of PLS tokens to the ultimate release of PulseChain, leading a reasonable investor to believe that PulseChain investor assets would be used to develop PulseChain. At least one Brooklyn investor in PulseChain has confirmed that he believed his investment would be used to develop PulseChain.

65. In a January 16, 2022 YouTube livestream, Heart described the work that he and his developers had done and were doing, as well as work that remained to be done, to bring PulseChain and PLS out of the testing phase and into "main net" launch phase. Reasonable investors rightfully expected that, if the PulseChain network was not finished and, thereafter, maintained by Heart and his team of developers, it would collapse along with the value of PLS.

66. Heart frequently claimed that an investment in PulseChain was linked to free speech, for example stating on July 21, 2021 that, "you believe free speech is a protected human right and blockchains are speech, and you're sacrificing to prove that you believe that." Meanwhile, Heart never disclosed to PulseChain investors that *any* investor assets, let alone more than \$12 million, would be used to fund his purchases of personal luxury goods. Heart also never disclosed that \$217 million of investor assets would be immediately transferred from the

PulseChain SA to the Private Wallet. Further, Heart used a so-called decentralized aggregator and the Mixer to conceal his misappropriation of PulseChain investor assets for his own personal use.

#### **IV. PulseX**

##### **a. PulseChain Development and Offering**

67. Around the same time that Heart started developing PulseChain, he also started developing PulseX. On the PulseX website (pulsex.com), which Heart owns and controls, Heart described PulseX as a fork of Uniswap’s so-called decentralized trading platform that would purportedly enable users to trade so-called PRC-20 tokens<sup>8</sup> offered and sold for trading on PulseChain. At pulsex.com, Heart instructed investors on how to invest in PulseX by depositing crypto assets in exchange for PLSX, the PulseX platform’s anticipated native token, to be delivered to investors when PulseX launched. Heart sold PLSX tokens to PulseX investors, including U.S.-based investors, between December 29, 2021 and February 26, 2022 (the offering period was unofficially extended until approximately April 6, 2022 to allow Heart to continue to accept investor assets) (the “PulseX Offering Period”). Heart pooled each investor’s deposit of crypto assets in the PulseX Sacrifice Address (“PulseX SA”). There have been more than 120,000 deposits totaling over \$676 million in multiple crypto assets to the PulseX SA. This amount excludes any deposits of Hex tokens to the PulseX SA, which, as discussed in paragraph 37 above, may have been held by Heart or other insiders.

68. PulseX.com states that PulseX will work like Uniswap and that “every time people swap from one coin to another on PulseX, [liquidity] providers earn fees as a reward” in the form of PLSX.

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<sup>8</sup> PRC-20 is a protocol, designed by Heart and his developers, that governs how the PulseChain network functions.

69. On or about May 12, 2023, Heart deployed PulseX and investors received their PLSX tokens.

**b. Heart Emphasized that Investors Would Profit from PLSX Tokens and Directly Tied their Value to the Development and Success of PulseChain and PulseX**

70. The pulsex.com website states that “PLSX is designed to increase in value.” During a January 23, 2022 YouTube livestream, Heart claimed that in PulseX, “we have the coolest, highest liquidity automated market maker exchange.” Earlier, in December 2021, Heart stated that he believed PLSX tokens would appreciate and that “10,000x in two years is well within the realm of possibility.” On April 26, 2022, Heart told one prospective New York City investor via Telegram chat that “PulseX is an exchange online where you can swap all kinds of coins on the PulseChain.” He claimed that “22% of the fees are used to buy and burn the PLSX token so basically owning PLSX is similar to owning part of an exchange.” In the same chat, Heart provided the prospective New York investor with step-by-step instructions on how to purchase crypto assets, and then how to transfer those to PulseChain and swap those tokens on PulseX.

71. On the January 23, 2022 YouTube livestream referenced in the previous paragraph, Heart also touted PulseX’s success, claiming that it had secured about \$1 billion in investments (“sacrificed” crypto assets). All PulseX investor funds flowed through the PulseX SA, a wallet address that Heart provided to developers. Overlapping with the PulseChain release, on March 11 and 12, 2023, over \$100 million of PulseX investor funds (nearly 25% of the total crypto assets raised, excluding Hex tokens), were transferred to a privately held wallet (“Private Wallet 2”). It appears as if Heart directed this transfer and controls Private Wallet 2.

72. Heart actively directed development efforts for both PulseChain and PulseX and paid a team of developers. Heart tied the launch of PulseX and PulseChain to an increase in profits for Hex, PulseChain, and PulseX investors. Heart noted that the investments of Hex tokens during

the PulseX offering removed hundreds of millions of dollars of Hex tokens from the circulating supply. As a result of this reduced supply of Hex tokens in circulation, Heart stated his purported belief that the price of the Hex token would appreciate. Further, in a December 24, 2021 YouTube livestream, Heart opined that, “I think Hex on Pulse is going to be more valuable than Hex on the Ethereum network.”

73. Neither Heart nor PulseX has ever registered the PulseX Offering with the Commission.

**V. Heart Often Repeated False Claims that His Offerings Were Not Securities Offerings.**

74. Although Heart frequently made superficial disclaimers about the status of his offerings under the U.S. securities laws, the economic reality of these offerings—and his promotions of the offerings—were contrary to these disclaimers.

75. In reality, as Heart has admitted, he sold Hex, PulseChain, and PulseX as potential avenues to investor wealth, and the success of these endeavors were completely dependent on his efforts (and/or the efforts of others), and not on the efforts of the investors themselves. For example, on a January 16, 2022 YouTube livestream, Heart went through a list of incomplete tasks and development milestones that he and his developers needed to complete before PulseChain could be released. He also touted the development milestones he had already attained, including a months-long testing phase for features that had already been implemented in the testing space. In an October 8, 2022 YouTube livestream, Heart commented in response to requests for updates on the PulseChain and PulseX launch, “So, you ain’t getting any updates. It’s done when it’s done. Software is hard. The [developers] are working hard on it. That’s all there is to it. You got to wait, just like I’m waiting, except I don’t cry and moan while I wait.”

**VI. Current Status**

76. As of June 30, 2023: (a) Hex's price was \$.008841, down from a high of \$0.56 in September 2021; (b) PLS's price is \$0.0001024, down from a high of \$0.0003193 on May 22, 2023; and (c) PLSX's price is \$0.00003112 down from a high of \$0.000136 on May 22, 2023. At present, PLS and PLSX are practically worthless, and Hex's value has dropped about 98.4% below its all-time high.

**CLAIMS FOR RELIEF**

**FIRST CLAIM FOR RELIEF**

**Fraud in Connection with the Purchase or Sale of a Security**

**Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a) and (c)]**

***Against Defendants Heart and PulseChain***

77. Plaintiff re-alleges and incorporates paragraphs 1 through 76 of this Complaint by reference as if set forth verbatim in this Claim.

78. By engaging in the acts and conduct alleged herein, Defendants Heart and PulseChain have, directly or indirectly, in connection with the purchase or sale of a security, by the use of any means or instrumentality of interstate commerce, or of the mails or of any facility of any national securities exchange, knowingly or with severe recklessness:

- a. employed a device, scheme, or artifice to defraud; and/or
- b. engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person.

79. By reason of the foregoing, Defendants Heart and PulseChain violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a) and (c) thereunder [17 C.F.R. §§ 240.10b-5(a) and (c)].



**SECOND CLAIM FOR RELIEF**

**Fraud in the Offer or Sale of a Security**

**Violations of Sections 17(a)(1) and 17(a)(3) of the Securities Act  
[15 U.S.C. §§ 77q(a)(1) and (3)]**

***Against Defendants Heart and PulseChain***

80. Plaintiff re-alleges and incorporates paragraphs 1 through 76 of this Complaint by reference as if set forth verbatim in this Claim.

81. By engaging in the acts and conduct alleged herein, Defendants Heart and PulseChain, in the offer or sale of a security, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, have:

a. knowingly or with severe recklessness employed a device, scheme, or artifice to defraud; and/or

b. knowingly, recklessly, or negligently engaged in a transaction, practice, or course of business which operated or would operate as a fraud or deceit upon the purchaser.

82. By reason of the foregoing, Defendants Heart and PulseChain have violated, and unless enjoined will continue to violate, Sections 17(a)(1) and (3) of the Securities Act [15 U.S.C. §§ 77q(a)(1) and (3)].

**THIRD CLAIM FOR RELIEF**

**Securities-Registration Violations**

**Violations of Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)]**

***Against all Defendants***

83. Plaintiff re-alleges and incorporates paragraphs 1 through 76 of this Complaint by reference as if set forth verbatim in this Claim.

84. By engaging in the acts and conduct alleged herein, Defendants directly or indirectly:

- a. made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of any prospectus or otherwise, securities as to which no registration statement was in effect; and/or
- b. for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by means or instruments of transportation, securities as to which no registration statement was in effect; and/or
- c. made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell, through the use or medium of any prospectus or otherwise, securities as to which no registration statement had been filed.

85. There were no applicable exemptions from registration.

86. By engaging in the conduct described above, Defendants have violated, and unless enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)].

#### **PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

1. Permanently enjoining Defendants Heart and PulseChain from violating Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

2. Permanently enjoining all Defendants from violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)];
3. Permanently barring Defendants from participating, directly or indirectly, in the purchase, offer, or sale of any crypto asset security, or engaging in activities for purposes of inducing or attempting to induce the purchase, offer, or sale of any crypto asset security by others;
4. Ordering Heart to disgorge, jointly and severally with each of Hex, PulseChain, and PulseX, all ill-gotten gains received as a result of the violations alleged herein, plus prejudgment interest on those amounts, pursuant to the Court's equitable powers and Sections 21(d)(3), 21(d)(5), and 21(d)(7) of the Exchange Act [15 U.S.C. §§ 78u(d)(3), 78u(d)(5), and 78u(d)(7)];
5. Ordering the Defendants to pay civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and
6. Imposing such other and further relief as the Court may deem just and proper.

Dated: July 31, 2023

Respectfully submitted,

/s/ Matthew J. Gulde

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