

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

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

6 StormX, Inc.;
StormX Global SEZC, Inc. f/k/a Cake Codes
Global SEZC, Inc.

Respondents.

Order No. S-18-2422-22-CO01

CONSENT ORDER

7
8 **INTRODUCTION**

9 On August 2, 2022, the Securities Administrator of the Securities Division of the Department of
10 Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter
11 Order to Cease and Desist, Impose Fines, and Charge Costs (“Statement of Charges”), S-18-2422-21-SC01
12 against StormX, Inc. and StormX Global SEZC, Inc. f/k/a Cake Codes Global SEZC, Inc. Pursuant to the
13 Securities Act of Washington, RCW 21.20, the Securities Division, StormX, Inc. and StormX Global SEZC,
14 Inc. f/k/a Cake Codes Global SEZC, Inc. hereby enter into this Consent Order in settlement of the matters set
15 forth in the Statement of Charges and as alleged below. StormX, Inc. and StormX Global SEZC, Inc. f/k/a
16 Cake Codes Global SEZC, Inc. each neither admit nor deny the Findings of Fact and Conclusions of Law as
17 stated below.

18 **FINDINGS OF FACT**

19 **Respondents**

20 1. StormX, Inc. (“StormX”) is a Delaware corporation incorporated in July 2016. During the
21 period relevant to this Consent Order, StormX maintained a principal place of business in Seattle.
22
23

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 2. StormX Global SEZC, Inc. f/k/a Cake Codes Global SEZC, Inc. (“Cake Codes”) is a
2 corporation incorporated in the Cayman Islands in 2017. Cake Codes is a subsidiary of StormX.
3

4 **Nature of the Offering**

5 3. StormX’s main application (“app”) was originally called Bitmaker, and it allowed users to earn
6 Bitcoin by watching brief videos or advertisements concerning certain StormX business partners. Bitmaker
7 later became a platform called Storm Play on which users could receive Bitcoin by sampling other apps,
8 trying new services, playing new games, and taking surveys. In 2017, increased transaction fees and
9 congestion on the Bitcoin and Ethereum networks led StormX and Cake Codes to create the cryptocurrency
10 called Storm Tokens as a means to pay StormX’s users. In 2020, StormX developed Storm Shop. Storm
11 Shop pays users who shop at stores that have compensated StormX to appear on its app.

12 4. From approximately November 7, 2017 to December 7, 2017, StormX and Cake Codes`
13 conducted a “crowdsale” that was, in effect, open to the general public. Investors purchased tokens issued
14 by Cake Codes, however, StormX actively participated in the crowdsale by, among other things, answering
15 potential investors’ questions about the crowdsale. StormX also published content publicizing and promoting
16 the crowdsale on its blog. During the crowdsale, StormX and Cake Codes sold \$32 million worth of Storm
17 Tokens to 11,757 purchasers, including at least forty-seven Washington residents. StormX planned to use
18 the crowdsale’s proceeds to complete the StormX platform, which it called Storm Market during the period
19 prior to the crowdsale. During this offering, investors purchased their Storm Tokens with cryptocurrency,
20 either Ether or QTUM. StormX and Cake Codes did not restrict this offering to accredited investors. In fact,
21 in a blog post dated October 6, 2017, StormX stated that it was “of the utmost importance to sell Storm
22 Tokens to as many individuals as possible.” Instead of restricting the crowdsale to accredited investors,
23 StormX and Cake Codes required purchasers to certify that they were not residents of certain jurisdictions.

1 Since the conclusion of the crowdsale, neither StormX nor Cake Codes have issued additional Storm Tokens
2 to the public, forcing prospective purchasers to buy Storm Tokens through cryptocurrency exchanges.

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

4 5. StormX promoted Storm Tokens as if they were investments prior to the crowdsale. For
5 example, in the months preceding the crowdsale, StormX publicized on its website at the time,
6 stormtoken.com, the Storm Token’s prospects as an investment rather than its value as a utility coin to be
7 used on StormX’s app. For example, in September 2017, StormX boasted about its appearances on several
8 websites that cover the cryptocurrency community, including Coin Agenda, Coin Telegraph, and
9 Cryptotraders.¹ Moreover, in October 2017, StormX’s blog, blog.stormtoken.com, featured an item about a
10 newly-formed partnership with Bancor which would render Storm Tokens the second “smart token” in the
11 “Bancor Network.”² This partnership allowed token holders to convert Storm Tokens into ETH and other
12 cryptocurrencies on the Bancor platform.

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

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. Coin Telegraph 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 7. StormX continued to promote the Storm Token's value as an investment on its blog after the
2 crowdsale. In January 2018, StormX promoted the Storm Token's listing on Coinnest, a South Korean
3 cryptocurrency exchange that closed in April 2019. In March 2018, StormX included its listing on
4 cryptocurrency exchanges Binance and Upbit. In May 2018, StormX promoted the Storm Token's inclusion
5 on Bittrex, a Seattle-based cryptocurrency exchange.

6 8. StormX also intended to rely on the Storm Token's value as an investment by dedicating a
7 comparatively small amount of its reserve of Storm Tokens to compensate the StormX app's users for
8 completing microtasks. Prior to the crowdsale, only ten percent of the outstanding Storm Tokens were
9 explicitly allocated to use as a utility coin. StormX also anticipated paying debts, and marketing and
10 promotional expenses with that ten percent.

11 **Registration Status**

12 9. StormX, Inc. and StormX Global SEZC, Inc. f/k/a Cake Codes Global SEZC, Inc. are not
13 registered to sell their securities in the State of Washington, and have not previously been so registered.

14 **CONCLUSIONS OF LAW**

15 Based on the above Findings of Fact, the following Conclusions of Law are made:

16 1. The offer and/or sale of Storm Tokens between approximately November 7, 2017 to December
17 7, 2017 described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(14) and
18 (17).

19 2. StormX, Inc. and StormX Global SEZC, Inc. f/k/a Cake Codes Global SEZC, Inc. have each
20 violated RCW 21.20.140, because, as set forth in the Findings of Fact, StormX, Inc. and StormX Global
21 SEZC, Inc. f/k/a Cake Codes Global SEZC, Inc. offered and/or sold securities for which no registration is on
22 file with the Securities Administrator.

1 **CONSENT ORDER**

2 Based upon the foregoing, and finding it in the public interest:

3 IT IS AGREED AND ORDERED that Respondents StormX, Inc. and StormX Global SEZC, Inc.
4 f/k/a Cake Codes Global SEZC, Inc., and their agents and employees, shall each cease and desist from
5 offering and/or selling securities in any manner in violation of RCW 21.20.140, the securities registration
6 section of the Securities Act of Washington.

7 IT IS AGREED AND ORDERED that Respondent StormX, Inc. shall be liable for and shall pay a
8 fine in the amount of \$50,000 prior to entry of this Consent Order.

9 IT IS AGREED AND ORDERED that Respondent StormX Global SEZC, Inc. f/k/a Cake Codes
10 Global SEZC, Inc. shall be liable for, and shall pay, a fine in the amount of \$50,000 prior to entry of this
11 Consent Order.

12 IT IS AGREED AND ORDERED that Respondents StormX, Inc. and StormX Global SEZC, Inc.
13 f/k/a Cake Codes Global SEZC, Inc. shall be jointly and severally liable for and shall pay costs in the amount
14 of \$10,000 prior to entry of this Consent Order.

15 IT IS AGREED that this Consent Order, and its Findings of Fact and Conclusions of Law, applies
16 only to the offer and sale of Storm Tokens that occurred between approximately November 7, 2017 to
17 December 7, 2017 (the "Period"), and the conduct that occurred before and after the offer and sale as
18 described in this Consent Order. The Storm Tokens that were sold during the Period have been retired, and
19 are no longer in use. This Consent Order does not relate to STMX, the successor token to Storm Tokens.

20 IT IS AGREED that Respondents StormX, Inc. and StormX Global SEZC, Inc. f/k/a Cake Codes
21 Global SEZC, Inc. enter into this Consent Order freely and voluntarily, and with a full understanding of its
22 terms and significance.

23 IT IS AGREED that the Securities Division has jurisdiction to enter this order.

1 IT IS AGREED that, in consideration of the foregoing, Respondents StormX, Inc. and StormX Global
2 SEZC, Inc. f/k/a Cake Codes Global SEZC, Inc. each waive its right to a hearing and to judicial review of
3 this matter pursuant to Chapter 34.05 RCW.

4 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

5
6 Signed this 8th day of August 2023.

7
8 Signed by:

9 s/Simon Yu

10 StormX, Inc.

11 Name: Simon Yu

12 Title: CEO

13 Signed by:

14 s/Simon Yu

15 StormX Global SEZC, Inc. f/k/a Cake Codes Global SEZC, Inc.

16 Name: Simon Yu

17 Title: CEO

18
19 SIGNED and ENTERED this 23rd day of August, 2023.

