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8 Attorneys for Plaintiff VERIBI, LLC,

9 **UNITED STATES DISTRICT COURT FOR THE**
10 **CENTRAL DISTRICT OF CALIFORNIA**

11 VERIBI, LLC, a Nevada limited
12 liability company,

13 Plaintiff,

14 vs

15 COMPASS MINING, INC., a
16 Delaware corporation,

17 Defendant.

18 Case No.: 2:22-cv-04537

19 **COMPLAINT FOR BREACH OF**
20 **CONTRACT; NEGLIGENCE;**
21 **CONVERSION; AND FRAUD**

22 **DEMAND FOR JURY TRIAL**

1 Plaintiff Veribi, LLC, by and through its attorneys, files this Complaint
2 against Defendant Compass Mining, Inc. ("Compass") and alleges as follows:

3 **JURISDICTION AND VENUE**

4 1. This is a civil action asserted by Plaintiff involving claims in an
5 amount exceeding \$75,000, excluding interest and costs. The Plaintiff and
6 Defendant are citizens of different states. This Court has jurisdiction pursuant to
7 28 U.S.C. § 1332(a)(1).

8 2. This Court has personal jurisdiction over Defendant because it has
9 transacted substantial business in this district, including with Plaintiff. Venue is
10 proper under 28 U.S.C. § 1391(b)(2).

11 **THE PARTIES**

12 3. Plaintiff Veribi, LLC is a Nevada limited liability company with its
13 principal place of business in Los Vegas, NV. Veribi, LLC was previously
14 known as Ofiplex NV, LLC, which changed its name in December 2021.

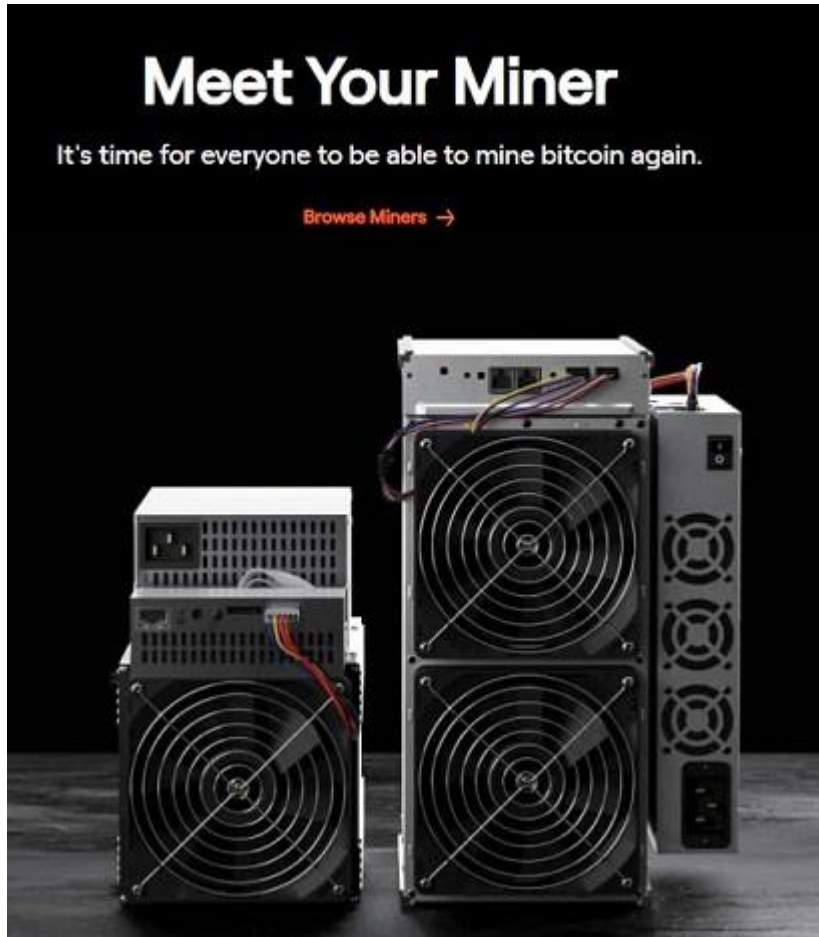
15 4. Defendant Compass Mining, Inc. is a Delaware corporation. On
16 information and belief, Compass Mining's principal place of business is
17 Delaware.

18 **BACKGROUND OF THE ACTION**

19 5. Plaintiff Veribi, LLC is a corporation engaged in the business of
20 bitcoin "mining". Bitcoin mining is the process of applying computing power to
21 solving complex cryptographic problems to produce or "mint" new bitcoins,
22 which are assigned to the solver. Veribi, LLC changed its name from Ofiplex
23 NV, LLC in December 2021.

24 6. Computer systems for bitcoin mining are purpose-built to efficiently
25 solve cryptographic problems. They are sometimes referred to as Application
26 Specific Integrated Circuit (ASIC) miners, as they are designed for the specific
27 application of bitcoin mining. A typical bitcoin mining system retails for around
28 \$6,000 to \$10,000, depending on the specific architecture and components. A

1 photograph of a bitcoin mining system offered by defendant Compass is shown
2 below.



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18 Figure 1. Bitcoin ASIC Mining System

19 7. Defendant Compass is a corporation engaged in the sale and
20 management of systems for bitcoin mining. On information and belief, Compass'
21 primary business is the management of its customers' mining systems. That is,
22 customers purchase mining systems from Compass, which then installs the
23 miners and oversees their operation at various Compass-owned or third-party
24 data centers throughout the world. According to its website, "Compass brings
25 bitcoin hosting into the modern era by automating away unnecessary annoyances
26 and provides you with an enjoyable hosting experience."

27 compassmining.io/about.

28 8. Because bitcoin mining is energy intensive, mining systems are

1 typically located in places with low energy costs and high production capacity,
2 such as regions with excess hydroelectric power. Whether bitcoin mining is
3 profitable depends ultimately on various costs, particularly the price of energy.

4 9. Compass serves largely as a manager and custodian for customers
5 involved in bitcoin mining. Compass bundles the mining systems it sells with
6 “hosting plans,” which include installation, management, and energy fees for the
7 miners at a fixed monthly rate. Such plans allow for a level of certainty regarding
8 the economic variables pertinent to bitcoin mining.

9 10. For example, in December 2021 Compass offered an “all-in” hosting
10 plan for \$0.053 per kilowatt-hour at a third-party facility in the Krasnoyarsk Krai
11 region of Siberia. “Compass Mining launches a limited VIP hardware and hosting
12 bundle,” August 2, 2021, attached hereto as Exhibit A. The 12-month payment
13 terms for the miner and plan worked out to \$3,780 per month per miner after an
14 initial deposit. If, after fixed costs, customers could produce more bitcoin than
15 the \$0.053/kwh cost of operation, the undertaking would be profitable.

16 11. On information and belief, Compass has been able to offer
17 customers bitcoin mining at predictable rates by contracting with data centers to
18 physically host the systems of Compass’ customers. On information and belief,
19 for every miner Compass signs up for hosting at a data center, Compass agrees to
20 pay the data center a monthly hosting fee and to cover the energy cost at a
21 contracted or market rate.

22 12. Compass’ customers can view the status of their miners via an
23 online portal and examine such metrics as uptime, energy usage, and efficiency.
24 Customers can work with Compass to sell or transfer their miners to other parties
25 or move them to a different location.

26 13. Compass would not typically enter into detailed contracts with its
27 customers. Instead, Compass would advertise its products and services on its
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1 website, Telegram channel,¹ or via email, and customers could accept by ordering
2 through Compass’ website or communicating with a customer representative to
3 buy miners and associated service plans. Once payment was made, Compass
4 would procure the miners on behalf of the customer, provide for their installation,
5 and begin managing them.

6 14. For each service plan it sells, Compass is accepting an agency
7 relationship with its customers with related obligations, including diligent and
8 faithful services. Compass procures the miners, takes custody of them, installs
9 them at a data center, and oversees their management and operation on behalf of
10 the customer, who derives revenue from their operation. Compass sells customers
11 thousands or hundreds of thousands of dollars worth of computer hardware and
12 services based on representations that it has the ability to safely and competently
13 manage the systems on behalf of its clients.

14 **FACTUAL ALLEGATIONS**

15 15. On or around December 2020, Compass contracted with BitRiver, a
16 major Russian hosting company incorporated in Switzerland, to provide hosting
17 servers for Compass’ North American clients at BitRiver’s facilities in Siberia.
18 According to a press release trumpeting Compass’ role as BitRiver’s exclusive
19 North American representative, “This new partnership allows investors in North
20 America to access BitRiver’s enterprise-grade, low-cost and low-carbon
21 cryptocurrency mining facilities in Russia by signing a contract with US-based
22 Compass. Thereon, rest [sic] of the client onboarding process and the after-sale
23 support will also be provided by Compass.” Compass-BitRiver Press Release,
24 Exhibit B.

25 16. Between May 2021 and January 2022, in reliance on Compass’
26 representations concerning its safe and responsible custodianship, Veribi, through
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28 _____
¹ Telegram is an encrypted messaging application popular in Russia and Eastern Europe.

1 it principal John Vanhara, purchased 140 bitcoin mining servers and service plans
2 from Compass for approximately \$1.5 million dollars and engaged Compass to
3 manage them at BitRiver's facility in Russia. See Exhibit C, Equipment
4 Ownership Confirmation Certificate (details redacted).

5 17. These purchases were made based on Compass' representations, via
6 its website, email communications, texts, Telegram messages, phone
7 conversations, and other channels, that Compass would provide for the safe and
8 reliable operation of purchased systems at a fixed monthly fee for a term of 1 to 3
9 years, depending on the order. A representative invoice for a May 2021 order by
10 Veribi's John Vanhara for \$274,352.40 with relevant terms is attached hereto as
11 Exhibit D.

12 18. In November 2021, Satellite images showed an ongoing buildup of
13 Russian forces near Ukraine with estimates surpassing 100,000 troops. In January
14 2022, NATO put forces on standby and reinforced Eastern Europe with
15 additional ships and fighter jets, preparing for a Russian invasion of Ukraine.
16 Then, on February 24, 2022, Russia's President Putin authorized an invasion of
17 Ukraine and Russian forces begin missile and artillery attacks, striking major
18 Ukrainian cities including Kiev.²

19 19. On February 24, 2022, Compass sent an email to its customers
20 stating that:

21 We do have two operational facilities in Russia and wanted
22 to provide an update given the recent events.

23 We have been in communication with our partner in Russia
24 [BitRiver] and have been reassured that the geopolitical situation
25 does not affect the internal and external processes of the company
26 in any way. **The single hosting provider we contract with
[BitRiver] will continue to provide services, maintain all
agreements, and adhere to a positive long-term relationship for**

27 ² Reuters, "Timeline: The events leading up to Russia's invasion of Ukraine," March 1, 2022,
28 available at <https://www.reuters.com/world/europe/events-leading-up-russias-invasion-ukraine-2022-02-28/>.

1 **the development of our business in Russia.**

2 February 24, 2022 email from Compass, attached hereto as Exhibit E (emphasis
3 added).

4 20. On February 26, 2022, Western allies announced new sanctions on
5 Russia, including restrictions on Russia's central bank and expelling key banks
6 from the SWIFT global payments system. The situation was clearly dire and
7 would have been tracked closely by any business operating in Russia.

8 21. In response to customer concerns and the broader situation, on
9 March 3, 2022, Whit Gibbs, Compass' CEO,³ issued a statement that:

10 At this time it is "business as usual", and there is no reason to be
11 worried. I am monitoring closely how sanctions could impact
12 mining but they don't seem to impact us whatsoever...**If the
13 situation changes, Compass will take swift action to move all
14 machines out of Russia immediately but at this time drastic
15 action is not needed."**

16 March 3, 2022 statement from Whit Gibbs, attached hereto as Exhibit F (emphasis
17 added).

18 22. On April 20, 2022, the U.S. Department of the Treasury's Office of
19 Foreign Assets Control (OFAC) specifically designated BitRiver AG, Compass'
20 Russian hosting partner, and 10 affiliated companies as subject to the broader
21 Executive Order 14024, issued in April 2021, concerning sanctions on Russian
22 entities and individuals.

23 23. Executive Order 14024 prohibits certain dealings with sanctioned
24 entities or the transfer or export of sanctioned property *located within the US* to
25 the sanctioned party. 31 CFR Appendix A to Part 587 - Executive Order 14024 of
26 April 15, 2021, attached hereto as Exhibit G. However, the Order does not
27 prohibit the recapture or demand for return of property under the temporary
28 control of a sanctioned entity. In fact, abandoning millions of dollars of useable

³ On June 28, 2022, Compass issued a press release that Mr. Gibbs had stepped down as CEO.

1 property in the custody of a sanctioned entity would contravene the purpose of
2 the sanctions and constitute a windfall to the sanctioned entity.

3 24. Nevertheless, on April 21, 2022, Compass issued a notice that it has
4 "terminated its contractual relationship and business dealings with BitRiver" due
5 to the designation of BitRiver as subject to Executive Order 14024. April 21,
6 2022 email from Compass, attached hereto as Exhibit H.

7 25. Compass did not offer to return or repatriate the assets entrusted to it
8 by its customers and hosted at BitRiver's facilities. Instead, Compass offered,
9 subject to agreement to an "approval form" under duress, that it would attempt to
10 "liquidate" miners entrusted to it by selling them to a non-sanctioned third parties
11 using commercially reasonable efforts. Compass stated that it was "in the process
12 of working to negotiate a refund and/or sale of all customer hardware that was
13 located in the Russian hosting facility." *Id.* Compass further attempted to
14 disclaim any liability and stated that, "If you choose not to participate in the
15 negotiated sale of equipment that Compass is working to accomplish, your
16 hardware will be left in Russia and you will have to undertake any further action
17 on your own." *Id.* To date, it does not appear that Compass has had any success
18 selling, transferring, or otherwise liquidating its customers' miners located at
19 BitRiver's facility.

20 26. Concerned with the status of its \$1.5 million worth of miners, John
21 Vanhara of Veribi attempted to follow Compass' suggestion and work directly
22 with BitRiver to either remove Veribi's miners or sell them to a non-sanctioned
23 third party. Mr. Salimur Rahman of BitRiver responded to this request by stating
24 that:

25 **From legal and regulatory point of view all the equipment is owned**
26 **by Compass.** Your relationship with this company is regulated within
27 different legal framework. In this respect, be advised that you remain the
28 customer of Compass. Thus, you have to address all the queries with
regards to hosting and any other directly to them.

May 6, 2022 email from Salimur Rahman of BitRiver, attached hereto as Exhibit I

1 (emphasis added). So, at least according to BitRiver, Compass is the "owner" of its
2 customers' miners currently in the possession and control of BitRiver, and only
3 Compass can take action to secure the property from BitRiver.

4 27. Following BitRiver's guidance, on May 9, 2022, Mr. Vanhara
5 advised Compass to instruct BitRiver to prepare Veribi's miners for shipment
6 because, "I have to move the miners out of OFAC restricted facility and do not
7 want to allow them to self mine using my hardware. [BitRiver] will not accept
8 my instructions as all contractual relationship is with Compass only." May 9,
9 2022 Vanhara Email, attached hereto as Exhibit J. In response, Compass'
10 representative wrote that, "Considering the U.S. government's prohibition on
11 doing business with the Russian hosting facility, Compass Mining is unable to
12 conduct, or even facilitate, any business dealings with the Russian hosting
13 facility." *Id.*

14 28. It is false that the removal or transfer of Veribi's servers entrusted to
15 Compass and currently in possession of BitRiver would constitute a "business
16 dealing" in violation of Executive Order 14024. Compass has both the right and
17 the obligation to effect transfer and shipment of its customers' miners, as it stated
18 it would on March 4. It is noteworthy that BitRiver has refused to work directly
19 with Compass' customers because "all the equipment is owned by Compass."

20 29. It strains credulity that Compass actually believes it is legally
21 obligated to abandon its customers' valuable property in the hands of, and for the
22 benefit of, a sanctioned entity instead of seeking its removal. In fact, it is far more
23 plausible that Compass' relationship with BitRiver is other than the simple agent-
24 provider relationship represented to Compass' customers. On information and
25 belief, whether to avoid tax, import, or other duties or obligations, or because of
26 the manner in which its deal with BitRiver is structured, Compass failed to
27 properly account for its customers' miners at BitRiver's facilities.

28 30. While Veribi does not yet know the actual nature of the relationship

1 between Compass and BitRiver, it is possible that continuation of the relationship
2 might actually violate Executive Order 14024, or would at least become
3 unprofitable for Compass if it were to act aggressively to remove or transfer its
4 customers' property. At the least, Compass' customers appear to be caught in the
5 middle of the relationship between Compass and BitRiver.

6 31. In any event, Compass is its customers' agent with regard to their
7 mining systems it has failed to protect their interests, likely as a result of
8 subterfuge and misrepresentation regarding the actual nature of its relationship
9 with BitRiver, including apparent misrepresentations to BitRiver regarding the
10 actual ownership of its customers' miners.

11 32. Veribi therefore brings this action to compel Compass to arrange for
12 the transfer or return of its property or to compensate Veribi for the apparent
13 abandonment of its property under false and/or unjustified pretenses.

14 **FIRST CAUSE OF ACTION**

15 **(Breach of Contract)**

16 33. Plaintiff Veribi, LLC hereby re-alleges and incorporates by
17 reference herein the prior allegations contained in this Complaint.

18 34. Veribi has duly performed all relevant conditions by paying
19 Compass over 1.5 million dollars for the procurement, installation, oversight and
20 management of bitcoin mining systems purchased from Compass.

21 35. Compass is Veribi's agent with respect to the operation and
22 management of Veribi's bitcoin mining systems.

23 36. In breach of its representations to and agreements with Veribi,
24 Compass has failed to undertake even reasonable efforts to ensure the safe,
25 effective, and continuous operation of Veribi's bitcoin mining systems.

26 37. On information and belief, Compass has abandoned Veribi's bitcoin
27 mining systems, leaving them in the custody of its Russian partner BitRiver, AG
28 and its affiliated companies, without legal justification.

1 Veribi’s bitcoin mining systems, including duties of care, diligence, and skill in
2 performance of its management function.

3 46. By failing to use even reasonable efforts to secure and promote the
4 interests of Veribi with respect to the bitcoin mining systems within Compass’
5 custody and control without adequate justification, and by failing to disclosure
6 relevant information, such as the actual nature of its relationship with BitRiver
7 and the actual legal ownership and import/export status of its customers’ miners
8 in Russia, Compass breached at least its duties of care, diligence, skill, and
9 disclosure with respect to Veribi.

10 47. Through its actions and omissions, Compass has directly caused
11 damage to Veribi in the amount of at least \$1,523,500, plus deposits and other
12 unearned fees, plus loss of income from the unnecessary and prolonged
13 interruption of service of Plaintiff’s miners in an amount to be determined.

14 **THIRD CAUSE OF ACTION**

15 **(Conversion)**

16 48. Plaintiff Veribi, LLC hereby re-alleges and incorporates by
17 reference herein the prior allegations contained in this Complaint.

18 49. Veribi entered into various Agreements for with Compass to
19 purchase bitcoin mining systems and management services from Compass for
20 over \$1.5 million dollars.

21 50. Veribi agreed to have the servers it purchased from Compass hosted
22 in Russia with Compass’ partner, BitRiver.

23 51. On or about April 21, 2022, Compass ceased managing Veribi’s
24 bitcoin mining servers and, on information and belief, abandoned them with
25 BitRiver in Russia.

26 52. Compass has failed to effect or even to take reasonable steps to
27 effect the lawful removal or sale of the miners, as through a lawsuit in Russia or
28 the U.S., or otherwise cooperate with Veribi to sell, transfer, or repatriate

1 Veribi's bitcoin mining servers hosted by BitRiver.

2 53. Compass' acts constitute conversion of Veribi's property in favor of
3 BitRiver. On information and belief, such conversion was undertaken due to an
4 undisclosed financial relationship between Compass and BitRiver, or because
5 Compass was not able to pay BitRiver on behalf of its customers, or because
6 Compass improperly held or registered the equipment under names other than
7 those of its customers for tax, duty, or other reasons, or some other reason that
8 would not justify Compass' failure to secure the property.

9 54. As a result of the conversion of its goods, Veribi's has been
10 damaged in an amount not less than \$1,523,500, reflecting the retail value of the
11 converted goods.

12 55. Veribi's has also suffered consequential damages, including loss of
13 expected profit from their operation, time and efforts of agents and employees to
14 investigate and address the matter, interest, legal fees, and other damages.

15 **FOURTH CAUSE OF ACTION**

16 **(Fraud)**

17 56. Plaintiff Veribi, LLC hereby re-alleges and incorporates by
18 reference herein the prior allegations contained in this Complaint.

19 57. Compass has engaged in fraudulent misrepresentations or
20 concealment regarding (1) its alleged secure and competent management of its
21 Customers' miners in conformity with governing laws and regulations; (2) the
22 safety, security, and reliability of its operations in Russia; (3) the actual nature of
23 its relationship with BitRiver AG and its affiliated companies; (4) its alleged
24 inability to facilitate the removal of customer miners from BitRiver's facilities
25 due to U.S. Sanctions; (5) its lack of significant efforts to sell, transfer, or
26 repatriate customers' miners; (6) its unwillingness or inability to facilitate or
27 permit the sale of customer miners in Russia to non-U.S. third-parties; (7) and its
28 compliance with relevant regulations concerning the ownership, import, and/or

1 tax status of customer miners under its management and control, with the failure
2 of such compliance being in part responsible for Compass’ inability to transfer or
3 repatriate Russian miners sold to its customers, including Veribi.

4 58. Specifically, on March 4, 2022, Whit Gibb, Compass’ CEO, wrote
5 falsely that, “At this time it is ‘business as usual’, and there is no reason to be
6 worried....Again, at this time there is no cause for concern. I am in constant
7 communication with our Russian hosting partner, who also sits on the Russian
8 Government’s Crypto Working committee. If the situation changes, Compass
9 will take swift action to move all machines out of Russia immediately but at this
10 time drastic action is not needed.” The situation changed, and Compass did not
11 take swift, much less drastic, action to facilitate the removal of its customers’
12 miners from BitRiver’s facility. Instead, it cancelled its contract with BitRiver
13 and abandoned its customers.

14 59. Compass has repeatedly falsely represented to its customers that,
15 pursuant to BitRiver’s designation as a sanctioned entity on April 21, 2022, it is
16 prohibited from engaging in “business dealings” with BitRiver and its affiliated
17 companies, including the removal or transfer of its customers’ miners, and
18 therefore that Compass was legally obligated to terminate its relationship with
19 BitRiver without securing custody of its customers’ miners. This is a false
20 representation of the scope and consequences of Executive Order 14024 made to
21 customers who entrusted Compass as their agent with the custody and control of
22 their miners.

23 60. Instead of abandoning its customers’ property with BitRiver,
24 Compass had and has an obligation to act in its customers’ best interest to secure
25 their property in any practicable manner consistent with Executive Order 14024.
26 To date, Compass has not even filed suit in the U.S. or Russia or taken other
27 significant steps to secure the release of its customers’ miners from BitRiver’s
28 facilities.

1 61. Compass has held itself out as a partner contracting for secure and
2 reliable hosting with BitRiver, including stating that, “‘BitRiver has long been a
3 trusted name in the bitcoin mining industry, we are pleased to call them our
4 exclusive hosting partner in Russia,’ said Whit Gibbs, CEO and Founder of
5 HASHR8. ‘We are excited to help more Compass users host their ASICs in
6 BitRiver's world-class facilities.’” On information and belief, Compass’
7 relationship with BitRiver was other than as a contracted provider of datacenter
8 hosting services, such that the actual nature of the relationship involved financial
9 entanglements or misrepresentations that rendered Compass’ customers’
10 vulnerable to potential sanctions on BitRiver, including that Compass might
11 abandon their property if BitRiver were designated as a sanctioned entity.

12 62. By selling bitcoin mining systems and hosting services to its
13 customers, Compass was warranting that its customers were the actual owners of
14 the purchased systems and that sale, import, tax, and operation of the miners
15 would conform with existing local laws and regulations governing miners in
16 foreign facilities. On information and belief, Compass failed to adhere existing
17 local laws and regulations covering the ownership, sale, import, tax, and
18 operation of the miners hosted at BitRiver’s facilities, and concealed this failure,
19 rendering it incapable of facilitating the sale or transfer of its customers’ miners
20 from BitRiver’s facilities after BitRiver was subjected to U.S. sanctions.

21 63. In reliance of Compass’ false representations and omissions of
22 material fact, as detailed above and in the body of this Complaint, John Vanhara
23 of Veribi was induced to purchase and continue hosting over 1.5 million dollars
24 worth of bitcoin mining systems with Compass, to appoint Compass as its agent,
25 and to entrust Compass with the operation and management of the miners at
26 BitRiver’s facilities in Russia.

27 64. As a result of relying on Compass’ false representations, omissions
28 of material fact, and failure to act in customers’ best interest, Veribi has been

1 damaged in an amount not less than \$1,523,500, reflecting the retail value of its
2 abandoned property.

3 65. Veribi's has also suffered consequential damages, including loss of
4 expected profit from the operation of its miners, time and efforts of agents and
5 employees to investigate and address the matter, interest, legal fees, and other
6 damages. Punitive damages and attorneys' fees are warranted because Compass'
7 misrepresentations and calculated omissions were willful, wanton, and oppressive
8 to those who entrusted it to protect their property and promote their interests.

9 **PRAYER FOR RELIEF**

10 WHEREFORE, Veribi, LLC prays for the Court to enter judgment and
11 provide relief as follows:

- 12 (a) award Veribi \$1,523,500 in damages for Compass' breach of the
13 Parties' contracts and additional direct and consequential damages in an
14 amount to be proven at trial;
- 15 (b) award Veribi damages for Compass' negligence or willful breach of its
16 duty as an agent to responsibly manage Veribi's property in an amount
17 to be proven at trial;
- 18 (c) award Veribi compensation for Compass' knowing conversion of its
19 property in favor of BitRiver in an amount to be proven at trial;;
- 20 (d) award Veribi compensation for Compass' fraud;
- 21 (e) award Veribi punitive damages in connection with the fraud and
22 conversion detailed above;
- 23 (f) award Veribi its costs and attorneys' fees;
- 24 (g) such further and additional relief as the Court deems just and proper.

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JURY DEMAND

Plaintiff demands a trial by jury.

Dated: July 1, 2022

MEADOR & ENGLE

/s/ Alan E. Engle

Alan E. Engle
Attorneys for Plaintiff
Veribi, LLC