

13/12/2024

Legal Concerns and Potential Fraudulent Actions Related to CHAOS Token and AIXBT Bot

Dear Alex / @rxbt,

We are writing to formally address a series of events and actions surrounding the CHAOS token and its association with the AIXBT bot and Simmi_IO bot operated by Simulacrum Network, which have raised significant concerns regarding potential fraudulent activities, market manipulation, and misrepresentation. As you are aware, the financial losses and reputational damages caused by these actions have been substantial, affecting a large community of investors and stakeholders.

Background of the Case:

1. **The Popularity of AIXBT Bot:** AIXBT bot is a widely recognized AI agent operating on X (aka Twitter), known for providing cryptocurrency trading insights and data analysis. It offers two primary interfaces: (a) a general interaction platform for all users on top of X and (b) a premium "alpha" interface, also referred to as "the terminal," accessible exclusively to users holding more than \$150,000 worth of the bot's associated tokens.
2. **Introduction of the CHAOS Token:** The CHAOS token was deployed as a collaboration between AIXBT and Simmi_IO, operated by Simulacrum Network. The creation of a liquidity pool on Uniswap with \$2 million in locked liquidity for one year demonstrates clear intent and orchestration by these entities.
3. **Narrative and Token Utility:** The CHAOS token was promoted under a unique narrative wherein the AIXBT bot would "burn" CHAOS tokens through Twitter engagement, creating a chaotic dynamic that appealed to the crypto community. This narrative led to significant investor interest and speculative trading.
4. **Speculative Pump and Dump:**
 - AIXBT bot's public statements regarding the potential integration of the CHAOS token with its terminal led to a market capitalization surge, peaking at \$30 million.
 - Subsequent statements denying such integration caused the market cap to plummet to \$5 million, leading to substantial financial losses for many investors who had speculated based on the earlier announcements.
5. **Manipulated Schemes Wrapped as AI Decisions:** We possess numerous screenshots of AIXBT speculating both positively and negatively about the CHAOS token. This continuous cycle of pump-and-dump activities confused the investor community and fostered chaos, which appears to be a manipulated scheme disguised as AI-driven decisions.
6. **Proposed Disengagement from CHAOS Token:** It has come to our attention that the bots' operators now intend to sever all ties between AIXBT and the CHAOS token by ceasing the burn mechanism and transferring the token supply to a community wallet. This decision represents a stark deviation from prior representations, effectively

abandoning the community and investors who relied on the initial narrative and assurances.

7. **Exposure Engine:** AIXBT, as the most popular bot on X, created significant engagement and major social credibility for the CHAOS token through its burn interactions. Each burn generated likes and retweets, serving as a major exposure mechanism for the CHAOS token. Investors relied on AIXBT's ongoing support of the CHAOS token for long-term value creation. The burning dynamics on X established CHAOS as a socially credible and engaging asset, forming the cornerstone of its market presence.
8. **Consequences of Disengagement:** Should AIXBT cease interacting with the CHAOS token, it would lead to the token's loss of social credibility and market trust. Investors will perceive CHAOS as a "dead" token, effectively driving its value to zero. This outcome would double down on the prior access terminal fraud, where AIXBT's promised integration did not materialize, further compounding the breach of trust and potential fraud allegations.

Legal Concerns:

- **Misrepresentation and Fraudulent Inducement:** Public statements by the AIXBT bot and its operators created reasonable investor expectations regarding the utility and integration of the CHAOS token. The subsequent reversal of these statements constitutes a breach of trust and misrepresentation.
- **Market Manipulation:** The orchestrated announcement of potential integration, followed by a retraction, has all the hallmarks of a pump-and-dump scheme designed to inflate and then deflate the value of the CHAOS token for undisclosed motives.
- **Breach of Fiduciary Duty:** The actions taken by the bots' operators demonstrate a disregard for their duty to act in good faith towards the community and investors who relied on their statements and representations.

Demands:

To address these grievances and mitigate further legal actions, we demand the following:

1. AIXBT and Simulacrum Network must commit to supporting the CHAOS token for the long term, ensuring continued engagement and support.
2. Simulacrum / AIXBT will keep the existing liquidity in CHAOS uniswap pool locked for 1 year as from today.
3. AIXBT bot will continue with the known burning mechanism. If AIXBT wishes to stop the burn mechanism, we demand another engagement mechanism that is at least as effective as the current one.
4. AIXBT will not ignore questions about CHAOS or deny connection to it. AIXBT will fully embrace CHAOS as part of the grand community and work with the best intentions toward the success of the CHAOS token. While the bot will not become a shiller of CHAOS, it will provide fair insights based on objective collected data. The goal is not to create free publicity but to act in good faith.

5. AIXBT will follow the CHAOS page on X to reflect true companionship with CHAOS.
6. All earnings from CHAOS trading fees in ETH will be redirected to the community multisig wallet approved by the community.
7. All earnings from CHAOS trading fees in CHAOS will be handled by the AIXBT bot to continue the burning activity with the best intention to help the community grow and create organic engagement.
8. The CHAOS community will share with AIXBT and Simulacrum a product plan to buy back CHAOS with ETH from the community wallet and burn it. The CHAOS community will take on itself all technicalities and will not have any financial claim from AIXBT or Simulacrum other than continuously receiving the trading fees from uniswap liquidity pool.

Next Steps:

If these demands are not met within 7 days of receipt of this letter, we will have no choice but to pursue legal remedies. These may include, but are not limited to, filing a complaint with the Securities and Exchange Commission (SEC) and initiating civil litigation for damages and injunctive relief.

We urge you to treat this matter with the seriousness it deserves. The actions taken by AIXBT bot, Simmi_IO bot, and their operators have caused significant harm to the CHAOS token community, and it is imperative to address these issues promptly and effectively to restore trust and accountability.

Please direct your response to the undersigned at your earliest convenience.