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*Counsel for the Commissioner of Securities and Insurance*

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE,  
OFFICE OF THE MONTANA STATE AUDITOR**

IN THE MATTER OF

VBIT TECHNOLOGIES CORP, a  
Delaware Corporation (a.b.n  
ADVANCED MINING); ADVANCED  
MINING GROUP; VBIT MINING, LLC,  
a Delaware Limited Liability Corporation;  
VBIT DC CORP, a Delaware Corporation,  
Danh “Don” Cong Vo;

Respondents.

Case No. SEC-2023-00018B

**NOTICE OF PROPOSED  
AGENCY ACTION AND  
OPPORTUNITY FOR HEARING**

TO: Advanced Mining Group  
VBit Technologies Corp a/b/n Advanced Mining  
VBit Mining LLC  
VBit DC Corp  
Danh “Don” Cong Vo  
c/o Legalinc Corporate Services Inc., Registered Agent  
651 N. Broad St., Suite 201  
Middletown, Delaware 19709

Advanced Mining Group  
VBit Technologies Corp a/b/n Advanced Mining  
VBit Mining LLC  
VBit DC Corp

Danh “Don” Cong Vo  
c/o Legalinc Corporate Services Inc.  
131 Continental Drive Suite 305  
Newark, DE 19713

The Commissioner of Securities and Insurance, Office of the Montana State Auditor (CSI or Commissioner), has cause to believe that VBit Technologies Corp a/b/n Advanced Mining, Advanced Mining Group, VBit Mining LLC, and VBit DC Corp (collectively referred to as Respondents) have violated the Securities Act of Montana, § 30-10-101, *et seq.*, MCA. The Commissioner proposes to order Respondents to permanently cease and desist from offering or selling unregistered securities, engaging in fraudulent and other prohibited practices, and operating their unregistered multilevel marketing company in Montana. The Commissioner has the authority to undertake this action pursuant to the Securities Act of Montana, including § 30-10-101, *et seq.*, MCA.

Currently, VBit is prohibited from doing business in Montana pursuant to the Commissioner’s Cease and Desist Order, which became final and permanent on September 25, 2023. The issuance of this NOPAA does not rescind, alter, or in any manner affect this Order.

Acceptance of the proposed actions will resolve this matter and it will be deemed a Final Agency Action based on the facts and law set out below. If Respondents choose not to accept the proposed actions, an administrative hearing must be requested; that request must be in writing and received by the Commissioner **within 15 days** of the date this Notice, as described in the Statement of Rights below. Failure to timely request a hearing can result in entry of a default order as stated in the Possibility of Default section below.

### **FACTUAL ALLEGATIONS**

#### **Respondents**

1. Respondent VBit Technologies Corp (“VBit Technologies”), is a general corporation organized under the laws of the state of Delaware, with its principal place of business located at 1625 Washington Avenue, Philadelphia, Pennsylvania. VBit

Technologies has never registered any business activity with the Montana Secretary of State or CSI. VBit Technologies' assumed business name is "Advanced Mining."

2. Respondent Advanced Mining Group has been identified as an "Asian-based" foreign entity and identified in a corporate disclosure filed by VBit Technologies in September 2022 as VBit Technologies' parent company.

3. Respondent VBit Mining LLC ("VBit Mining") is a limited liability company organized under the laws of the state of Delaware, with its principal place of business located at 1625 Washington Avenue, Philadelphia, Pennsylvania. VBit Mining LLC is a subsidiary of VBit Technologies. VBit Mining LLC has never registered with the Montana Secretary of State or CSI.

4. Respondent VBit DC Corp ("VBit DC") is a general corporation organized under the laws of Delaware, with its principal place of business reported as 1625 Washington Avenue, Philadelphia, Pennsylvania. Montana Property Record Cards as reported on Cadastral list VBit DC Corp's address as 919 N. Front St., Apt. F, Philadelphia, PA 19123-1715. A news article based on a press release from "VBit Technologies" identified VBit DC as a subsidiary of VBit Technologies. VBit DC has never registered with the Montana Secretary of State or CSI.

5. Unless otherwise designated by their specific names, VBit Technologies Corp a/b/n Advanced Mining, VBit Mining LLC, and VBit DC will be collectively referred to herein as "VBit."

6. Danh "Don" Cong Vo (Vo) co-founded VBit Technologies in 2018 and served as the Chief Executive Officer from its founding through January 2022. As discussed in more detail below, Vo is also identified on SEC filings as the CEO and founder of VBit DC. UCC filings with the Montana Secretary of State list Vo's address as 919 N. Front St., Apt. F, Philadelphia, PA.

#### **Nature of the Business**

7. "Bitcoin mining" refers to the use of a person's computer (either their personal computer or, more commonly, a computer dedicated specifically to mining) to aid

in the processing of Bitcoin transactions. Bitcoin transactions are organized by “blocks,” which together form the “blockchain,” a public ledger of all transactions using Bitcoin. The first Bitcoin miner to complete a given block is rewarded with a number of Bitcoin. Many Bitcoin miners purchase specialized hardware to mine more quickly and efficiently. Bitcoin miners also commonly join public “mining pools,” which combine multiple users’ computing power and distribute any Bitcoin rewards to users of the pool in proportion to their contribution of mining power.

8. Vo founded VBit Technologies in 2018 with the intent to rent and sell Bitcoin mining equipment and “hosting” services to customers. VBit offered packages with two primary components: (a) computer hardware, or “hashboards” specialized for Bitcoin mining, and (b) accompanying services, called “hosting” services, which enable the customer to mine Bitcoin with little to no effort on the customer’s part. VBit advertised these hosting services as “[y]ou don’t need to do anything regarding the setup or maintenance of your hardware. We take care of logistics, installing and updating software, providing affordable electricity, and keeping your equipment cool and in working order.”

9. VBit posted YouTube videos about the structure of the company starring Vo. *See e.g.* VBit Tech Team PH – Training with CEO Danh Vo, <https://www.youtube.com/watch?v=biF65sUW4Ug> (last visited on Jan. 31, 2023).

10. VBit sold its mining packages partly using a multilevel marketing framework through which purchasers of the mining packages can act as salespersons, recruit other salespersons, and allegedly earn commissions based on their sales and the sales of their recruits. VBit referred to its customer recruiters as “affiliates.”

11. VBit employees posted videos on YouTube about how to recruit affiliates to increase the hardware and computing power available to customers. *See e.g.* VBIT Tech Team PH – Compensation Plan, [https://www.youtube.com/watch?v=BPPCT\\_KkjUs](https://www.youtube.com/watch?v=BPPCT_KkjUs) (last visited Jan. 26, 2023).

12. The video provides that when VBit affiliates recruited new VBit customers “under them,” the recruiting affiliate received a referral commission in cash or Bitcoin and

could receive a “boosted hashrate” on their own machines, which would purportedly increase mining power.

13. Affiliates were also told they would earn cash commissions based on the price the recruited customer paid for a mining package. VBit customers that sold mining packages to their own contacts were told they would receive a cash commission of 6% from sales to their direct recruits and commissions ranging from .75%-4.5% for sales made by recruits further down the chain.

14. Just like the cash bonuses, customers could also receive hashrate bonuses not only from personally-recruited customers, but also from customers up to “seven levels” down the chain of recruitment.

15. VBit also offered an incentive program called the “Infinity Team,” which provided recruitment incentives based on a customer’s total sales volume from all customers they recruited or that were recruited under the affiliate. Incentives were in the form of cash or Bitcoin to be used on shopping sprees, as well as luxury vacations, BMW sports cars, and new houses worth up to \$1 million.

16. CSI has no records that VBit filed the notice and consent to service forms required of multilevel marketing companies operating in Montana.

17. To attract customers, VBit advertised on its website “Start mining Bitcoin in as little as 24hrs! It’s super simple, your mining equipment is maintained by VBit and hassle-free to you! So you don’t have to worry nothing [sic]. Just set it and forget it! Learn more . . . About VBit Tech? DON’T MISS OUT THE [sic] BITCOIN REVOLUTION. YOU NEVER KNOW WHAT THE FUTURE MIGHT HODL [sic]!”

18. VBit also promoted its mining packages to individuals with little mining experience or expertise. VBit’s website has claimed that its “service makes mining Bitcoin accessible to everyone,” and that purchasers do not need “to buy expensive equipment and waste [their] time on setting it up.”

19. VBit advertised on its website that the equipment it sold or leased was “cutting-edge equipment that will enable efficient, high [rate of interest] Bitcoin mining operations.”

20. VBit purportedly deposited its customers’ Bitcoin earnings into a so-called “virtual wallet.” Customer testimonials posted on VBit’s website touted “no hassle” Bitcoin withdrawal and stated that customers could access their Bitcoins when they want, anytime they want.

21. Advanced Mining (the assumed business name of VBit Technologies) marketing and advertising touted that it “operate[s] some of the largest and most efficient mining facilities in the world, with unprecedented access to clean, cheap power and expert staff.”

#### **VBit’s Offer and Sale of Securities**

22. Relying on these advertising and marketing pitches, K.D., a Montana resident entered into agreements with VBit for Bitcoin mining. CSI received a complaint from this resident as described below, and the investigation of the complaint was assigned to Securities Examiner Patrick Murphy. The facts alleged herein are based on his and other CSI employees’ investigation into this matter.

23. On September 7, 2021, K.D. entered into a “Purchase and Hosting Agreement Contract” (“Agreement”) with “VBit Mining LLC,” described in the Agreement as the “Service Provider.” K.D. opted for VBit’s “Diamond” package, which consisted of leasing “dedicated Antminer S19 series computer server hashboards with an average of 300,000 GH/s computer computational power, hereafter known as Equipment.”

24. K.D. agreed to pay \$27,120 up front, with monthly payments of \$1,130 (plus a \$20 administrative fee), for 24 months. In exchange for these payments, K.D. “purchased” three mining machines and hosting services for two years.

25. In the Agreement, VBit represented that it would be utilizing individualized mining equipment for the benefit of its customers, including K.D., as follows:

The first monthly payment will be due on the first of the month 30 days after the first day *your equipment is installed and actively running* . . . .

\* \* \*

## 1. Service

1.1. Facility. Service Provider will provide server hosting facility, electrical power, and Internet access to Customer at Service Provider's and partner facilities (the "Facility") for the purposes of **installing, maintaining, and operating Customer's leased or owned servers** and ASIC chips (the "Equipment"), which may be updated from time to time to add or delete Equipment with written notification to the Customer.

(Emphasis added.)

26. The Agreement provided its customers, including K.D., the option to buy out the Equipment "at any time by submitting a written request of buyout execution and shipment of said equipment. Upon such request Customer shall pay the shipping and handling fee described in section 2.2 of this agreement in additional [sic] to a \$1.00 USD buyout and the balance of all payments described above."

27. Even though the Agreement stated the equipment was individualized for K.D.'s use and benefit, it limited access to the equipment by providing that "[o]nly those persons specifically authorized by Service Provider may access the Facility" where the equipment was located. The Agreement also prohibited K.D. from removing "any of the Equipment from the facility without the prior written authorization of Service Provider."

28. The Agreement provided that K.D. and VBit's other customers "can allocate the Equipment's computational power to their desired pool with written notification to [VBit]." However, if VBit's customers, including K.D. did "not provide a desired pool prior to installation of Equipment, [VBit] will allocate the Equipment's computational power to any pool of its choice on behalf of Customer." Customers like K.D. were required to request a change in the allocation 72 hours prior to the desired change.

29. For her monthly payments, K.D. selected the "Monthly Invoice for Bitcoin (BTC)/Cryptocurrency Payment." With this option, VBit's invoice is "sent to email

address on file and must be paid through Customer's corresponding QABU account." A QABU account is a Bitcoin wallet, referred to as a "virtual wallet."<sup>1</sup> In an article identifying VBit Technologies as the source, the QABU wallet was described as a "custodial wallet designed to provide safe asset and mining management and decentralized apps for miners worldwide."

30. The only "withdrawals" from K.D.'s digital wallet were directly paid to VBit for hosting services.

31. For customers like K.D., who leased rather than owned their mining machines, there was no legitimate opportunity to exercise control over the Equipment's performance, and subsequently, the success or failure of their investments. Customers like K.D. relied on the entrepreneurial and managerial efforts of Respondents to realize their expected profits because their computing power was pooled together and controlled by Respondents.

#### **Advanced Mining Group's "Buy Out" and Washington Securities Action**

32. In January 2022, VBit Technologies announced it had been acquired by Advanced Mining Group for \$105 million. In the press release announcing the buyout, in which VBit Technologies is identified as the "source," Advanced Mining Group is touted as a company that has been "thriving in the crypto mining sector since 2015 and operating 12 data centers dedicated to bitcoin mining in Europe and Asia." Vo stated in the announcement that Advanced Mining Group had "extensive expertise in the field."

33. There is no evidence that Advanced Mining Group is registered to do business in any jurisdiction in the United States.

34. On or about June 18, 2022, six months after Advanced Mining Group "bought out" VBit, the Securities Division for the State of Washington entered into a Consent Order with VBit Technologies.

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<sup>1</sup>See <https://www.codezeros.com/work/qabu>. A YouTube video showing how the QABU wallet was used by VBit is found at <https://www.youtube.com/watch?v=Qp3vn134tAg> and [https://www.youtube.com/watch?v=m2zd6fi\\_o04](https://www.youtube.com/watch?v=m2zd6fi_o04) (last accessed on Jan. 31, 2023).



35. In the Consent Order, VBit Technologies admitted its Bitcoin mining hardware and service packages are “securities,” and that its business practices violated the securities laws of the State of Washington because the securities were not registered.

36. On June 29, 2022, K.D. received an email from VBit, stating that “Advanced Mining . . . can no longer service the United States market.” The email stated that Advanced Mining had “worked diligently with multiple law firms to ensure that our products and services are not unregistered securities. However, the United States Securities and Exchange Commission (US SEC) and Washington State SEC disagree; therefore, Advanced Mining must take measures to abide by US SEC (and WA SEC) and applicable laws.” The email promised investors that VBit would be processing withdrawal requests. VBit said in the email that United States customers like K.D. could relinquish their hardware ownership to receive a full refund of all monies paid minus any commissions and mined Bitcoins.

37. On August 30, 2022, K.D. emailed VBit and requested a status of her refund in light of the correspondence related to VBit’s inability to run mining operations in the U.S. Someone from VBit’s support team emailed her back and told her that VBit would be contacting K.D. in the coming weeks when it was time for her refund to transfer over.

38. K.D. never recovered her initial investment, nor was she ever able to withdraw the Bitcoins that her machines purportedly mined. K.D.’s total out of pocket loss is the initial payment of \$27,120, which does not include any value consideration for the Bitcoin her machines purportedly mined or deposited into her digital wallet.

#### **VBit’s Montana Mining Facility**

39. In a February 2021 article that identifies VBit Technologies as the source announced:

VBit Technologies . . . expands its mining business in Montana. Known as the “Known Technology Frontier”, Montana provides access to cheap electricity along with cooler conditions making it an ideal place to turn disused manufacturing plants into server farms into Bitcoin mining. . . .

Montana with its cheap and extensive quantities of hydroelectric power and large empty facilities that have their own power substations and is a great location for expansion into Bitcoin mining. VBit will deploy its new mining hardware in a data center that is 100% powered by hydroelectricity.

Vo is quoted as touting the environmental benefits of the energy source and stating that “VBit” was exploring liquid immersion colling technology. The article concludes with the statement that “VBit Technologies has a brand called VBit Mining that provides Bitcoin mining services to thousands of people worldwide and is on its way to becoming one of the largest Bitcoin mining operations in the world.”

40. On January 13, 2023, the Daily Inter Lake reported that one of VBit’s data centers was located in Columbia Falls, Montana. A VBit customer confirmed this to CSI and provided the address of the facility (hereinafter referred to as “the Property”).

41. CSI confirmed with the Flathead County Treasurer’s Office that the owner of the Property at the address provided by the customer is VBit DC. A TLO report identifies VBit DC Corp as the owner of the Property, and that the date of sale was March 17, 2021. Montana Cadastral website also lists VBit DC Corp as the current owner of the Property.

42. CSI obtained documents related to the real estate transaction related to VBit DC’s purchase of the Property. This includes a warranty deed dated March 17, 2021, conveying the Property from Columbia Mountain Holdings LLC to VBit DC. The Final Settlement Statement from the transaction dated March 18, 2021, is signed by Vo as the President of VBit DC.

43. CSI learned through online news articles that VBit Technologies uses VBit DC to raise funds for the construction of VBit’s mining centers. VBit then markets these facilities as decreasing operating costs and increasing efficiency which, in turn, increases returns on investment for investors.

#### **ASSERTIONS OF LAW**

44. The Commissioner has jurisdiction over this matter pursuant to § 30-10-101, *et seq.*, MCA.

45. A “person” means, among other things, an individual, corporation, partnership, or association. Section 30-10-103(17), MCA.

46. A “security” includes, among other things, any “investment contract.” Section 30-10-103(24), MCA.

47. An investment contract is “an investment in a common venture premised on a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others.” *Redding v. Mont. First Judicial Dist. Court*, 2012 MT 144A, ¶ 25, 365 Mont. 316, 281 P.3d 189 (citing *State v. Duncan*, 181 Mont. 382, 593 P.2d 1026, 1033 (1979) (adopting standard set forth in *United Housing Foundation, Inc. v. Forman*, 421 U.S. 837, 95 S.Ct. 2051 (1975))).

48. Respondents’ Agreement with K.D. was an investment contract because of the following:

- a. Investment – K.D. paid Respondents money upon signing the contract.
- b. Common venture – K.D.’s investment was not for individualized use of the equipment as advertised but pooled with other customers who were also making payments for fractions on mining equipment. In addition, K.D. was dependent on Respondents’ expertise and efforts for the returns.
- c. Reasonable expectation of profit - Respondents promised a rate of return to K.D.
- d. Derived from the entrepreneurial or managerial efforts of others - The rate of return was dependent on Respondents management of the machines and pooling of the computing power.

49. Because the Agreement is an investment contract under *Redding* and *Duncan*, it is a security.

50. Moreover, Respondents stipulated that the combined Bitcoin mining hardware and service packages were securities in the Consent Order with the Washington Securities Division.

51. It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, in, into, or from Montana to do the following:

- a. employ any device, scheme, or artifice to defraud;
- b. make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or,
- c. engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person.

Section 30-10-301(1), MCA.

52. Respondents violated § 30-10-301(1), MCA, by, in connection with the offer and sale of securities in Montana:

- a. employed a scheme to defraud that consisted of repeatedly making promises to investors through their marketing and promotional products they did not deliver or failed to deliver upon;
- b. misrepresented material facts related to the individualized nature of the mining operations, the level of investment returns from their hosting services and purported mining operations, and customers' control over their Bitcoins; and,
- c. engaged in conduct that operated as a fraud and deceit on VBit customer K.D. who invested at least \$27,120, relying on Respondents' misrepresentations.

53. The Commissioner may, after conducting a hearing, require a person found to have committed a violation of § 30-10-301, MCA, to make restitution for all financial losses sustained by any person as a result of the violation. The Commissioner may further require a person found to have violated § 30-10-301, MCA, to pay 10% interest on the amount of restitution from the date of the violation, reasonable attorney fees, and costs associated with bringing the administrative action. Section 30-10-309(1), MCA.

54. Restitution ordered to be paid is in addition to all other penalties imposed by law. Section 30-10-309(2), MCA.

### **PROPOSED AGENCY ACTION**

WHEREFORE, the Commissioner proposes to order the following:

1. Pursuant to § 30-10-309, MCA, require Respondents to pay restitution for all financial losses sustained by K.D. resulting from Respondents' violation of § 30-10-301, MCA, plus 10% annual interest, reasonable attorney fees and costs associated with bringing the administrative action.

### **STATEMENT OF RIGHTS**

Respondents are entitled to contest the Commissioner's proposed action by requesting an administrative hearing. To do so, **within 15 days of the date this Notice**, Respondents must submit a written hearing request to CSI at 840 Helena Avenue, Helena, MT 59601 or [CSI.LegalService@mt.gov](mailto:CSI.LegalService@mt.gov). A hearing request may, but does not have to, include a response to the allegations set forth above. If a hearing is requested, Respondents will be provided notice of the time, place, and nature of the hearing. Respondents will be entitled to attend this hearing and respond and present evidence and arguments on all issues involved in this action.

Respondents have the right to retain legal counsel to represent, accompany, and advise them at any and all stages of this proceeding or may also elect to represent themselves; however, a business entity may not appear on its own behalf or through an agent other than an attorney licensed to practice law. Admin. R. Mont. 1.3.231.

Administrative hearings are conducted by an impartial hearing examiner appointed by the Commissioner under the provisions of the Montana Administrative Procedures Act. Formal proceedings may be waived pursuant to § 2-4-603, MCA.

### **CONTACT WITH COMMISSIONER'S OFFICE**

If there are questions or concerns, please contact CSI at 406-444-2040 or [CSI.LegalService@mt.gov](mailto:CSI.LegalService@mt.gov). If represented by an attorney, please ensure this contact is made by the attorney.

**POSSIBILITY OF DEFAULT**

Failure to timely provide a written hearing request shall result in the entry of a default order imposing the Commissioner's proposed action, without additional notice, pursuant to Admin. R. Mont. 1.3.214.

DATED this 2nd day of August, 2024.

  
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KATE McGRATH ELLIS  
*Counsel for Commissioner of Securities & Insurance*

**CERTIFICATE OF SERVICE**

I hereby certify that on August 2, 2024, I caused a copy of the foregoing, *Notice of Proposed Agency Action*, to be served on the following persons by personal service:

Advanced Mining Group  
VBit Technologies Corp a/b/n Advanced Mining  
VBit Mining LLC  
VBit DC Corp  
Danh "Don" Cong Vo  
c/o Legalinc Corporate Services Inc., Registered Agent  
651 N. Broad St., Suite 201  
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\_\_\_\_\_  
BRANDY MORRISON  
Paralegal