

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  
Securities Act of Washington by:

Order No.: S-20-3010-21-CO01

CONSENT ORDER

5 VBit Technologies Inc.

6 Respondent

7  
8 **INTRODUCTION**

9 Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department  
10 of Financial Institutions (“Securities Division”), and Respondent VBit Technologies Inc. do hereby enter into  
11 this Consent Order in settlement of the matters alleged herein. Respondent VBit Technologies Inc. neither  
12 admits nor denies the Findings of Fact and Conclusions of Law as stated below.

13 **FINDINGS OF FACT**

14 **Respondent**

15 1. VBit Technologies Corp. (“VBit”) is a Delaware entity formed on July 24, 2018, with its  
16 principal place of business in Philadelphia, Pennsylvania. VBit’s business is selling Bitcoin mining hardware  
17 and associated services, using a multi-level marketing structure.

18 **Nature of the Conduct**

19 **Overview**

20 2. From approximately August 2019 to October 2020, VBit offered and sold approximately  
21 \$156,000 of Bitcoin mining packages to approximately 82 Washington residents. These mining packages,  
22 which combined mining hardware with VBit-provided services, purportedly enabled purchasers to earn  
23 Bitcoin with little or no effort on their part.

CONSENT ORDER

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

1 **Background**

2 3. "Bitcoin mining" refers to the use of the miner's computer (either their personal computer or,  
3 more commonly, a computer dedicated specifically to mining) to aid in the processing of Bitcoin transactions.  
4 Bitcoin transactions are organized by "blocks," which together form the "blockchain," a public ledger of all  
5 transactions using Bitcoin. The first Bitcoin miner to complete a given block is rewarded with a number of  
6 Bitcoin (currently 6.25). Because Bitcoin is extremely valuable and only the miner who completes a block  
7 receives Bitcoin, mining is extremely competitive, and many Bitcoin miners purchase specialized hardware  
8 to mine more quickly and efficiently. Bitcoin miners also commonly join public "mining pools," which  
9 combine multiple users' computing power and distribute any Bitcoin rewards to users of the pool in proportion  
10 to their contribution of mining power.

11 **VBit's Mining Packages**

12 4. VBit offers packages with two primary components: (a) hardware, in the form of "hashboards"  
13 specialized for Bitcoin mining, and (b) accompanying services which enable the purchaser to mine Bitcoin  
14 with little to no effort on the purchaser's part. On its website, VBit has advertised to potential purchasers of  
15 its services that "[y]ou don't need to do anything regarding the setup or maintenance of your hardware. We  
16 take care of logistics, installing and updating software, providing affordable electricity, and keeping your  
17 equipment cool and in working order." Generally, the mining hardware and service packages are linked;  
18 although VBit offers the hardware on its own, most purchasers buy the hardware together with VBit's hosting  
19 services.

20 5. VBit further promotes its mining packages by explaining that purchasers do not need Bitcoin  
21 mining experience or expertise. In particular, VBit's website has claimed that its "service makes mining  
22 Bitcoin accessible to everyone," and that purchasers do not need "to buy expensive equipment and waste  
23 [their] time on setting it up." VBit has further advertised that mining package purchasers can mine more cost-

1 effectively because VBit “operate[s] some of the largest and most efficient mining facilities in the world, with  
2 unprecedented access to clean, cheap power and expert staff.”

3 6. VBit sells its mining packages partly using a multi-level marketing structure, under which  
4 purchasers of the mining packages can act as salespersons, recruit other salespersons, and earn commissions  
5 based on their sales and the sales of their recruits. VBit does not provide training to its salespersons on how  
6 to advertise or explain the mining packages, or on how to avoid misrepresenting the packages to potential  
7 customers. Many of VBit’s salespersons in Washington had minimal experience with Bitcoin mining or  
8 cryptocurrency more broadly, and sold the packages primarily to other, similarly inexperienced persons by  
9 advertising the ease of using VBit’s mining packages and the potential for substantial passive returns.

#### 10 **Registration Status**

11 7. VBit is not and has never been registered to sell securities in the State of Washington, nor has it  
12 filed a claim of exemption from registration.

13 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

#### 14 **CONCLUSIONS OF LAW**

15 1. The offer and/or sale of the combined Bitcoin mining hardware and service packages, as  
16 described above, constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

17 2. VBit Technologies Inc. has violated RCW 21.20.140, because, as set forth in the Tentative  
18 Findings of Fact, it offered and/or sold securities for which no registration is on file with the Securities  
19 Administrator.

20 Based upon the foregoing and finding it in the public interest:  
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1 **CONSENT ORDER**

2 IT IS AGREED AND ORDERED that Respondent VBit Technologies Inc., and its agents and  
3 employees, each shall cease and desist from violating RCW 21.20.140, the securities registration section of  
4 the Securities Act of Washington.

5 IT IS FURTHER AGREED AND ORDERED that Respondent VBit Technologies Inc. shall be liable  
6 for and shall pay a fine of \$10,000 on or before the entry of this Consent Order. Payment of the fine shall be  
7 deferred until all Washington resident VBit mining package purchasers have been repaid in full.

8 IT IS FURTHER AGREED AND ORDERED that Respondent VBit Technologies Inc. shall be liable  
9 for and shall pay investigative costs of \$5,000 on or before entry of this Consent Order. Payment of the  
10 investigative costs shall be deferred until all Washington resident VBit mining package purchasers have been  
11 repaid in full.

12 IT IS FURTHER AGREED AND ORDERED that for the \$156,000 of Bitcoin mining packages sold  
13 to approximately 82 Washington residents as described above, VBit Technologies Inc. shall refund each  
14 Washington resident the original price of their mining package, less the value of any Bitcoin mined using their  
15 package (calculated as of the date of entry of this order), in exchange for the mining package purchaser's  
16 release of any ownership rights to their mining hardware. The refund shall be made in the currency originally  
17 used to purchase the package. For any package purchaser who elects not to release such ownership rights,  
18 VBit shall send the mining hardware to the purchaser, and shall release the purchaser from any unpaid hosting  
19 fees. VBit shall notify the Washington residents of this refund within five business days of the entry of this  
20 order, and shall issue refunds or send the mining hardware to the purchasers within 90 days of the entry of  
21 this order. After completion of the refund process, VBit shall provide the Securities Division with a summary  
22 of refunds made to Washington purchasers not less than 120 days from the date of entry of this order.

23 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

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IT IS FURTHER AGREED that Respondent VBit Technologies Inc. enters into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

IT IS FURTHER AGREED that in consideration of the foregoing, Respondent VBit Technologies Inc. waives its right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

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

1 Signed this 18th day of June, 2022.

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3 Signed by:

4 VBit Technologies, Inc.

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6 \_\_\_\_\_ /s

Lillian Zhou  
CEO

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8 SIGNED and ENTERED this 12th day of July, 2022.

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William M. Beatty  
Securities Administrator

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14 Approved by:

Presented by:

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Brian J. Guerard  
Chief of Enforcement

Adam N. Yeaton  
Financial Legal Examiner

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18 Reviewed by:

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Holly Mack-Kretzler  
Financial Legal Examiner Supervisor

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