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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

_____, Individually and on
Behalf of All Others Similarly Situated,

Plaintiffs,

v.

HUMBL, LLC, BRIAN FOOTE,
JEFFREY HINSHAW, and GEORGE
SHARP,

Defendants.

Case No.

**CLASS ACTION COMPLAINT
FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL

1 Plaintiffs _____ (“Plaintiffs”), individually and on behalf of all
2 others similarly situated, bring this Class Action Complaint (“Complaint”)
3 against HUMBL LLC (“HUMBL” or the “Company”), its Chief Executive
4 Officer, Brian Foote, its Chief Financial Officer, Jeffrey Hinshaw, and its
5 Capital Markets Advisor, George Sharp (together with HUMBL, the
6 “Defendants”). The following allegations are based upon personal knowledge as
7 to Plaintiffs’ own acts, upon investigation by Plaintiffs’ counsel, and upon
8 information and belief where facts are solely in possession of Defendants.

9 **NATURE OF THE CASE**

10 1. This is a federal securities class action on behalf of a class consisting
11 of all persons and entities other than Defendants that purchased or otherwise
12 acquired HUMBL common stock and/or the unregistered HUMBL ETX securities
13 between November 21, 2020 and the filing of this action, both dates inclusive (the
14 “Class Period”), seeking to recover damages caused by Defendants’ violations of
15 the federal securities laws and to pursue remedies under Sections 10(b) and 20(a)
16 of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5
17 promulgated thereunder, and Sections 5 and 12(a)(1) of the Securities Act of 1933
18 against the Company and certain of its top officials.

19 2. Throughout the Class Period, Defendants made materially false and
20 misleading statements regarding the Company’s business and operations.
21 Specifically, Defendants made false and/or misleading statements and/or failed to
22 disclose (1) that the HUMBL Pay App did not have even the basic functionality
23 that it promised investors; and (2) that several of its hyped international business
24 partnerships had a very low chance of contributing material revenues to the
25 Company’s bottom line. As a result, the Company’s public statements were
26 materially false and misleading at all relevant times.

27 3. Defendants also sold a series of highly speculative unregistered
28 securities called BLOCK Exchange Traded Index (“ETXs”) products. These

1 products purported to “simplify digital asset investing” for customers seeking
2 exposure to cryptocurrency investments. Instead, they were unregistered securities
3 that were collateralized by a variety of highly speculative and risky digital assets.

4 4. As a result of Defendants’ wrongful acts and omissions, and the
5 precipitous decline in the market value of the Company’s securities, Plaintiffs and
6 other Class members have suffered significant losses and damages.

7 **JURISDICTION AND VENUE**

8 5. The claims asserted herein arise under and pursuant to Sections 10(b)
9 and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5
10 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

11 6. This Court has jurisdiction over the subject matter of this action
12 pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act.

13 7. Venue is proper in this Judicial District pursuant to Section 27 of the
14 Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b). HUMBL is
15 headquartered in this Judicial District, Defendants conduct business in this Judicial
16 District, and a significant portion of Defendants’ activities took place within this
17 Judicial District.

18 8. In connection with the acts alleged in this complaint, Defendants,
19 directly or indirectly, used the means and instrumentalities of interstate commerce,
20 including, but not limited to, the mails, interstate telephone communications, and
21 the facilities of the national securities markets.

22 **PARTIES**

23 ***Plaintiffs***

24 9. Plaintiffs, as set forth in the attached Certifications, acquired HUMBL
25 securities at artificially inflated prices during the Class Period and were
26 damaged upon the revelation of the alleged corrective disclosures.

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10. Plaintiff purchased _____ securities and suffered investment losses as a result of Defendants’ conduct.

11. Plaintiff purchased HUMBL common stock and suffered investment losses as a result of Defendants’ conduct.

Defendants

12. Defendant HUMBL LLC is a Delaware corporation with its principal executive offices located at 600 B Street, Suite 300, San Diego, CA 92101. The Company’s common stock trades in OTC under the ticker symbol “HMBL.” The company’s unregistered securities, the BLOCK Exchange Traded Index products, are known as “BLOCK ETXs.”

13. Defendant Bryan Foote (“Foote”) is a resident and citizen of California, living in San Diego, California. Foote has served as HUMBL’s CEO at all relevant times.

14. Defendant Jeffrey Hinshaw (“Hinshaw”) is a resident and citizen of California, living in San Diego, California. Hinshaw has served as HUMBL’s Chief Financial Officer at all relevant times.

15. Defendant George Sharp (“Sharp”) is a resident and citizen of Arizona, living in Scottsdale, Arizona. Sharp previously served as an advisor to HUMBL and currently serves as Capital Markets Advisor.

16. Defendants Foote, Hinshaw, and Sharp are sometimes referred to herein as “Individual Defendants.”

17. The Individual Defendants possessed the power and authority to control the contents of HUMBL’s SEC filings, press releases, and other market communications. The Individual Defendants were provided with copies of HUMBL’s SEC filings and press releases alleged herein to be misleading prior to

1 or shortly after their issuance and had the ability and opportunity to prevent their
2 issuance or to cause them to be corrected. Because of their positions with
3 HUMBL, and their access to material information available to them but not to the
4 public, the Individual Defendants knew that the adverse facts specified herein had
5 not been disclosed to and were being concealed from the public, and that the
6 positive representations being made were then materially false and misleading.
7 The Individual Defendants are liable for the false statements and omissions
8 pleaded herein.

9 **FACTUAL ALLEGATIONS**

10 **The Company Background**

11 18. HUMBL is a mobile financial services company based in San Diego,
12 California. HUMBL states that its mission is to help companies and businesses
13 rapidly migrate to the digital economy. The Company describes itself as a “Web 3,
14 digital commerce platform” that offers the following “three interconnected product
15 verticals”: (1) HUMBL Pay (“A mobile app that allows peers, consumers and
16 merchants to connect in the digital economy.”); (2) HUMBL Marketplace (“A
17 mobile marketplace that allows consumers and merchants to connect more
18 seamlessly in the digital economy.”); and (3) HUMBL Financial (“Financial
19 products and services, targeted for simplified investing on the blockchain.”).¹

20 19. In its go-public presentation, HUMBL compared HUMBL’s role in
21 the development of Web 3 to the role of Apple and Amazon in the development of
22 computing and the internet.

23 20. After issuing several press releases setting forth a roadmap for its
24 future, HUMBL went public in late 2020 when it engaged in an opaque reverse
25 merger transaction whereby it merged with a dormant flooring products business.
26

27 ¹

28 <https://www.sec.gov/Archives/edgar/data/0001119190/000149315221030031/forms-1.htm> (last visited May 18, 2022).

1 21. In the following weeks and months, the Company’s market
2 capitalization peaked at approximately \$50 billion on a fully diluted basis on the
3 back of extreme hype generated by Defendants’ bullish statements regarding
4 HUMBL’s business prospects.

5 **Defendants Make Materially False Statements**

6 22. Leading up to HUMBL going public, the Company issued a series of
7 press releases touting the Company’s global reach and ability to disrupt traditional
8 industries like payments and banking.

9 23. For example, on March 20, 2020, HUMBL issued a press release
10 entitled “HUMBL Partners With Digital India Payments (DIPL) To Enter India
11 Market.” In that press release, the Company announced a deal with Digital India
12 Payments, a company that processes payments for 30,000 merchants in India,
13 Nepal, Bangladesh, Maldives, Myanmar, and Sri Lanka. In announcing the deal,
14 Defendant Foote was quoted as saying “We look forward to putting HUMBL
15 technologies to work for 1.4 billion India customers” and HUMBL noted that it
16 would offer “walk-in services to customers, such as cash pickup, foreign exchange,
17 fair lending, bill payments, pre-paid cards, store credits, travel bookings, internet
18 and cell phone minutes from local merchant (‘agent’) locations.”

19 24. On April 3, 2020, HUMBL issued a press release entitled “HUMBL
20 and One Kiosk Team Up On Africa Home Delivery Network” in which the
21 Company announced a deal with Nigerian-based One Kiosk, a company that brings
22 together merchants and online delivery services. One Kiosk’s CEO stated at the
23 time that his company had seen a boom in online ordering due to the COVID-19
24 pandemic and he believed an ability to pair the company’s service with HUMBL’s
25 financial services would be a “powerful economic driver.” Defendant Foote stated
26 that HUMBL would use its platform to help local small businesses compete with
27 larger companies, noting that “HUMBL helps them get in the game against big box
28 competitors.”

1 25. On November 12, 2020, HUMBL announced a reverse merger with
2 Tesoro Enterprises, Inc., which allowed it to become a publicly traded company.
3 In an all-stock transaction, the members of HUMBL received preferred shares of
4 Tesoro in exchange for their HUMBL holdings. In announcing the merger, a press
5 release stated:

6 HUMBL has designed a mobile wallet (HUMBL) and merchant
7 software (HUMBL Hub), that help primarily cash economies migrate
8 to digital money services across key vertical markets, such as:
9 government, banking, wireless carriers and merchant services.
HUMBL's global money platform will deliver up to 50% estimated
savings on transactions such as: sending, receiving, lending,
borrowing, investing money and paying bills.

10 26. The November 12, 2020, press release announcing the reverse merger
11 omitted material facts from investors. For example, the press release only stated
12 that Defendant Foote had acquired "the control block of voting shares" as well as
13 "a significant number of common shares."

14 27. The day after the merger announcement, the Company issued a press
15 release stating that Defendant Foote had "retired" 551 million shares without
16 consideration, significantly lowering the overall share count.

17 28. Shortly thereafter on November 17, 2020, HUMBL issued another
18 press release announcing that Defendant Foote would "lock up" an additional 318
19 million common shares. The press release stated:

20 Tesoro Enterprises, Inc. (OTC Pink: TSNP) ("Tesoro") announced
21 today that the company's CEO and President, Brian Foote, has agreed
22 to convert over 318 million shares recently purchased by him out of
the retail market to a new class of Preferred shares.

23 The conversion will be transacted following the imminent completion
24 of the merger between Tesoro and HUMBL LLC, which will coincide
with the redomiciling of the corporation to Delaware.

25 Upon completion of the conversion, Tesoro's issued and outstanding
26 number of common shares will have been reduced by over 860
million shares since Mr. Foote became President of Tesoro.

27 The company does not anticipate that the number of common shares
28 outstanding will increase during the remainder of 2020 and
throughout 2021.

1 29. On November 24, 2020, HUMBL issued a press release entitled
2 “HUMBL Partners with Cyberbeat to Expand into Asia Pacific and Pan-India
3 Vertical Markets” which announced that the Singapore-based company, Cyberbeat,
4 was making a strategic investment into HUMBL. The release brags that Cyberbeat
5 is “a leading digital payments and financial technologies company led by veteran
6 digital payment industry executives of the Asia Pacific region” and that Cyberbeat
7 “gains the non-exclusive rights to sell, distribute and deploy HUMBL and
8 HUMBL Hubs technologies into key verticals in the Asia Pacific in calendar year
9 2021 and beyond.” HUMBL noted that the Company viewed the deal as an
10 “opportunity to establish this global relationship with a proven winner in the Asia
11 Pacific region[.]”

12 30. On December 1, 2020, HUMBL issued a press release entitled
13 “HUMBL Mobile App and HUMBL Hub Merchant Solutions Deliver Successful
14 Pilot Transactions Between United States and Mexico.” In this release, HUMBL
15 announced a purportedly successful pilot project with merchants in Mexico and
16 quoted a tour operator named Fernando Cuevas who noted that HUMBL “makes
17 life easier for me, my business and my customers here in Mexico” and that
18 HUMBL’s digital payments “enables my customers to spend more time enjoying
19 their trips, and less time seeking out ATM’s and cash payment options everywhere
20 we go.”

21 31. The reverse merger closed on December 3, 2020. The reverse merger
22 was shepherded by OTC investor Defendant George Sharp, who described himself
23 during HUMBL’s debut webcast as “an advocate for shareholder rights and
24 honesty in the OTC.”

25 32. In the December 9, 2020, conference call with investors, a shareholder
26 inquired what had been built on the Pay App. Defendant Foote falsely stated that
27 “Right now, in the barn, we have – send money, request money, exchange money,
28 stable coins.”

1 33. Also on the December 9, 2020 conference call, Defendant Foote
2 explained that one reason that HUMBL is based in San Diego is the proximity to
3 the Mexican market, stating that “Part of the reason our business was born here is
4 the majority of merchants in Mexico are in cash still, like physical paper bills and
5 coins.” Foote falsely stated that the Company was surprised by the strong demand
6 for the app in Mexico, noting that “I challenged our Mexico sales team. I said
7 ‘OK. Go sign up 100 merchants in a week.’ They came back with 300 merchants
8 in three days.”

9 34. On December 9, 2020, HUMBL posted a video to its website called
10 “A Borderless Day in Baja” which featured a group of visitors touring Mexico with
11 tour guide Cuevas, using HUMBL to pay merchants and transfer money to each
12 other.

13 35. On January 22, 2021, in a letter to shareholders, Defendant Foote told
14 investors that the Company had secured “our first of multiple option payments on
15 the distribution rights deal in Oceania region” with “plans to enter the region with
16 this group.” It was later announced that an Australian entity called Tuigamala
17 Group Pty Ltd. (“TGP”) had paid \$600,000 in December for an option to purchase
18 territory rights, with plans to invest an aggregate \$15 million. The \$600,000
19 payment also granted TGP 12.5 million warrants at \$1 each.

20 36. In response to the Company’s international partnership
21 announcements, the stock price soared, reaching its peak price of \$6.84 on
22 February 8, 2021.

23 37. On February 25, 2021, HUMBL took advantage of the inflated stock
24 price to announce that FINRA processed recent corporate actions, including the
25 name change from Tesoro to HUMBL, and that the Company executed a one for
26 four reverse split of its common stock and made other changes to its share
27 structure. HUMBL’s COO and Corporate Secretary, Jeffrey Hinshaw, stated:

28 The company’s Board of Directors concluded that it was important to
quell the volatility in the share price. Prospective investors and

1 current shareholders were concerned that it was difficult to pinpoint
2 the true value of the common shares. Furthermore, this will force any
3 outstanding short positions to cover their position. The board was
4 also sympathetic to the need not to wipe out the holdings of the
5 shareholders, and therefore determined that this small reverse split
6 would satisfy both requirements.

7 38. Thereafter Defendant Sharp attempted to downplay the concern
8 shareholders expressed about the corporate action and assuage those who were
9 concerned about potential dilution, stating: “If you’re worried about dilution, don’t
10 be.” Sharp also told investors that he was doing them a favor by being opaque
11 about the Company’s actions, such as the surprise reverse stock split, stating, “I
12 have made the conscious decision that we were not going to tell you . . .”

13 39. The price of HUMBL stock declined following the announcement of
14 the reverse split, but the downplaying of the potential dilution by the Company and
15 Defendant Sharp, coupled with a continued string of announcements about
16 HUMBL’s international partnerships and growth prospects, kept the stock price
17 artificially inflated.

18 40. For example, on March 16, 2021, HUMBL issued a press release
19 entitled “HUMBL, Inc. Announces Aurea Group Ventures Investment and
20 Partnership for Exclusive Chile Country Rights” which announced an international
21 deal with a Chilean entity named the Aurea Group. The release noted that the
22 partners are “already underway on HUMBL Latin America business development
23 discussions in key verticals such as: banking, merchant and financial services, real
24 estate, hospitality, tourism, sports, festivals, entertainment and ticketing services in
25 the region.”

26 41. On April 1, 2021, HUMBL issued a press release entitled “HUMBL
27 Announces Launch of BLOCK Exchange Traded Index (ETX) Products in the
28 United States.” This release stated:

HUMBL, Inc. (OTCMARKETS: HMBL) announced today the
planned availability of its BLOCK Exchange Traded Index (ETXs)
products to United States customers beginning on April 2, 2021.

1 HUMBL Financial™ created its BLOCK ETX products to simplify
2 digital asset investing for customers and institutions seeking exposure
to a new, 24/7 digital asset class.

3 HUMBL Financial has developed proprietary, multi-factor blockchain
4 indexes, trading algorithms and financial services for the new digital
asset trading markets.

5 BLOCK ETXs comprise over 20,000 lines of proprietary code and are
6 architected across index, active and thematic investment strategies.

7 BLOCK ETXs are completely non-custodial, algorithmically driven
8 software services that allow customers to purchase and hold digital
assets in pre-set allocations through their own digital asset exchange
accounts.

9 BLOCK ETXs will be compatible for United States customers who
10 have accounts with Coinbase Pro, Bittrex US or Binance US.

11 BLOCK ETXs are also available to non-US customers who have
accounts with Bittrex Global.

12 BLOCK ETXs will be served first on the desktop and web version of
13 the HUMBL platform, with the goal of future applications inside the
HUMBL Mobile Application.

14 HUMBL Financial is open to the licensing of the BLOCK ETXs to
15 institutions and exchanges.

16 HUMBL Financial also plans to offer trusted, third party financial
17 services in areas such as payments, investments, credit card services
and lending across the HUMBL platform over time.

18 42. On April 16, 2021, HUMBL issued a press release announcing the
19 launch of its Pay App. The press release stated that the app will “allow customers
20 to discover merchants; as well as pay, tip, rate and review those same merchants in
21 contactless transactions.” The press release further noted that the company “has
22 also integrated ticketing” into the Pay App, to allow customers “to find and
23 purchase tickets to live events” while highlighting the phased rollout beginning in
24 the United States and thereafter being launched in several countries throughout the
25 world.

26 **The Truth Begins to Emerge**

27 43. On May 20, 2021, Hindenburg Research published a research report
28 entitled “HUMBL: Illusions of Grandeur, Collapsing International Deals, And

1 Lurking Dilution” (the “Hindenburg Report”). This report called into serious
2 question the business and financial prospects of HUMBL.

3 44. For example, the Hindenburg Report stated that despite the previous
4 statements concerning the working features of the Pay App, basic features were
5 still not functioning. Researchers with Hindenburg found that there was no way to
6 send, receive, or request money between users or to even know which users were
7 on the platform. Furthermore, there was no indication that users could do anything
8 with stablecoins.

9 45. The Hindenburg Report also analyzed the reviews that the Pay App
10 received on the Apple App Store. Despite the shortcoming of the functionality, the
11 app immediately received a suspiciously high number of positive reviews in the
12 days following the launch. In the following weeks, however, the number of Apple
13 App Store reviews plummeted, trickling off to zero new reviews in the weeks
14 following the launch, indicating coordinated efforts to influence perceptions
15 around the app.

16 46. For example, the Hindenburg Report highlighted a five-star review
17 praising the app’s ability to “send money back and forth between family and
18 friends” a feature the Hindenburg Report noted that the Pay App was unable to do.
19 Similarly, another misleading five-star reviewer claimed to be deleting Robinhood,
20 PayPal, Venmo, and Etsy because the Pay App does everything those apps do,
21 which was untrue based on the Hindenburg Report’s analysis of the Pay App.

22 47. Despite the press release announcing the Pay App, explaining that
23 users would be able to “discover merchants; as well as pay, tip, rate and review
24 those same merchants in contactless transactions” the Hindenburg Report found
25 that discovering merchants on the system was problematic in that almost all of the
26 merchants appeared to be in San Diego or New York City. Further, searches for a
27 region pulled up inaccurate listings, including merchants far outside of the region.
28 Even if a merchant could be successfully located, the vast majority of the

1 merchants just didn't accept HUMBL. The Hindenburg Report noted that out of
2 200 merchant listings on HUMBL Pay, just nine merchants were identified as
3 taking payments via the Pay App. When Hindenburg researchers contacted the
4 supposed HUMBL Pay-accepting merchants, a sampling of responses stated that
5 they had "never heard of it."

6 48. The Hindenburg Report also called into question the viability of the
7 HUMBL Marketplace, where merchants can purportedly operate an online
8 business and accept online payments for their products. These merchants,
9 however, did not receive payments via HUMBL. Instead, the Hindenburg Report
10 noted that transactions were being processed by Stripe, one of the largest online
11 payment processors in the world and a direct competitor to HUMBL.

12 49. With respect to the ETX unregistered securities products, the
13 Hindenburg Report noted the convoluted process required to access the ETX
14 products. Although HUMBL boasted that it developed 20,000 lines of proprietary
15 code to create its trading strategies, the strategies appear to be simple rebalancing
16 of assets. For example, when Hindenburg researchers signed up for the Block 3
17 product, its portfolio was 50% BTC, 25% ETH, and 25% Litecoin. Later, the
18 allocation simply shifted to 50% BTC, 25% Litecoin, and 25% Digibyte.

19 50. With respect to HUMBL's Mexican operations, the Hindenburg
20 Report noted that, in contrast to Defendant Foote's statements on the December
21 investor conference call, researchers could not find anywhere near 300 merchants
22 on HUMBL Pay in Mexico. Using the map feature, Hindenburg researchers
23 located only 19 merchants in total and identified two as purportedly accepting
24 HUMBL payments. One merchant was "told that they had the HUMBL system
25 but had not yet been trained on it" while the other "had never heard of HUMBL[.]"

26 51. The Hindenburg Report also called into question the account of the
27 tour guide, Fernando Cuevas. Although HUMBL announced that HUMBL Pay
28 had launched in Mexico, when Hindenburg researchers contacted Cuevas, they

1 found that HUMBL’s previous statements were inaccurate. Cuevas, who was also
2 HUMBL’s “lead affiliate sales representative in the region” indicated that the app
3 wasn’t ready, and that until modifications were made to the app, no merchants in
4 Mexico would be able to use it. The Hindenburg Report then noted that Cuevas
5 quickly deleted his messages and told researchers that he couldn’t speak on the
6 matter further.

7 52. A winery and wine bar featured in the “Borderless Day in Baja” video
8 contacted by Hindenburg also disavowed the use of HUMBL. All told, the
9 Hindenburg researchers found no sign that HUMBL was revolutionizing the
10 payments business in Mexico.

11 53. With respect to the Indian partnership, Hindenburg researchers spoke
12 with Nayan Raut, the individual listed as the contact in the press release
13 announcing the deal. He told Hindenburg that the partnership never actually went
14 ahead, because Digital India Payments’ agent network shut down due to the
15 pandemic. Moreover, Raut noted that there were longer term issues, including that
16 government regulations in India do not allow a payment platform to charge
17 merchants or consumers any percentage, significantly hampering HUMBL’s
18 planned business model.

19 54. Summing up the Digital India Payments partnership, the Hindenburg
20 Report noted succinctly that “beyond the press release, HUMBL’s India deal didn’t
21 happen, probably won’t happen, and if it somehow did happen, wouldn’t make
22 HUMBL any money due to regulatory hurdles.”

23 55. With respect to the One Kiosk partnership in Nigeria, Hindenburg
24 reached out to Olatunbosun Babatunde, One Kiosk’s Chief Technology Officer.
25 Babatunde, who thanked Hindenburg researchers for the inquiry and revealed that
26 “HUMBL actually reach[ed] out to us and they wanted One Kiosk to use their
27 payment system on our platform as a way of entering the African market. But it
28 never went beyond that.”

1 56. As to HUMBL’s Oceania partnership, the Hindenburg Report
2 disclosed that there was no online or physical evidence of HUMBL’s purported
3 partner TPG beyond filings with the Australian Securities and Investments
4 Commission. The entity was created on September 16, 2019, and is owned by
5 Julius Elisara Tuigamala. Far from having a significant foothold in the region with
6 a network of merchants or consumers, the company’s principal place of business
7 simply appears to be Tuigamala’s house in New Zealand.

8 57. HUMBL’s purported “strategic investment” from “proven winner”
9 Cyberbeat was similarly revealed to be misleading. As the Hindenburg Report
10 noted, Cyberbeat had only been incorporated in December 2019 and that LinkedIn
11 only listed two employees, the two directors in local Singapore government filings.
12 While it is unclear how much Cyberbeat actually invested in HUMBL, Cyberbeat
13 and its two employees received Series B preferred shares convertible into
14 15,930,000 HUMBL common shares (valued at approximately \$14M at the time of
15 the Hindenburg Report’s exposé). Six months following the announcement of the
16 deal, the Hindenburg Report found no evidence that any specific initiatives or
17 business had resulted from the purported deal.

18 58. With respect to the Chilean partnership, the Hindenburg Report
19 detailed that the Aurea Group had only been incorporated for a year before the
20 HUMBL deal was announced. The Aurea CEO even told Hindenburg researchers
21 by phone that HUMBL was only “the first company we have formed an alliance
22 with” Similarly, the Hindenburg Report noted that HUMBL had yet to
23 articulate an actionable strategy for partnering in Chile with a technology or
24 payment company.

25 59. Following the publication of the Hindenburg Report and the
26 revelations regarding years of misleading statements by the Company, the price of
27 HUMBL stock dropped significantly from approximately \$0.98 on May 19, 2021
28

1 to \$0.76 on May 20, 2021. Moreover, the May 20, 2021 price represented an
2 88.8% drop from inflated peak price of \$6.84 in February 2021.

3 60. Despite the publication of the Hindenburg Report, the Company
4 continued to take actions to mislead and damage shareholders. For example, on
5 October 29, 2021, HUMBL issued a press release entitled “HUMBL Announces
6 Amendment to Certificate of Incorporation to Institute Preferred B Conversion
7 Limits.” This press release noted that shareholders who own more than 750 Series
8 B shares will be subject to limitations on how many Series B shares can be
9 converted into common stock in any given month from December 2021 through
10 May 2023. The Series B preferred shares can each be converted into 10,000
11 common shares. While those who own more than 750 Series B shares were subject
12 to the limitations, the restrictions did not apply to various shareholders that owned
13 less than 750 Series B shares each.

14 61. Beginning in December 2021, HUMBL shareholders were subjected
15 to an extreme amount of dilution as owners of Series B shares began to convert
16 into common stock. This was the dilution that shareholders were told not to worry
17 about during the reverse merger transactions. For example, as of December 23,
18 2021, there were 947.3 million shares of common stock outstanding. By April 25,
19 2022, there were 1.429 billion shares of common stock outstanding. This was an
20 increase of over 50% of the outstanding common shares as of December 23, 2021.
21 The extreme dilution coincided with extremely high transaction volume and a
22 sharp drop in the price of HUMBL common stock. As of December 23, 2021, the
23 stock price was approximately \$0.39 per share; by April 25, 2022, the price had
24 dropped all the way to \$0.11 on high volume throughout the period.

25 62. On February 14, 2022, HUMBL issued a press release entitled
26 “HUMBL Suspends BLOCK ETX Subscription Products” whereby it announced
27 that it was suspending the ETX subscription program. Defendant Foote stated,
28 “We do not believe that our non-custodial, algorithmically driven, software-as-a-

1 service- BLOCK ETX subscription products are securities, nor that the underlying
2 digital assets are securities” adding that “after additional dialogue with the SEC
3 surrounding our S-1 filing, we’ve determined this is the best path forward in the
4 approval process.”

5 63. As of the filing of this complaint, the price of HUMBL common stock
6 has not recovered.

7 **The BLOCK ETX Products Are Securities**

8 64. Under Section 2(a)(1) of the Securities Act, a “security” is defined to
9 include an “investment contract.” 15 U.S.C. §77b(a)(1). An investment contract is
10 “an investment of money in a common enterprise with profits to come solely from
11 the efforts of others.” *S.E.C. v. W.J. Howey Co.*, 328 U.S. 293, 301 (1946).
12 Specifically, a transaction qualifies as an investment contract and, thus, a security
13 if it is: (1) an investment; (2) in a common enterprise; (3) with a reasonable
14 expectation of profits; and (4) to be derived from the entrepreneurial or managerial
15 efforts of others. *See United Housing Foundation, Inc. v. Forman*, 421 U.S. 837,
16 852-53 (1975). This definition embodies a “flexible rather than a static principle,
17 one that is capable of adaptation to meet the countless and variable schemes
18 devised by those who seek the use of the money of others on the promise of
19 profits,” and thereby “permits the fulfillment of the statutory purpose of
20 compelling full and fair disclosure relative to the issuance of ‘the many types of
21 instruments that in our commercial world fall within the ordinary concept of a
22 security.’” *W.J. Howey Co.*, 328 U.S. at 299. Accordingly, in analyzing whether
23 something is a security, “form should be disregarded for substance,” and the
24 emphasis should be “on economic realities underlying a transaction, and not on the
25 name appended thereto.” *Forman*, 421 U.S. at 849.

26 65. Investors who bought BLOCK ETX products invested money or other
27 valuable consideration in a common enterprise. Investors had a reasonable
28

1 expectation of profit based upon the efforts of the Defendants, including, among
2 other things, Defendants' proprietary trading codes.

3 66. Class members invested fiat, including U.S. dollars, and digital
4 currencies, such as Bitcoin and Ethereum, to purchase BLOCK ETX products.

5 67. Defendants sold BLOCK ETX products to the general public through
6 the HUMBL website.

7 68. Every purchase of BLOCK ETX products by a member of the public
8 is an investment contract.

9 69. Additionally, investors were passive participants in the BLOCK ETX
10 products' rebalancing and the profits of each Plaintiff and the Class were
11 intertwined with those of Defendants.

12 70. Defendants also were responsible for supporting the BLOCK ETX
13 products and its code.

14 71. Investors in the BLOCK ETX products made their investment with a
15 reasonable expectation of profits.

16 72. Investors' profits in the BLOCK ETX tokens were to be derived from
17 the managerial efforts of others – specifically the HUMBL, HUMBL Finance, and
18 any HUMBL personnel responsible for the proprietary trading codes. BLOCK
19 ETX investors relied on the managerial and entrepreneurial efforts of HUMBL, the
20 Defendants, and others to manage, oversee, and/or develop the BLOCK ETX
21 program.

22 **CLASS ALLEGATIONS**

23 73. Plaintiffs bring this action, individually, and on behalf of nationwide
24 classes, pursuant to Federal Rules of Civil Procedure 23(a), 23(b)(2), and/or
25 23(b)(3), defined as follows:

26 All persons who, during the Class Period, purchased HUMBL
27 securities were subsequently damaged thereby.

28 [and]

1 All persons who, during the Class Period, purchased HUMBL
2 BLOCK ETX products and who were subsequently damaged thereby.

3 74. The Class Period is defined as the period between November 12, 2020
4 and the date of this filing.²

5 75. Excluded from the Classes are: (a) Defendants; (b) Defendants'
6 affiliates, agents, employees, officers and directors; (c) Plaintiffs' counsel and
7 Defendants' counsel; and (d) the judge assigned to this matter, the judge's staff,
8 and any member of the judge's immediate family. Plaintiffs reserve the right to
9 modify, change, or expand the various class definitions set forth above, based on
10 discovery and further investigation.

11 76. **Numerosity**: Upon information and belief, the Classes are so
12 numerous that joinder of all members is impracticable. While the exact number
13 and identity of individual members of the Classes is currently unknown, such
14 information being in the sole possession of HUMBL and/or third parties and
15 obtainable by Plaintiffs only through the discovery process, Plaintiffs believe, and
16 on that basis allege, that the Classes consists of at least hundreds of people. The
17 number of Class members can be determined based on HUMBL's and other third
18 party's records.

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

- 23 a. whether Defendants made false and misleading statements;
- 24 b. whether the BLOCK ETX products are securities under the Securities
25 Act;

26
27
28 ² Plaintiffs reserve the right to expand or amend the Class Period based on
discovery produced in this matter.

- 1 c. whether the sale of BLOCK ETX products violates the registration
2 requirements of the Securities Act;
- 3 d. whether Defendants improperly and misleadingly marketed BLOCK
4 ETX products; and
- 5 e. whether Plaintiffs and Class members have suffered damages, and, if
6 so, the nature and extent of those damages.

7 78. **Typicality:** Plaintiffs have the same interest in this matter as all Class
8 members, and Plaintiffs' claims arise out of the same set of facts and conduct as
9 the claims of all Class members. Plaintiffs' and Class members' claims all arise
10 out of HUMBL's uniform misrepresentations, omissions, and unlawful, unfair, and
11 deceptive acts and practices related to the sale of BLOCK ETX products.

12 79. **Adequacy:** Plaintiffs have no interest that conflicts with the interests
13 of the Classes and are committed to pursuing this action vigorously. Plaintiffs
14 have retained counsel competent and experienced in complex consumer class
15 action litigation. Accordingly, Plaintiffs and their counsel will fairly and
16 adequately protect the interests of the Classes.

17 80. **Superiority:** A class action is superior to all other available means of
18 fair and efficient adjudication of the claims of Plaintiffs and members of the
19 Classes. The injury suffered by each individual Class member is relatively small
20 compared to the burden and expense of individual prosecution of the complex and
21 extensive litigation necessitated by the Company's conduct. It would be virtually
22 impossible for individual Class members to effectively redress the wrongs done to
23 them. Even if Class members could afford individualized litigation, the court
24 system could not. Individualized litigation would increase delay and expense to all
25 parties, and to the court system, because of the complex legal and factual issues of
26 this case. Individualized rulings and judgments could result in inconsistent relief
27 for similarly situated individuals. By contrast, the class action device presents far
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1 fewer management difficulties, and provides the benefits of single adjudication,
2 economy of scale, and comprehensive supervision by a single court.

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

6 **PRESUMPTION OF RELIANCE**

7 82. Plaintiffs will rely, in part, upon the presumption of reliance
8 established by the fraud-on-the-market doctrine in that:

9 (a) Defendants made public misrepresentations or failed to disclose
10 material facts during the Class Period;

11 (b) the omissions and misrepresentations were material;

12 (c) HUMBL securities are traded in an efficient market;

13 (d) the Company's securities were liquid and traded with moderate
14 to heavy volume during the Class Period;

15 (e) the Company's securities traded OTC in the United States;

16 (f) the Company was covered by securities analysts;

17 (g) the misrepresentations and omissions alleged would tend to
18 induce a reasonable investor to misjudge the value of the Company's
19 securities; and

20 (h) Plaintiffs and members of the Classes purchased, acquired,
21 and/or sold HUMBL securities between the time the Defendants failed to
22 disclose or misrepresented material facts and the time the true facts were
23 disclosed without knowledge of the omitted or misrepresented facts.

24 83. Based upon the foregoing, Plaintiffs and the members of the Classes
25 are entitled to a presumption of reliance upon the integrity of the market.

26 84. Alternatively, Plaintiffs and the members of the Classes are entitled to
27 the presumption of reliance established by the Supreme Court in *Affiliated Ute*
28 *Citizens of Utah v. U.S.*, 406 U.S. 128 (1972), as Defendants omitted material

1 information in their Class Period statements in violation of a duty to disclose such
2 information, as detailed above.

3 **FIRST CAUSE OF ACTION**

4 **Section 10(b) and Rule 10b-5**
5 **(Against All Defendants)**

6 85. Plaintiffs restate and reallege all preceding allegations above as if
7 fully set forth herein.

8 86. This Count is asserted against Defendants and is based upon §10(b) of
9 the Exchange Act, 15 U.S.C. §78j(b), and Rule 10b-5 promulgated thereunder by
10 the SEC.

11 87. During the Class Period, Defendants engaged in a plan, scheme,
12 conspiracy, and course of conduct pursuant to which they knowingly or recklessly
13 engaged in acts, transactions, practices, and courses of business that operated as a
14 fraud and deceit upon Plaintiffs and the other members of the Classes; made
15 various untrue statements of material facts and omitted to state material facts
16 necessary in order to make the statements made, in light of the circumstances
17 under which they were made, not misleading; and employed devices, schemes, and
18 artifices to defraud in connection with the purchase and sale of securities. Such
19 scheme was intended to, and, throughout the Class Period, did: (i) deceive the
20 investing public, including Plaintiffs and other Class members, as alleged herein;
21 (ii) artificially inflate and maintain the market price of HUMBL securities; and (iii)
22 cause Plaintiffs and other members of the Classes to purchase or otherwise acquire
23 HUMBL securities at artificially inflated prices. In furtherance of this unlawful
24 scheme, plan, and course of conduct, Defendants, and each of them, took the
25 actions set forth herein.

26 88. Pursuant to the above plan, scheme, conspiracy, and course of
27 conduct, each of the Defendants participated directly or indirectly in the
28 preparation and/or issuance of the annual reports, SEC filings, press releases, and

1 other statements and documents, as described above, including statements made to
2 securities analysts and the media, that were designed to influence the market for
3 HUMBL securities. Such reports, filings, releases, and statements were materially
4 false and misleading in that they failed to disclose material adverse information
5 and misrepresented the truth about HUMBL's business and operations.

6 89. By virtue of their positions at HUMBL, Defendants had actual
7 knowledge of the materially false and misleading statements and material
8 omissions alleged herein and intended thereby to deceive Plaintiffs and the other
9 members of the Classes, or, in the alternative, Defendants acted with reckless
10 disregard for the truth in that they failed or refused to ascertain and disclose such
11 facts as would reveal the materially false and misleading nature of the statements
12 made, although such facts were readily available to Defendants. Said acts and
13 omissions of Defendants were committed willfully or with reckless disregard for
14 the truth. In addition, each Defendant knew or recklessly disregarded that material
15 facts were being misrepresented or omitted, as described above.

16 90. Information showing that Defendants acted knowingly or with
17 reckless disregard for the truth is peculiarly within Defendants' knowledge and
18 control. As senior managers and/or directors of HUMBL, the Individual
19 Defendants had knowledge of the details of HUMBL's internal affairs.

20 91. The Individual Defendants are liable both directly and indirectly for
21 the wrongs complained of herein. Because of their positions of control and
22 authority, the Individual Defendants were able to, and did, directly or indirectly,
23 control the content of the statements of HUMBL. As officers and/or directors of a
24 publicly held company, the Individual Defendants had duties to disseminate
25 timely, accurate, truthful, and complete information with respect to HUMBL's
26 businesses, operations, future financial condition, and future prospects. As a result
27 of the dissemination of the aforementioned false and misleading reports, releases,
28 and public statements, the market price of HUMBL securities was artificially

1 inflated throughout the Class Period. In ignorance of the adverse facts concerning
2 HUMBL's business and financial condition, which were concealed by Defendants,
3 Plaintiffs and other members of the Classes purchased or otherwise acquired
4 HUMBL securities at artificially inflated prices and relied upon the price of the
5 securities, the integrity of the market for the securities, and/or statements
6 disseminated by Defendants, and were damaged thereby.

7 92. During the Class Period, HUMBL securities were traded on an active
8 and efficient market. Plaintiffs and the other members of the Classes, relying on
9 the materially false and misleading statements described herein, which the
10 Defendants made, issued, or caused to be disseminated, or relying upon the
11 integrity of the market, purchased or otherwise acquired HUMBL securities at
12 prices artificially inflated by Defendants' wrongful conduct. Had Plaintiffs and the
13 other members of the Classes known the truth, they would not have purchased or
14 otherwise acquired said securities, or would not have purchased or otherwise
15 acquired them at the inflated prices that were paid. At the time of the purchases
16 and/or acquisitions by Plaintiffs and the Classes, the true value of HUMBL
17 securities was substantially lower than the prices paid by Plaintiffs and the other
18 members of the Classes. The market price of HUMBL securities declined sharply
19 upon public disclosure of the facts alleged herein to the injury of Plaintiffs and
20 Class members.

21 93. By reason of the conduct alleged herein, Defendants have knowingly
22 or recklessly, directly or indirectly, violated §10(b) of the Exchange Act and Rule
23 10b-5 promulgated thereunder.

24 94. As a direct and proximate result of Defendants' wrongful conduct,
25 Plaintiffs and the other members of the Classes suffered damages in connection
26 with their respective purchases, acquisitions, and sales of the Company's securities
27 during the Class Period, upon the disclosure that the Company had been
28 disseminating misrepresented financial statements to the investing public.

1 of HUMBL, the Individual Defendants had the power to direct the actions of, and
2 exercised the same to cause HUMBL to engage in the unlawful acts and conduct
3 complained of herein. The Individual Defendants exercised control over the
4 general operations of HUMBL and possessed the power to control the specific
5 activities that comprise the primary violations about which Plaintiffs and the other
6 members of the Classes complain.

7 100. By reason of the above conduct, Defendants Foote, Sharp, and
8 Hinshaw are liable pursuant to §20(a) of the Exchange Act for the violations
9 committed by HUMBL.

10 **THIRD CAUSE OF ACTION**

11 **Unregistered Offering and Sale of Securities in Violation of** 12 **Sections 5 and 12(a)(1) of the Securities Act** 13 **(Against All Defendants)**

14 101. Plaintiffs restate and reallege all preceding allegations above as if
15 fully set forth herein.

16 102. Defendants, and each of them, by engaging in the conduct described
17 above, directly or indirectly, made use of means or instruments of transportation or
18 communication in interstate commerce or of the mails, to offer to sell or to sell
19 securities, or to carry or cause such securities to be carried through the mails or in
20 interstate commerce for the purpose of sale or for delivery after sale.

21 103. BLOCK ETX products are securities within the meaning of Section
22 2(a)(1) of the Securities Act, 15 U.S.C. §77b(a)(1).

23 104. Plaintiff Pasquinelli and members of the Classes purchased BLOCK
24 ETX securities.

25 105. No registration statements have been filed with the SEC or have been
26 in effect with respect to any of the offerings alleged herein. No exemption to the
27 registration requirement applies.

28 106. SEC Rule 159A provides that, for purposes of Section 12(a)(2), an
“issuer” in “a primary offering of securities” shall be considered a statutory seller.

1 17 C.F.R. §230.159A(a). The Securities Act, in turn, defines “issuer” to include
2 every person who issues or proposes to issue any security. 15 U.S.C. §77b(a)(4).
3 HUMBL is an issuer of BLOCK ETXs.

4 107. The U.S. Supreme Court has held that statutory sellers under
5 §12(a)(1) also include “the buyer’s immediate seller” and any person who actively
6 solicited the sale of the securities to plaintiff and did so for financial gain. *See*
7 *Pinter v. Dahl*, 486 U.S. 622, 644 n.21 & 647 (1988); *accord, e.g., Steed Finance*
8 *LDC v. Nomura Sec. Int’l, Inc.*, No. 00 Civ. 8058, 2001 WL 1111508, at *7
9 (S.D.N.Y. Sept. 20, 2001). That is, §12(a)(1) liability extends to sellers who
10 actively solicit the sale of securities with a motivation to serve their own financial
11 interest or those of the securities owner. *Dahl*, 486 U.S. at 647; *Capri v. Murphy*,
12 856 F.2d 473, 478 (2d Cir. 1988). HUMBL and the Individual Defendants are all
13 statutory sellers.

14 108. By reason of the foregoing, each of the Defendants have violated
15 Sections 5(a), 5(c), and 12(a) of the Securities Act, 15 U.S.C. §§77e(a), 77e(c), and
16 77l(a).

17 109. As a direct and proximate result of Defendants’ unregistered sale of
18 securities, Plaintiffs and the Classes have suffered damages in connection with
19 their BLOCK ETX purchases.

20 **PRAYER FOR RELIEF**

21 WHEREFORE, Plaintiffs, individually, and on behalf of all others similarly
22 situated, respectfully request that this Court:

23 A. Determine that the claims alleged herein may be maintained as a class
24 action under Rule 23 of the Federal Rules of Civil Procedure and issue an order
25 certifying one or more of the Classes defined above;

26 B. Appoint Plaintiffs as representatives of the Classes and their counsel
27 as Class counsel;

28

1 C. Declare that the Company and Individual Defendants made false and
2 misleading statements with scienter, proximately causing Plaintiffs' losses;

3 D. Declare that the Company and Individual Defendants offered and sold
4 unregistered securities in violation of Sections 5(a), 12(a), and 15 of the Securities
5 Act;

6 E. Award all actual, general, special, incidental, statutory, rescission,
7 punitive, and consequential damages and restitution to which Plaintiffs and the
8 Class members are entitled;

9 F. Award post-judgment interest on such monetary relief;

10 G. Grant appropriate injunctive and/or declaratory relief;

11 H. Award reasonable attorneys' fees and costs; and

12 I. Grant such further relief that this Court deems appropriate.

13 **JURY DEMAND**

14 Plaintiffs, individually and on behalf of the putative Class, demand a trial by
15 jury on all issues so triable.

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