

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
5 Whether there has been a violation of the
6 Securities Act of Washington by:

7 StormX, Inc.;
8 StormX Global SEZC, Inc. f/k/a CakeCodes
9 Global SEZC, Inc.

Respondent

Order No.: S-18-2422-21-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO
ENTER ORDER TO CEASE AND DESIST,
TO IMPOSE FINES, AND TO CHARGE COSTS

10 THE STATE OF WASHINGTON TO:

StormX, Inc.;
StormX Global SEZC, Inc. f/k/a CakeCodes Global
SEZC, Inc.

11 **STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the State of Washington has reason to believe
13 that Respondents StormX, Inc. and StormX Global SEZC, Inc. f/k/a CakeCodes Global SEZC, Inc. have each
14 violated the Securities Act of Washington. The Securities Administrator believes those violations justify the
15 entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant
16 to RCW 21.20.390, and, under RCW 21.20.395, to impose fines. The Securities Administrator finds as
17 follows:

18 **TENTATIVE FINDINGS OF FACT**

19 **Respondents**

20 1. StormX, Inc. ("StormX, Inc.") is a Delaware corporation incorporated in July 2016. StormX
21 maintains a principal place of business in Seattle.

22 2. StormX Global SEZC, Inc. is a corporation incorporated in the Cayman Islands in 2017 that
23 was formerly known as CakeCodes Global SEZC, Inc. ("CakeCodes"). CakeCodes is a subsidiary of StormX,

1 Inc. Any reference to “StormX” in this Statement of Charges is a reference to both StormX, Inc. and
2 CakeCodes.

3 **Nature of the Offering**

4 3. StormX’s application (“app”) was originally called Bitmaker, and it allowed users to earn
5 Bitcoin by watching brief videos or advertisements. The app became a “micro-task” platform called Storm
6 Play on which users could receive Bitcoin by sampling other apps, trying new services, playing new games,
7 and taking surveys. Increased transaction fees and congestion on the Bitcoin and Ethereum networks would
8 ultimately prompt StormX to create its own cryptocurrency called Storm Tokens as a means to pay its users.
9 In 2020, StormX developed Storm Shop. Storm Shop pays users who shop at stores who have compensated
10 StormX to appear on its app.

11 4. From approximately November 7, 2017 to December 7, 2017, StormX conducted a
12 “crowdsale” that was, in effect, open to the general public. During the crowdsale, StormX sold \$32 million
13 worth of Storm Tokens. During this offering, investors purchased their Storm Tokens with Ether. StormX
14 did not restrict this offering to accredited investors. Instead, StormX attempted to restrict the crowdsale to
15 residents of certain areas. Before the crowdsale, StormX intended to use the crowdsale’s proceeds to complete
16 its platform which it called Storm Market during the period prior to the crowdsale. Since the conclusion of
17 the crowdsale, StormX has not issued any additional Storm Tokens to the public, forcing prospective
18 purchasers to buy Storm Tokens through cryptocurrency exchanges.

19 *StormX and Storm Token Purchasers Viewed and Treated the Storm Tokens as Investments*

20 5. StormX promoted Storm Tokens as if they were investments prior to the crowdsale. For
21 example, in the months preceding the crowdsale, StormX publicized on its website at the time,
22 stormtoken.com, the Storm Token’s prospects as an investment rather than its value as a utility coin to be used
23 on StormX’s app. For example, in September 2017, StormX boasted about its appearances on several websites

1 that cover the cryptocurrency community, including Coin Agenda, Coin Telegraph, and Cryptotraders.¹
2 Moreover, in October 2017, the StormX’s blog, blog.stormtoken.com, featured an item about a newly-formed
3 partnership with Bancor which would render Storm Tokens the second “smart token” in the “Bancor
4 Network.”²

5 6. Before and during the crowdsale, prospective purchasers were interested in the Storm Token’s
6 value as an investment, not as a utility coin. For example, in November 2017, a prospective purchaser stated
7 in an email to StormX that he was not a cryptocurrency trader, but he wished to purchase and tuck away Storm
8 Tokens for his children’s future. In December 2017, prospective purchasers sent emails to StormX asking
9 how they could track the Storm Token’s value. Other prospective purchasers asked when the Storm Tokens
10 would be listed on crypto exchanges. StormX told at least one prospective purchaser that Storm Tokens would
11 be transferable after the crowdsale.

12 7. StormX continued to promote the Storm Token’s value as an investment on its blog after the
13 crowdsale. In January 2018, StormX promoted the Storm Token’s listing on Coinnest, a South Korean
14 cryptocurrency exchange that closed in April 2019. In March 2018, StormX included its listing on
15 cryptocurrency exchanges Binance and Upbit. In May 2018, StormX promoted the Storm Token’s inclusion
16 on Bittrex, a Seattle-based cryptocurrency exchange.

17 8. StormX also intended to rely on the Storm Token’s value as an investment by dedicating a
18 comparatively small amount of its reserve of Storm Tokens to compensate the app’s users for completing
19 microtasks, and by paying its debts with Storm Tokens. Prior to the crowdsale, StormX had issued 7.5 billion
20

21 ¹ Coin Agenda hosts conferences throughout the world at which prominent individuals from the cryptocurrency investment world
22 make presentations about the field and people interested in these topics can interact. Cointelegraph provides Bitcoin, Ethereum,
and cryptocurrency news and price indexes. Cryptotraders purports to be the ultimate collaboration tool for retail investors, and to
offer “high quality trading opportunities in Bitcoin, Altcoin, and ETFs.”

23 ² According to its website, Bancor is “a blockchain protocol that allows users to convert different virtual currency tokens directly
and instantly instead of exchanging them on cryptocurrency exchanges.”

1 Storm Tokens. Of this amount, StormX made five billion Storm Tokens available to the public during the
2 crowdsale. StormX set aside less than fifteen percent of the 7.5 billion Storm Tokens for use as utility coins.
3 StormX also planned to pay marketing and promotion expenses with this amount. Furthermore, approximately
4 18.3% of the Storm Tokens were set aside for payment to employees, contractors, and to StormX's partners,
5 among others.

6 *StormX Did Not Provide Investors with a Disclosure Document*

7 9. StormX did not provide its crowdsale investors with a disclosure document containing all of
8 the material facts of the token investment. Consequently, StormX did not disclose in writing to the crowdsale
9 investors the risks related to investing in Storm Tokens.³ Such risks include, but are not limited to, the risk
10 that Storm Tokens may not increase in value, the risk that cryptocurrency exchanges may not list Storm
11 Tokens and thus affect the liquidity of the tokens, the risk that exchanges that currently list Storm Tokens
12 may de-list them, and the risk that Storm Tokens may become significantly regulated.

13 **Registration Status**

14 10. StormX, Inc. is not registered to sell its securities in the State of Washington, and has not
15 previously been so registered.

16 11. StormX Global SEZC, Inc. f/k/a CakeCodes Global SEZC, Inc. is not registered to sell its
17 securities in the State of Washington, and has not previously been so registered.

18 **CONCLUSIONS OF LAW**

19 Based on the above Tentative Findings of Fact, the following Conclusions of Law are made:
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22 _____
23 ³ StormX's white paper dated September 14, 2017 was available on its website in the period preceding the crowd sale. However, the white paper focused almost exclusively on the Storm Token's anticipated role as a utility coin and the community of users that StormX wished to create.

1 1. The offer and/or sale of Storm Tokens described above constitutes the offer and/or sale of a
2 security as defined in RCW 21.20.005(14) and (17).

3 2. StormX, Inc. has violated RCW 21.20.140, because, as set forth in the Tentative Findings of
4 Fact, StormX, Inc. offered and/or sold securities for which no registration is on file with the Securities
5 Administrator.

6 3. StormX Global SEZC, Inc. f/k/a CakeCodes Global SEZC, Inc. has violated RCW 21.20.140,
7 because, as set forth in the Tentative Findings of Fact, StormX Global SEZC, Inc. f/k/a CakeCodes Global
8 SEZC, Inc. offered and/or sold securities for which no registration is on file with the Securities Administrator.

9 4. StormX, Inc. has violated RCW 21.20.010, because, as set forth in the Tentative Findings of
10 Fact, StormX, Inc., made untrue statements of material fact or omitted to state material facts necessary to
11 make the statements made, in light of the circumstances in which they were made, not misleading.

12 5. StormX Global SEZC, Inc. f/k/a CakeCodes Global SEZC, Inc. has violated RCW 21.20.010
13 because, as set forth in the Tentative Findings of Fact, StormX Global SEZC, Inc. f/k/a CakeCodes Global
14 SEZC, Inc. made untrue statements of material fact or omitted to state material facts necessary to make the
15 statements made, in light of the circumstances in which they were made, not misleading.

16 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

17 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
18 Administrator intends to order, pursuant to RCW 21.20.390(1), that StormX, Inc. and its agents and employees
19 shall each cease and desist from violating RCW 21.20.140 and RCW 21.20.010.

20 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
21 Administrator intends to order, pursuant to RCW 21.20.390(1), that StormX Global SEZC, Inc. f/k/a
22 CakeCodes Global SEZC, Inc. and its agents and employees shall each cease and desist from violating RCW
23 21.20.010 and RCW 21.20.390.

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3 **NOTICE OF INTENT TO IMPOSE FINES**

4 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law,
5 the Securities Administrator intends to order that StormX, Inc. shall be liable for and shall pay a fine of
6 \$50,000. Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
7 Law, the Securities Administrator intends to order that StormX Global SEZC, Inc. f/k/a CakeCodes Global
8 SEZC, Inc. shall be liable for and shall pay a fine of \$50,000.

9 **NOTICE OF INTENT TO CHARGE COSTS**

10 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law,
11 the Securities Administrator intends to order that StormX, Inc. and StormX Global SEZC, Inc. f/k/a
12 CakeCodes Global SEZC, Inc. shall be jointly and severally liable for and shall pay the costs, fees, and other
13 expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than
14 \$10,000.

15 **AUTHORITY AND PROCEDURE**

16 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
17 to the provisions of Chapter 34.05 RCW. The Respondents, StormX, Inc., and StormX Global SEZC, Inc.
18 f/k/a CakeCodes Global SEZC, Inc. may make a written request for a hearing as set forth in the NOTICE OF
19 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If the
20 Respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt
21 the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease
22 and desist as to the Respondent, to impose any fines sought against the Respondent, and to charge any costs
23 sought against the Respondent.

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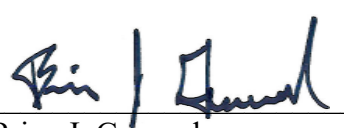
Signed and entered this 2nd day of August, 2022.



William M. Beatty
Securities Administrator

Approved by:

Presented by:

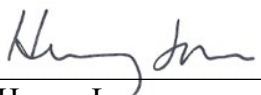


Brian J. Guerard
Chief of Enforcement



Edward R. Thunen
Financial Legal Examiner

Reviewed by:



Huong Lam
Financial Legal Examiner Supervisor