

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10715 / September 30, 2019**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-19569**

**In the Matter of**  
  
**Nebulous, Inc.,**  
  
**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against Nebulous, Inc. (“Respondent”)

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant To Section 8A of the Securities Act, Making Findings, And Imposing A Cease-And-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

#### **Summary**

Nebulous is a Massachusetts-based business that describes itself as a designer and developer of decentralized cloud data storage technology. During 2014 and 2015, Nebulous offered and sold securities that were required to be registered with the Commission pursuant to Section 5 of the Securities Act. Nebulous violated Sections 5(a) and 5(c) of the Securities Act by offering and selling these securities without a registration statement filed or in effect with the Commission and without qualifying for exemption from registration.

#### **Respondent**

Nebulous, Inc., a Delaware corporation based in Boston, Massachusetts, was founded in 2014 and is privately owned. Nebulous describes itself as a company that designs and develops decentralized cloud data storage technology and associated hardware and that developed the "Sia" network, a peer-to-peer file storage network that allows users to rent excess hard drive capacity from network participants.

#### **Facts**

1. On May 11, 2014, Nebulous publicly announced it planned to conduct an offering of what it called "Siastock." Nebulous announced that holders of Siastock were entitled to a percentage of future revenue generated from transactions on the Sia network and user application Nebulous represented it was then developing. Nebulous stated that, "Owning Siastock gives you a guaranteed income proportional to the value of storage being rented from the Sia network."

2. On May 13, 2014, Nebulous began publicly offering and selling what it called "SiaNotes," which it described as instruments that were convertible into Siastock once Nebulous launched the Sia network and user application. Nebulous explained that, "Sianotes represent a promise of future payments." Nebulous offered 1,500 SiaNotes, which represented 15% of the outstanding 10,000 SiaNotes. Nebulous intended to hold the remaining 8,500 SiaNotes and later convert them into Siastock. Once converted, Nebulous intended to sell more Siastock to raise money to pay for additional developers, security audits, marketing, and other operational costs to expand its business.

3. On or about May 15, 2014, Nebulous closed its offering of SiaNotes. It sold approximately 1,250 SiaNotes at an average price per note of \$96. In total, Nebulous raised approximately \$120,000.

4. SiaNotes and, as contemplated, Siastock were securities.

5. Before offering Siastock, and before offering and selling SiaNotes, Nebulous did not file a registration statement with the Commission for Siastock or SiaNotes.

6. Nebulous never determined the identities of the purchasers of the SiaNotes it sold, nor did it ever seek to verify whether the purchasers were accredited investors. Nebulous never took any steps to restrict transfers of the SiaNotes and took no steps to assure that the purchasers of the SiaNotes were not underwriters. Nebulous knew that certain persons that purchased SiaNotes from it subsequently were trading the SiaNotes. Nebulous directed potential investors who missed Nebulous' offering to buy SiaNotes from purchasers who were re-selling the SiaNotes.

7. In November 2014, Nebulous changed the name of its Siastock to "Siafunds." Consequently, Nebulous publicly announced at the time that upon the launch of its platform, SiaNotes would convert into "Siafunds" rather than to "Siastock."

8. On April 20, 2015, Nebulous publicly announced it intended to launch its data storage platform on June 1, 2015. In anticipation of the launch, Nebulous announced it would exchange SiaNotes with Siafunds. Nebulous publicly offered to exchange one Siafund for each SiaNote. Nebulous stated that "Siafunds are only good for providing income, and are an investment asset." Nebulous did not intend Siastock, SiaNotes, or Siafunds to be mediums of exchange on the Sia network.

9. By June 3, 2015, Nebulous exchanged approximately 1,189 SiaNotes, held by approximately 46 investors, for Siafunds. Nebulous did not exchange 61 SiaNotes because it did not know who owned them.

10. Siafunds were securities.

11. Before offering and exchanging Siafunds for SiaNotes, Nebulous did not file a registration statement with the Commission.

12. As described above, in 2014 and 2015, Nebulous offered and sold securities to the general public, including investors in the United States. No registration statements were filed or in effect for the SiaNotes and Siafunds offers and sales, and the offerings did not qualify for any exemption from registration.

13. As a result of the conduct described above, Nebulous violated Section 5(a) of the Securities Act, which states that unless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; or to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

14. Also as a result of the conduct described above, Nebulous violated Section 5(c) of the Securities Act, which states that it shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed as to such security.

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Nebulous' Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent Nebulous cease and desist from committing or causing any violations and any future violations of Section 5(a) and (c) of the Securities Act.

B. Nebulous shall, within 15 days of the entry of this Order, pay disgorgement of \$120,000, prejudgment interest of \$24,601.85, and a civil money penalty in the amount of \$80,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and if timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Nebulous as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to John Dugan, Associate Regional Director (Enforcement), Securities and Exchange Commission, 33 Arch St., 24<sup>th</sup> Fl., Boston, MA 02110, or such other person or address as the Commission staff may provide.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman  
Secretary