

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

	)	
IN THE MATTER OF:	)	
	)	
BLUE VASE MINING	)	
	)	Docket No. E-2018-0018

**CONSENT ORDER**

**I. PRELIMINARY STATEMENT**

This Consent Order (“Order”) is entered into by the Massachusetts Securities Division (the “Division”) and Blue Vase Holdings, LLC d/b/a Blue Vase Mining (“Blue Vase Mining”) with respect to the investigation (Docket No. E-2018-0018) by the Enforcement Section of the Division (the “Enforcement Section”) uncovering violations of MASS. GEN. LAWS ch. 110A, the Massachusetts Uniform Securities Act (the “Act”), and the corresponding regulations promulgated thereunder at 950 MASS. CODE REGS. 10.00 – 14.414 (the “Regulations”).

On May 2, 2018, Blue Vase Mining submitted an Offer of Settlement (“Offer”) to the Division. Blue Vase Mining neither admits nor denies the Statement of Facts set forth in Section VI and the Violations of Law set forth in Section VII herein, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the investigation (Docket No. E-2018-0018) hereby with prejudice.

## **II. JURISDICTION AND AUTHORITY**

1. As provided for by the Act, the Division has jurisdiction over matters relating to securities. The Act authorizes the Division to regulate the offers and/or sales of securities, as well as those individuals offering and/or selling securities within the Commonwealth.
2. The Offer was made and this Order is entered in accordance with the Act. Specifically, the acts and practices investigated by the Enforcement Section took place in Massachusetts and were directed toward Massachusetts investors.

## **III. RELEVANT TIME PERIOD**

3. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 2017 to the present (the “Relevant Time Period”).

## **IV. RESPONDENT**

4. Blue Vase Mining is a Delaware limited liability company founded in 2014. Blue Vase Mining has made no filings with the Corporations Division of the Office of the Secretary of the Commonwealth.

## **V. RELATED PARTY**

5. Michael Sciucco (“Sciucco”) is a Massachusetts resident who founded Blue Vase Marketing, LLC in 2009.

## **VI. STATEMENT OF FACTS**

### **A. Sciucco and Blue Vase Mining**

5. In 2017, Sciucco began doing business as Blue Vase Mining, an entity that aimed to mine cryptocurrencies<sup>1</sup> and distribute them to potential investors.

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<sup>1</sup> A “cryptocurrency,” also known as a virtual currency, is:

6. Sciucco is the CEO and President of Blue Vase Mining.
7. The process of cryptocurrency mining<sup>2</sup> generates new cryptocurrency tokens.
8. Blue Vase Mining conducts its mining in two facilities, one in Beverly, Massachusetts, and the other outside of Chicago, Illinois.
9. Blue Vase Mining rents the space for these facilities.
10. Blue Vase Mining conducts its mining using dedicated computer hardware systems known as “rigs” within its facilities.
11. Blue Vase Mining currently operates between 30 and 40 rigs.
12. Rigs require a substantial amount of electrical power and regular maintenance to generate a profitable amount of cryptocurrency.
13. Blue Vase Mining’s employees, including Sciucco, conduct the maintenance on the rigs.

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a digital representation of value that can be digitally traded and functions as: (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status (i.e., when tendered to a creditor, is a valid and legal offer of payment) in any jurisdiction. It is not issued or guaranteed by any jurisdiction, and fulfils the above functions only by agreement within the community of users of the virtual currency. Virtual currency is distinguished from fiat currency (a.k.a. “real currency,” “real money,” or “national currency”), which is the coin and paper money of a country that is designated as its legal tender; circulates; and is customarily used and accepted as a medium of exchange in the issuing country. It is distinct from e-money, which is a digital representation of fiat currency used to electronically transfer value denominated in fiat currency.

*FATF Report, Virtual Currencies, Key Definitions and Potential AML/CFT Risks*, FINANCIAL ACTION TASK FORCE (June 2014), <http://www.fatf-gafi.org/media/fatf/documents/reports/Virtual-currency-key-definitions-and-potential-aml-cft-risks.pdf>.

<sup>2</sup> A “cryptocurrency miner” is :

an individual or entity that participates in a decentralized [sic] virtual currency network by running special software to solve complex algorithms in a distributed proof-of-work or other distributed proof system used to validate transactions in the virtual currency system. Miners may be users, if they self-generate a convertible virtual currency solely for their own purposes, e.g., to hold for investment or to use to pay an existing obligation or to purchase goods and services. Miners may also participate in a virtual currency system as exchangers, creating the virtual currency as a business in order to sell it for fiat currency or other virtual currency.

*Id.*

14. Blue Vase Mining pays for the electrical power to operate the rigs.

**B. Blue Vase Mining's Subscription Service Model**

15. Until February 2017, Blue Vase Mining offered a subscription service, wherein members of the public could pay a one-time "starter fee" and an annual "maintenance fee" in exchange for a guaranteed daily return of cryptocurrency (the "Subscription Service").

16. Blue Vase Mining offered two tiers of its Subscription Service.

17. The lower tier required a \$365 "mining allocation" and an annual maintenance fee of \$73, in exchange for a guaranteed return of \$1 per day in cryptocurrency, \$25 in free Bitcoin, and educational materials on how to make money from cryptocurrency.

18. The higher tier required a \$1,825 "mining allocation" and an annual maintenance fee of \$365 in exchange for a guaranteed return of \$6 per day in cryptocurrency, \$100 in free cryptocurrency, educational materials on how to make money from cryptocurrency, and membership in the "Blue Vase Mining Cryptocurrency Community."

19. Participation in the Subscription Service required registration and acceptance of a mining agreement.

20. The terms and conditions for the Subscription Service state "[a] [m]ining [a]greement is a proprietary right to future Bitcoins produced by our computer systems..."

21. Starting in November 2017, Sciucco began promoting Blue Vase Mining through various forms of media.

22. Sciucco created, or caused to be created, a website and social media accounts to promote the Blue Vase Mining Subscription Service.

23. These website and accounts include [www.bluevasemining.com](http://www.bluevasemining.com), Sciucco's personal Twitter and Facebook accounts, and several additional accounts on social media networks.

24. The website [www.bluevasemining.com](http://www.bluevasemining.com) contained a link in which visitors could purchase either tier of the Subscription Service.

25. The website encouraged visitors to "choose your informational package and let your mining allocation generate \$1 a day in [B]itcoin daily, mined straight from our very own mining facility."

26. The website also states "[i]t's really that easy, once you've signed up and opened your Coinbase wallet, you can begin to receive your [B]itcoin."

27. Sciucco also promoted Blue Vase Mining on an episode of his podcast, "The Alden Report."

28. Sciucco also created and appeared in videos on Facebook, Snapchat, YouTube, and Instagram, that promoted Blue Vase Mining's Subscription Service.

29. Additionally, Sciucco created and broadcasted advertisements on the radio promoting Blue Vase Mining's Subscription Service.

30. Listeners of the radio advertisements and viewers of social media videos could text the number Sciucco provided in the radio advertisements and social media videos in order to receive additional information about Blue Vase Mining's Subscription Service.

31. The phone number Sciucco provided in the advertisements connected directly to Blue Vase Marketing. The script for any incoming calls stated "[w]hen you join the crushing crypto community you get \$25 in free [B]itcoin and daily expert information not

generally available to the public. Plus best of all you will be rewarded with \$1 of bitcoin every day FOR LIFE as long as you are part of the community[.]”

32. The radio advertisements for Blue Vase Mining ran for approximately two weeks.

33. From December 2017 to February 2018, Blue Vase Mining received at least 9 subscriptions and generated at least \$5,260 from its Subscription Service.

34. In response to the Enforcement Section’s February 6, 2018 subpoena, Blue Vase Mining shut down its website, as well as its Subscription Service. Blue Vase Mining refunded at least \$5,260 to its subscribers.

**C. Blue Vase Mining’s Mining Rig Share Purchase and Services Program**

35. Blue Vase Mining also operated a different sales model based on the distribution of ownership shares in mining rigs.

36. Sciucco offered ownership shares of individual mining rigs ranging from 25% to 100%.

37. Individuals wishing to purchase an ownership share of a rig were required to sign a “Mining Rig Share Purchase and Services Agreement” (the “Rig Share Agreement”).

38. Parties to the Rig Share Agreement were required to pay maintenance and upkeep fees to Blue Vase Mining.

39. Blue Vase Mining distributes the cryptocurrency generated by a particular rig proportionally based on each individual’s ownership share.

40. Blue Vase Mining stores and maintains the rig in exchange for a \$20.00 per month per share maintenance fee and 5% of all cryptocurrency generated from that rig.

41. Parties to the Rig Share Agreement are responsible for all electrical costs proportional to their share of a particular rig.

42. Participants in the cryptocurrency rigs had a proprietary interest in their proportion of the rig.

43. Blue Vase Mining currently has eleven participants in the Rig Share Purchase and Services Program (the “Share Program”), the majority of whom are Massachusetts residents.

**D. Both of Blue Vase Mining’s Distribution Programs Constitute Securities**

**a. Subscribers and Participants in Both of Blue Vase Mining’s Distribution Models Reasonably Expect to Profit from Their Investments Based on the Efforts of Blue Vase Mining**

44. Throughout the Relevant Time Period, Sciucco has consistently promoted Blue Vase Mining as an opportunity for investors to realize future profits.

45. The banner at the top of [www.bluevasemining.com](http://www.bluevasemining.com) states “[c]hoose your package and collect bonus Bitcoin daily.”

46. Blue Vase Mining employees receiving calls from potential subscribers were giving a script saying “we had sent you a message because you were interested in how to get involved and make money with cryptocurrency.”

47. The same script also states, “the best about mining is that when the price drops you will earn even more [B]itcoin each day.”

48. If a caller indicated that they were not ready to invest, the script instructed the employee to state “Now is the time to take advantage of the opportunity. Last year the price of [B]itcoin increased over sevenfold.”

49. In a December 2017 promotional video, viewable on multiple social media websites, Sciucco referred to Blue Vase Mining as “the opportunity of a lifetime.”

50. In the same video, Sciucco compared cryptocurrency to the California gold rush and striking oil.
51. Sciucco ends the video by discussing Blue Vase Mining and encouraging listeners to “get in with a small investment.”
52. Sciucco also paid for Blue Vase Mining radio advertisements that offered listeners to “learn how to get a dollar in Bitcoin a day for the rest of your life.”
53. In one of his radio advertisements, Sciucco stated that the price of Bitcoin in USD has risen by “one hundred and ten thousand percent in five years.”
54. Without exception, promotional videos, podcast episodes and social media posts promoting Blue Vase Marketing contain language regarding how great of an opportunity cryptocurrency is.
55. Blue Vase Mining investors reasonably believed that their future profits would be derived primarily from the efforts of Blue Vase Mining.
56. Blue Vase Mining purchased mining rigs based on the investments received from those in the Share Program. Sciucco generated cryptocurrency and distributed based on the rigs he purchased with those investments.
57. Blue Vase Mining often touted in promotion materials that its rigs would generate cryptocurrency with the potential for profits.
58. Investors in Blue Vase Mining reasonably expected that they would receive cryptocurrency and that the value of the cryptocurrency would rise over time.
59. Participants in the Subscription Service and the Rig Share Program had no active involvement in Blue Vase Mining’s cryptocurrency generation process.



60. Any cryptocurrency earned by participants in the Subscription Service or the Rig Share Program were due solely to the efforts of Blue Vase Mining.

**E. The Blue Vase Mining Distribution Programs are Not Registered for Offer or Sale in the Commonwealth, and Sciucco is Not Registered as an Issuer Agent of Blue Vase Mining**

61. Blue Vase Mining has offices in Massachusetts. One of Blue Vase Mining's facilities is located in Beverly, Massachusetts.

62. Blue Vase Mining is not currently incorporated.

63. Blue Vase Mining has never been registered, or exempt from registration, in the Commonwealth of Massachusetts.

64. Sciucco has never been registered in any capacity in the securities industry in the Commonwealth of Massachusetts.

**VII. VIOLATIONS OF LAW**

**Count I – Violations of MASS. GEN. LAWS ch. 110A, § 201**

65. Section 201 of the Act provides, in relevant part:

- (a) It is unlawful for any person to transact business in this commonwealth as a broker-dealer or agent unless he is registered under this chapter.
- (b) It is unlawful for any broker-dealer or issuer to employ an agent unless the agent is registered.

MASS. GEN. LAWS ch. 110A, § 201.

66. The conduct of Blue Vase Mining, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 201.

**Count II – Violations of MASS. GEN. LAWS ch. 110A, § 301**

67. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in the commonwealth unless:--

- (1) the security is registered under this chapter;
- (2) the security or transaction is exempted under section 402; or
- (3) the security is a federal covered security.

MASS. GEN. LAWS ch. 110A, § 301.

68. Section 401(k) of the Act provides:

“Security” means any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting-trust certificate; certificate of deposit for a security; certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. “Security” does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay money either in a lump sum or periodically for life or some other specified period.

MASS. GEN. LAWS ch. 110A, § 401(k).

69. Section 14.401 of the Regulations provides:

Investment Contract, as used in Section 401(k) of the Act, includes:

- (1) any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor. As used in 950 CMR 14.401, a "common enterprise" means an enterprise in which the fortunes of the investor are interwoven with and dependent upon the efforts and successes of those seeking the investment or a third party; and
- (2) any investment by which an offeree furnishes initial value to an offeror, and a portion of this initial value is subject to the risks of the enterprise, and the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise, and the offeree does not receive the right to exercise practical and actual control over the management of the enterprise.

950 MASS. CODE REGS. 14.401.

70. The conduct of Blue Vase Mining, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 301.

### VIII. ORDER

#### **IT IS HEREBY ORDERED:**

- A. Blue Vase Mining shall permanently cease and desist from selling unregistered or non-exempt securities in Massachusetts;
- B. Blue Vase Mining is censured by the Division;
- C. Blue Vase Mining shall discontinue making offers and sales of unregistered or non-exempt securities until such securities, or other such offerings, are registered as securities or exempt from registration as securities in Massachusetts. For any future registered or exempt offers of securities in Massachusetts, Blue Vase Mining shall file all offering documents with the Division. In connection with any such offering, Blue Vase Mining additionally shall file a Form U-2, Consent to Service of Process, with the Division as required by MASS. GEN. LAWS. ch. 110A, § 414(g);
- D. Prior to making any future offers or sales of registered or exempt from registration securities in Massachusetts, Blue Vase Mining shall provide the Enforcement Section with written notice of such securities offerings;
- E. Within five (5) business days of the entry of a signed Order issued pursuant to this Offer of Settlement, Blue Vase Mining shall pay a fine in the amount of \$5,000 to the Commonwealth of Massachusetts. Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire transfer; (2) made payable to the Commonwealth of Massachusetts; and (3) either hand-delivered or mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108, or wired

per Division instructions; and (4) submitted under cover letter or other documentation that identifies Respondent making the payment and the docket number of the proceedings. Additionally, Blue Vase Mining shall provide the Division with notice twenty-four (24) hours prior to the payment;

F. Blue Vase Mining shall offer rescission to those investors who purchased unregistered or non-exempt securities from Blue Vase Mining prior to the date of an Order issued pursuant to this Offer of Settlement (“Eligible Investors”), pursuant to the following terms:

- a. Blue Vase Mining’s rescission offer shall be memorialized in a letter (“Offer Letter”) dated and sent to the Eligible Investors within forty-five (45) days of the entry of an Order issued pursuant to this Offer of Settlement;
- b. The Offer Letter shall be provided to the Division at least ten (10) days prior to the sending of the Offer Letter to Eligible Investors.
- c. The terms, content and manner of the service of the Offer Letter shall not be unacceptable to the Division;
- d. The Offer Letter shall remain open for a period of thirty (30) days from the date sent to the Eligible Investors;
- e. Within forty-five (45) days of acceptance of an offer, Blue Vase Mining shall make payment of principal by check to the Eligible Investors; and
- f. Within thirty (30) days following the date that Blue Vase Mining makes restitution payments, Blue Vase Mining shall provide the Enforcement Section with a final accounting (the “Final Accounting”) and certification

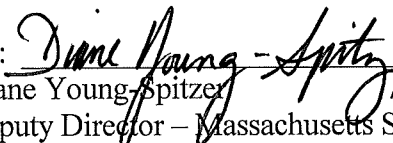
of the disposition of the payments made pursuant to Section VIII(F)(e). The Final Accounting shall be in a form not unacceptable to the Enforcement Section and include: (1) the name and address of each recipient of restitution; (2) the amount paid to each recipient of restitution; (3) the date of each payment; (4) evidence of all payments made; (5) the date and amount of any returned payment(s); (6) a description of any effort to locate a prospective recipient of restitution whose payment was returned, or to whom payment was not made due to factors beyond Blue Vase Mining's control; and (7) the balance of any undistributed funds, if any. Blue Vase Mining agrees to cooperate with reasonable requests for information in connection with the Final Accounting and provide supporting documentation to the Enforcement Section upon request.

*[The remainder of this page intentionally left blank]*

G. For good cause shown, the Enforcement Section may agree to extend any of the procedural deadlines set forth above. Any request to extend any of the procedural deadlines set forth above shall be made in writing; and

H. Upon issuance of the Order, if Blue Vase Mining fails to comply with any of the terms set forth herein, the Enforcement Section may take appropriate action. Additionally, after a fair hearing and the issuance of an appropriate order finding that Blue Vase Mining has not complied with the Order, the Enforcement Section may move to have the Order declared null and void, in whole or in part, and re-institute the associated investigation.

**WILLIAM FRANCIS GALVIN  
SECRETARY OF THE COMMONWEALTH**

By:   
Diane Young-Spitzer  
Deputy Director – Massachusetts Securities Division  
One Ashburton Place, Room 1701  
Boston, MA 02108

Date: May 21, 2018