

May 01 2024

Mark B. Busby
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

CRIMINAL COVER SHEET

Instructions: Effective November 1, 2016, this Criminal Cover Sheet must be completed and submitted, along with the Defendant Information Form, for each new criminal case.

CASE NAME:

USA v. Daniel Schatt & Joseph Podulka

CASE NUMBER: CR24-00243 JD

CR

Is This Case Under Seal?

Yes No

Total Number of Defendants:

1 2-7 8 or more

Does this case involve ONLY charges under 8 U.S.C. § 1325 and/or 1326?

Yes No

Venue (Per Crim. L.R. 18-1):

SF OAK SJ

Is this a potential high-cost case?

Yes No

Is any defendant charged with a death-penalty-eligible crime?

Yes No

Is this a RICO Act gang case?

Yes No

Assigned AUSA

(Lead Attorney): Barbara J. Valliere

Date Submitted: 4/30/2024

Comments:

United States District Court

FOR THE
NORTHERN DISTRICT OF CALIFORNIA

VENUE: SAN FRANCISCO

CR24-00243 JD

UNITED STATES OF AMERICA,

V.

DANIEL SCHATT & JOSEPH PODULKA

FILED

May 01 2024

Mark B. Busby
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO

DEFENDANT(S).

INDICTMENT

18 U.S.C. § 1349 – Conspiracy to Commit Wire Fraud;
18 U.S.C. § 1343 – Wire Fraud;
18 U.S.C. § 1956(a)(1)(A) – Engaging in a Financial Transaction to Promote
Unlawful Activity;
18 U.S.C. § 1957 – Engaging in Monetary Transactions in Property Derived from
Specified Unlawful Activity;
18 U.S.C. § 2 – Aiding and Abetting;
18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c) – Forfeiture Allegation

A true bill.

/s/ Foreperson of the Grand Jury

Foreman

Filed in open court this 30th day of

April, 2024.

S. Ybarra

Clerk

Bail, \$ Arrest Warrant



Hon. Lisa Cisneros, U.S. Magistrate Judge

FILED
May 01 2024
Mark B. Busby
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO

1 ISMAIL J. RAMSEY (CABN 189820)
United States Attorney

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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

11 UNITED STATES OF AMERICA,) CASE NO. CR24-00243 JD
12 Plaintiff,)
13 v.) VIOLATIONS:
14 DANIEL SCHATT, and) 18 U.S.C. § 1349 – Conspiracy to Commit Wire
JOSEPH PODULKA,) Fraud;
15 Defendants.) 18 U.S.C. § 1343 – Wire Fraud;
16) 18 U.S.C. § 1956(a)(1)(A) – Engaging in a Financial
17) Transaction to Promote Unlawful Activity;
18) 18 U.S.C. § 1957 – Engaging in Monetary
19) Transactions in Property Derived from Specified
20) Unlawful Activity;
21) 18 U.S.C. § 2 – Aiding and Abetting;
22) 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c) –
23) Forfeiture Allegation
24)
25) SAN FRANCISCO VENUE

26 INDICTMENT

27 The Grand Jury charges:

28 INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

Relevant Entities

1. Cred LLC or Cred Inc. (Cred) was founded in 2018 by DANIEL SCHATT and Individual #1 to serve as a global financial services platform serving retail and institutional clients. Cred was headquartered in San Francisco, California, with offices in San Francisco, California, San Mateo, California, and Los Angeles, California.

INDICTMENT

Relevant Terms

22. “Fiat currency” was a term used to refer to government-issued currency, such as the U.S. dollar, that is not backed by a physical commodity, but rather the government that issued it.

23. “Cryptocurrency” was a digital currency in which transactions were verified and records maintained by a decentralized system using cryptography, rather than a centralized authority such as a bank or government. Like traditional fiat currency, there were multiple types of cryptocurrencies, such as Bitcoin (“BTC”), Ethereum (“ETH”), and Ripple (XRP).

24. Cryptocurrency owners typically stored their cryptocurrency in digital “wallets,” which were identified by unique electronic “addresses.”

25. “Hedging” is a risk management strategy employed to offset losses in investments by taking an opposite position in a related asset.

Scheme to Defraud

26. From a time unknown but no later than March of 2020 and continuing through in or about November of 2020, defendants DANIEL SCHATT, JOSEPH PODULKA, James Alexander and others known and unknown to the grand jury engaged in a scheme, plan, and artifice to defraud, among others, Cred’s customers and investors as to a material matter, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promise, by making materially false and misleading statements, and failing to disclose material facts with a duty to disclose.

27. The objectives of the scheme to defraud were, among other objectives, to cause Cred customers and investors to provide their fiat and digital currencies to Cred for its use by falsely representing (a) that Cred “only” engaged in “collateralized or guaranteed lending” when the bulk of its loans were secured by no more than a promise to repay; (b) that all of Cred’s crypto positions were “hedged” and that it implemented and maintained an “all weather approach” to investment to protect against market volatility, where Cred had no hedging strategy in place after March 16, 2020; (c) that following the “flash crash” that occurred on March 12, 2020 when, due to concerns about Covid-19, Bitcoin and cryptocurrency prices plummeted, Cred was solvent and had generated “a positive net income between April 30, 2020 and September 1, 2020,” despite internal liquidity analyses which revealed an overall deficit in the company that grew to in excess of \$40 million by October 1, 2020; and

1 (d) that Cred provided “comprehensive insurance” that assured that “[i]f the worst happens and Cred
2 loses customer funds,” customers would have “certainty that they will be made whole,” despite knowing
3 that the insurance policies provided little to no relief for any loss of customer funds.

4 28. The manner and means by which defendants and their co-conspirators sought to
5 accomplish the objectives of the scheme to defraud included, but were not limited to, the following:

- 6 a. Defendants and others solicited individuals to lend cryptocurrency and fiat currency to Cred
7 in exchange for interest or loans in dollars against cryptocurrency assets.
- 8 b. Defendants and others created and approved, and caused to be created and approved,
9 promotional and other materials that contained material misrepresentations, including
10 representations about the uses of the customers’ assets, the financial health and strength of
11 Cred, the existence of Cred’s hedging strategies and other risk management strategies, and
12 the extent to which insurance was available to make Cred customers “whole.”
- 13 c. Defendants emailed and caused others to email promotional and other materials to Cred
14 customers, with each wire being a separate execution of the scheme to defraud.
- 15 d. These promotional and other materials also omitted material facts, including that from
16 March 12, 2020 onward, Cred was consistently having liquidity problems, that moKredit had
17 failed to repay the principal of its loans and owed Cred approximately \$40 million, and that
18 defendants and others used new customer money to pay prior customers’ redemptions and to
19 pay operating expenses rather than lend it to third parties to earn interest.
- 20 e. Based on defendants’ and others’ false and misleading representations and omissions,
21 including material misrepresentations and omissions of material facts individuals lent or
22 invested more than \$150 million with Cred before November 7, 2020.

23 As part of the conspiracy and the scheme to defraud the defendants and their co-schemers also
24 engaged in the following acts:

25 *Overview*

26 29. From 2018 through 2020, Cred LLC (Cred), a company found by SCHATT and
27 Individual #1 and located in the Northern District of California, provided financial services to holders of
28 cryptocurrency (“crypto”) and other assets. On November 7, 2020, Cred collapsed and filed for

1 bankruptcy, causing losses to its customers of crypto assets with a market value of \$150 million at the
2 time of the bankruptcy, and a maximum market value of over \$783 million since the date of the
3 bankruptcy.

4 30. From its inception in 2018, Cred concealed and misrepresented critical features of its
5 business model to lure and maintain clients who had significant crypto assets. Cred attracted customers
6 to its products by promising that they would earn a significant yield on their crypto assets, something
7 that was difficult to obtain in 2018. What was unknown to customers was that Cred largely relied on
8 one entity – a Chinese company called “moKredit” founded by Cred’s founder/half-owner Individual #1
9 - to generate virtually all of the interest payments that provided that yield. What was also largely
10 unknown to Cred customers was that moKredit generated the money Cred used to pay interest to its
11 customers by making unsecured micro-loans to Chinese gamers.

12 31. Despite a lopsided and largely undisclosed reliance on moKredit, throughout 2019 Cred
13 grew and gained customers. It hired employees, it partnered with other crypto-related businesses, it
14 finalized and launched a product called the CredEarn program, and it generally timely paid the promised
15 interest on its customers’ loaned crypto. In its marketing materials and to its employees, Cred brass
16 painted a rosy picture of the future heading into 2020.

17 32. Cred’s rosy-looking future evaporated nearly overnight in March of 2020. On March 11,
18 2020, the price of Bitcoin dropped by about 40 percent. Within days of this so-called “flash crash,”
19 Cred learned from its hedging partner that it was underwater and needed to liquidate all its trading
20 positions. The hedging partner then abruptly ceased to do business with Cred and threatened to sue,
21 leaving Cred with no hedges and no hedging strategy going forward. Cred learned soon thereafter that
22 moKredit -- to whom by then it had lent approximately \$40 million dollars -- would be unable to repay
23 the principal as it had promised. Subsequently prepared internal liquidity analyses revealed Cred to be
24 in dire straits. In essence, immediately following the “flash crash” and for the seven months before it
25 abruptly declared bankruptcy in November, Cred was effectively insolvent.

26 33. Despite this reality, CEO SCHATT, CFO PODULKA, and until late June 2020, CCO
27 James Alexander, tried to keep the company afloat by bringing in new customer funds and keeping
28 requests for redemptions from existing customers at bay. But instead of revealing to its customers (or

1 even to most of its own employees) Cred’s drastically changed landscape, SCHATT, PODULKA, and
2 Alexander continued to paint the same rosy picture of the company’s health that it did pre-flash crash.
3 In so doing, they made or authorized the making of false and misleading statements to prospective and
4 existing customers about, among other things, Cred’s financial security, its (now nonexistent) hedging
5 strategy, and its ability to recover any loss of customers funds through insurance.

6 *The Creation of Cred*

7 34. In January of 2018, SCHATT and Individual #1, both prior employees of PayPal,
8 established an entity named Cyber Quantum in Singapore with the eye toward an Initial Coin Offering in
9 May of 2018. In the spring of 2018, SCHATT and Individual #1 also established Libra Credit (later
10 known as Cyber Quantum) in Singapore.

11 35. In April of 2018, SCHATT joined the Board of Directors for Company #1.

12 36. In May of 2018, Cyber Quantum offered a stablecoin called the Libra Token, the
13 proceeds of which were later used to establish Cred Inc. in the United States. SCHATT and Individual
14 #1 each owned 50 percent of Cred.

15 37. During the summer of 2018, SCHATT asked James Alexander to provide consulting
16 services to Cred LLC.

17 38. On August 27, 2018, Libra Credit officially changed its name to Cred LLC and
18 incorporated in Delaware, with its principal place of business in San Francisco, California. Also on
19 August 27, 2018, SCHATT hired Coconspirator Alexander as the CCO for Cred.

20 39. During the fall of 2018, Cred developed two products: (a) CredBorrow, which would
21 offer loans in United States dollars to customers using the customers’ cryptocurrency as collateral; and
22 (b) in conjunction with Company #1, CredEarn, which would allow customers to deposit their
23 cryptocurrency and earn a yield on that currency of up 12 percent to be paid in cryptocurrency.
24 CredEarn advertised itself as a means for customers to earn interest on their cryptocurrency assets by
25 depositing them with Cred, who would convert the cryptocurrency to fiat currency and or stablecoin and
26 lend it to other customers on a “fully collateralized or guaranteed” basis.

1 again falsely and misleadingly claiming that “[i]f the worst happens and Cred loses customer funds,
2 customers deserve certainty that they will be made whole.”

3 44. Throughout 2019 and into 2020, Cred’s marketing materials and its sales team’s talking
4 points contained three core representations, all of which were then or over time became false or
5 misleading: (1) Cred lends its customers’ assets on a “fully collateralized and guaranteed basis,” and that
6 “any borrower must collateralize their loan”; (2) all of Cred’s “crypto positions are hedged”; and (3)
7 Cred has “comprehensive insurance,” such that “[i]f the worst happens and Cred loses customer funds,
8 customers deserve certainty that they will be made whole.”

9 ***2020: Cred attempts to diversify, COVID-19 escalates, Bitcoin plummets***

10 45. As of January of 2020, Cred had lent moKredit 80 percent of its assets, or a total of
11 approximately \$40 million. To mitigate the potential fallout from any default on the moKredit loans,
12 Cred began to look for ways to diversify.

13 46. To that end, in January of 2020, James Alexander identified Income Opportunities
14 (Luxembourg) S.A. (Income Properties), a Luxembourg company, as an entity that would issue bonds
15 backed by Cred’s moKredit loans. On January 30, 2020, James Alexander arranged to sell \$14 million
16 worth of moKredit’s debt to Company #2 and Cred Customer #1 through something called “the
17 Luxembourg Bond.”

18 47. Meanwhile, Cred began looking for asset managers in the United States for placement of
19 customer funds. To that end, on February 2, 2020, a man who identified himself as “Richard Chapman”
20 from an entity named “QuantCoin” reached out to Alexander to inquire about serving as an asset
21 manager for Cred. On February 3, 2020, Alexander met “Richard Chapman” at a café in Paris to discuss
22 QuantCoin’s management of a portion of Cred’s bitcoin allocation. The next day, on February 4, 2020,
23 SCHATT signed an agreement authorizing the transfer of 500 bitcoin (then worth approximately \$4.59
24 million) to QuantCoin, and on February 10, 13, and 18, 2020, a Cred employee transferred an additional
25 300 bitcoin (then worth approximately \$2.75 million) to “Scott Foster” at Kingdom Trust, an individual
26 who “Chapman” had identified as the administrator for QuantCoin.

1 48. On March 10, 2020, Alexander filed documents with the state of Delaware incorporating
2 a business called Cred Capital. The stated purpose of Cred Capital was to oversee Cred’s assets
3 management strategies.

4 49. Meanwhile, the COVID-19 outbreak began to affect the financial markets including the
5 price of Bitcoin. On March 11, 2020, the Bitcoin and overall cryptocurrency market took a downward
6 turn. Specifically, on March 11, 2020, the closing price for Bitcoin was \$7,932.81, but on March 12,
7 2020, it dropped 38 percent, closing for the day at \$4,858.38 and creating a so-called “flash crash.” On
8 March 13, 2020, the United States President declared that COVID-19 was a national emergency.

9 50. The “flash crash” had a devastating and immediate effect on Cred’s bottom line. Because
10 of the drop in the price of Bitcoin, Cred was unable to meet its margin calls, and its hedges got “blown
11 out.” In an effort to cover its losses and re-establish its hedges, on March 12, 2020, Alexander emailed
12 Individual #1 stating that Cred needed “to recall cash” of “approximately \$10 million” of the
13 approximately \$40 million moKredit owed “to support our hedge position.” Individual #1 informed
14 SCHATT, PODULKA, and Alexander that moKredit could not then repay the loan principal.

15 51. Early on March 12, 2020, Company #2 informed SCHATT, PODULKA, and Alexander
16 that Cred presently had a short position of over \$27 million in all crypto and that for “every \$100 move”
17 in Bitcoin “you will make or lose around \$400.000.”

18 52. Later on March 12, 2020, while Cred desperately but unsuccessfully tried to recall \$10
19 million from moKredit, SCHATT sent an email to Cred customers entitled “An Important Message from
20 Cred’s CEO.” Despite the devastating effect of the “flash crash” on Cred’s bottom line, in that message,
21 SCHATT told Cred customers that Cred was “prepared for extreme situations like the coronavirus
22 (COVID-19) outbreak,” and that he was “proud of Cred’s preparation and ability to operate the business
23 soundly, regardless of the market direction.” Despite that its hedges had been “blown,” SCHATT told
24 the customers that “[w]e are convinced now more than ever that Cred’s ‘All Weather’ approach to risk
25 management and deep understanding of capital markets will be of great help to our partners and
26 customers.”

27 53. On March 12, 2020, Company #2, then solely responsible for Cred’s hedging strategy,
28 sent an email to Alexander confirming that “all of your BTC futures positions were liquidated” and

1 informing him that Cred then had a short position of \$27 million. Company #2 asked Cred for an
2 additional \$3 million in collateral.

3 54. On March 16, 2020, Cred's General Counsel informed SCHATT, PODULKA, and
4 Alexander that Cred's financial statements showed that as of "this morning" Cred may not be
5 "financial[ly] solvent" and thus "Cred must be careful at all times to be accurate in its statements to its
6 creditors and to all stakeholders" and "not to mislead our customers and creditors."

7 55. Despite these warnings, the Cred sales team continued to seek new customer funds using
8 the same talking points and reassurances about risk management that they had used pre-crash. For
9 example, on March 18, 2020, despite that Cred had lost all of its hedges and its solvency was being
10 questioned by its General Counsel, a Cred salesperson at the direction of Alexander and SCHATT,
11 reassured Victim #1 that the flash crash "was a good thing for our company," because "our capital
12 market team was able to protect all of our positions and even captured a significant premium through
13 this event – all assets are safe and we will not have any problem delivering principle (sic) on interest."
14 Based in part on Victim #1's belief in the truthfulness of these statements, on April 14, 2020, Victim #1
15 renewed his loan of 58.3 bitcoin (then worth more than \$400,000) under the CredEarn program.

16 56. On April 5, 2020, Cred Employee #1, charged with analyzing Cred's financial situation,
17 circulated to the Cred LLC Investment Committee comprised of SCHATT, PODULKA, and Alexander,
18 a liquidity analysis of the company "Post March 2020 Flash Crash." The analysis revealed that Cred
19 was operating at a loss and was completely exposed to losing money as the price of Bitcoin rose because
20 it no longer had hedges in place. As part of that analysis, Cred Employee #1 added that Cred's recall of
21 approximately \$10 million from Cred's lending partner, moKredit, "was delayed," but noted that
22 moKredit had agreed to a loan repayment schedule which included two \$4-million payments, one in
23 June and one in July of 2020.

24 57. On April 13 through 15, 2020, Victim #2 had an email exchange with a Cred salesperson
25 regarding his potential investment. In response to Victim #2's query about "[h]ow much money" Cred
26 had "right now," the salesperson directed Victim #2 to PODULKA who wrote that while Cred "did lose
27 money in 2019," it "ended up with about \$2M in equity" and "expected to be profitable by Q4 of this
28 year." The salesperson added that "[t]he company has plenty of working capital as well as access to

1 \$5M in debt.” Relying on the truthfulness of these statements, on April 23, 2020, Victim #2 lent Cred
2 20 bitcoin, then worth more than \$150,000, and 1720 ETH, then worth approximately \$339,390.

3 58. Meanwhile, on May 14 and 15, 2020, Cred General Counsel reraised specific concerns to
4 the marketing team about claims Cred was making to its customers about the scope of its insurance
5 given that claims Cred had submitted to its insurance companies had been denied. Questioning the
6 claim that “Cred has one of the most comprehensive insurance policies available to the market,” the
7 General Counsel cautioned that that language “could mislead someone into thinking that their crypto is
8 insured when it is not” and that “no such insurance exists.” Despite the General Counsel’s warning,
9 SCHATT told the marketing team to continue to use the term “comprehensive insurance” in its
10 materials.

11 59. In May of 2020, moKredit informed Cred that it would be unable to pay the interest it had
12 promised or the principal on its loans. At that point, Cred’s General Counsel told SCHATT to send the
13 liquidity analysis to Individual #1 to let him know that Cred was in a “solvency crisis.”

14 60. Meanwhile in May of 2020, SCHATT and Alexander met with Company #1 to explain
15 the purpose of the newly incorporated Cred Capital. When representative for Company #1 asked
16 SCHATT and Alexander why they were making this change instead of continuing to rely on moKredit
17 for its interest payment, Company #1 was told that Individual #1 had “done enough” for Cred, and that
18 Cred could now operate on its own. Neither SCHATT nor Alexander told Company #1 about the
19 “solvency crisis,” or that moKredit had failed and was failing to repay the principal on its loans.

20 ***Summer 2020: James Alexander is fired; customer funds are used to pay redemptions;
21 and QuantCoin is revealed to be a scam***

22 61. In June 2020, SCHATT and PODULKA challenged Alexander about the formation and
23 structure of Cred Capital. In the midst of that dispute, on or about June 24, 2020, SCHATT fired
24 Alexander. Thereafter, the Cred sales team reported directly to SCHATT and PODULKA.

25 62. In June, with the liquidity crisis worsening, SCHATT and PODULKA continued to paint
26 a rosy picture of Cred’s financial stability both inside and outside of the company. Inside the company,
27 SCHATT and PODULKA continued to hold monthly all-hands meetings claiming that the company was
28 in good financial condition. To its customers, Cred continued to market its products in the same

1 manner, claiming that (a) Cred engaged in “collateralized or guaranteed lending”; (b) all of Cred’s
2 crypto positions were “hedged”; (c) Cred had generated a post-flash crash “a positive net income”; and
3 (d) Cred provided “comprehensive insurance.”

4 63. On July 1, 2020, Victim #3 -- relying on the misleading reassurance he had received from
5 SCHATT on March 12, 2020, believing that Cred’s hedges were still in place, and believing that Cred
6 was financially solvent -- invested \$700,000 of the cryptocurrency Gemini (GUSD) in Cred.

7 64. On July 31, 2020, Victim #2 -- relying on the language in his CredEarn Line of Credit
8 Agreement that Cred would keep lenders apprised of all “material-contingent liabilities“ and having not
9 heard anything negative about Cred since his initial investment -- renewed his investment and then lent
10 an additional 788.9 ETH (then worth approximately \$272,604) to Cred.

11 65. On August 6, Cred Employee #1 suggested to SCHATT and PODULKA that Cred’s
12 balance sheet should reflect that moKredit was not repaying its loans. Despite the advice, the
13 company’s financial statements were never adjusted to reflect moKredit’s failure to pay back the loan
14 principal.

15 66. Still, to the outside world, Cred was doing well. And, during the all-hands meetings in
16 July and August, SCHATT and PODULKA emphasized that the company was profitable and doing
17 well, and pushed the sales team to bring in new business. As a result, based on the sales teams
18 projections of growth and stability, on August 11, 2020, Victim #4, transferred 50 bitcoin (then worth
19 approximately \$570,153) to Cred. On August 12, 2020, Victim #4 transferred another 50 bitcoin (then
20 worth approximately \$579,246) to Cred.

21 67. The turmoil inside Cred only worsened. In late July, seeing the growing solvency crisis,
22 PODULKA asked Cred Employee #1 to reach out to QuantCoin to withdraw some of Cred’s assets.
23 QuantCoin responded that it would need until the first week of September to gather the assets. Starting
24 on August 21, 2020, however, Cred employees were unable to make contact with QuantCoin, receiving
25 bounce back email messages over the weekend. On August 24, 2020, PODULKA emailed Kingdom
26 Trust asking for Scott Foster’s new email address to inquire about Cred’s account, Kingdom Trust
27 responded that they had no such account and that Cred appeared to be the victim of a scam. By August
28 24, 2020, in addition to the hole created by moKredit’s failure to repay the principal on its \$40 million in

1 loans, the company now knew that it had also lost 800 bitcoin (then worth about \$9.4 million) belonging
2 to its Cred customers in the QuantCoin scam.

3 68. In mid-June, Cred approached Victim #5, a venture capital firm specializing in
4 investment in early-stage companies involved in cryptocurrency, to solicit its interest in investing in the
5 company. Victim #5 evaluated Cred's financial viability, which included asking for financial
6 information from PODULKA about the company assets and liabilities. PODULKA provided financial
7 information which indicated a positive valuation but did not include information about moKredit's
8 outstanding loans, instead including the loans outstanding to moKredit as Cred assets. Relying on the
9 accuracy of the information it received from Cred, Victim #5 decided to invest and on August 20, 2020,
10 transferred \$1,500,000 USD to Cred.

11 69. Meanwhile, SCHATT and PODULKA did not inform Cred customers or Company #1 of
12 the QuantCoin scam, and despite that loss and the "hole" created by moKredit's failure to repay the
13 principal on its loans, they encouraged the sales team to step up its efforts to bring in new funds. To that
14 end, on August 24, 2020, Victim #6 – an existing Cred customer – responded to a Cred solicitation for
15 "bonus rates" available only for a limited period of time by lending an additional 49.901 bitcoin (then
16 worth approximately \$571,858) to Cred. Similarly relying on Cred's financial stability, on September 1,
17 2020, Victim #7 enrolled 5.32852044 bitcoin (then worth approximately \$63,650) in CredEarn.

18 70. Despite worsening financial conditions at Cred, SCHATT never wavered in his claim that
19 the company was financially sound while pushing the sales team to bring in new customer funds. On
20 August 31, 2020, SCHATT appeared in a Cred "Ask Me Anything" video question and answer session
21 broadcast on YouTube where he extolled the company's financial health. On September 11, SCHATT
22 emailed his sales team, copying PODULKA, the following message:
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1 **Subject:** Up for the challenge!

2 Hi guys,

3 Given the number of redemptions we face this month, the next 21 days are absolutely pivotal to the level of success we
4 will experience in 2020! We either must pull out a great deal of our high performing assets that are generating profits
5 for the company to pay for redemptions, or we bring in more money than is going out! This year, we've been
unprofitable 4 months, and profitable 4 months. Let's mark September as the month that we definitively stay profitable,
overcome all of the challenges we've experienced, and KICK ASS!

6 The challenge → We bring in \$5 million+ of NET NEW FUNDS over the next 21 days! That means we bring in the same
7 amount of money that is returned this month, PLUS \$5M+! And the challenge for October, we bring in PLUS
\$10M+! This will require managing the redemptions, while putting pedal the metal on new customers and money!

8 71. These gambits worked. On October 1, 2020, in response to the promotional pushes
9 received from the sales team and reassured about Cred's financial stability, Victim #8, transferred 600
10 ETH (then worth approximately \$211,926) to Cred as part of the CredBorrow program.

11 72. In early October, Victim #9, who had loaned Cred over \$3.5 million USD, was
12 approached about renewing Victim #9's commitment. In response to Victim's #9's specific inquiries
13 and request for current financial information, on October 11, 2020, PODULKA emailed Victim #9 at
14 letter stating the following:

15 Per your request, I confirm to the best of my knowledge and belief, and having made
16 adequate and appropriate enquiries, the following four items.

- 17 1. The company generated a positive Net Income between April 1 and September 30.
- 18 2. The company has sufficient funds to cover operating expenses, paying debts as due.
- 19 3. The company has the resources to meet expected principal redemptions and interest
20 payments through February 2021 – even if no additional funds are brought in.
- 21 4. The company's Current Ratio as of June 30 is between 80%-82%, in line or above the
22 previous estimate.

23 Sincerely,



24 Joseph Podulka
25 CFO

26 All four of the statements made in the October 11, 2020 letter were either false or misleading.

27 73. On October 15, 2020, based on the false reassurances Victim #9 had received from
28 PODULKA, Victim #9 re-enrolled Victim #9's loan to Cred in the total amount of \$3,829,221.40.

1 74. Also on October 15, 2020, relying on the misleading marketing materials regarding the
 2 CredEarn program still posted on Company #1's platform, Victim #7 enrolled 13,016.45 UPUSD
 3 cryptocurrency (then worth approximately \$11,297) in CredEarn via a Company #1 account.

4 ***The Last Days of Cred and Cred's Bankruptcy***

5 75. On October 23, 2020, representatives from Company #1 were asked by a news source
 6 whether it was aware that Cred had lost "a bunch of money." Company #1 contacted Cred, and during a
 7 two-hour recorded call, learned for the first time that (a) Cred had lost over \$8 million during the
 8 QuantCoin deal, (b) Cred had no hedges, and (c) Cred's asset to liabilities ratio was off by tens of
 9 millions of dollars. On October 25, 2020, Company #1 ceased doing business with Cred and froze all
 10 Cred-related customer accounts on its platform. Company #1 also removed SCHATT from its Board of
 11 Directors.

12 76. On November 7, 2020, Cred declared Chapter 11 bankruptcy. On November 9, 2020,
 13 SCHATT filed a declaration in support of Cred's Chapter 11 petition. In that declaration and in
 14 furtherance of the scheme to defraud, SCHATT misleadingly claimed that Cred's financial difficulties
 15 were primarily due to Alexander's "malfeasance," including his appropriation of approximately 225
 16 bitcoin on June 24, 2020, and his alleged failure to conduct proper due diligence on QuantCoin.

17 COUNT ONE: 18 U.S.C. § 1349 (Conspiracy to Commit Wire Fraud)

18 77. The factual allegations in Paragraphs 1 through 76 are re-alleged and incorporated as if
 19 fully set forth here.

20 78. Beginning no later than March 12, 2020 and continuing until at least in or around
 21 November of 2020, in the Northern District of California, and elsewhere, the defendants,

22 DANIEL SCHATT, and
 23 JOSEPH PODULKA,

24 knowingly conspired and agreed with each other, Alexander, and with others known and unknown to the
 25 Grand Jury to commit wire fraud, in violation of Title 18, United States Code, Section 1343.

26 All in violation of Title 18, United States Code, Section 1349.

27 COUNTS TWO THROUGH FOURTEEN: 18 U.S.C. § 1343 (Wire Fraud)

28 79. The factual allegations in Paragraphs 1 through 76 are re-alleged and incorporated as if

1 fully set forth here.

2 80. Beginning no later than March 12, 2020, and continuing through in or about November of
 3 2020 in the Northern District of California, and elsewhere, the defendants,

4 DANIEL SCHATT, and
 5 JOSEPH PODULKA,

6 did knowingly and with the intent to defraud devise and intend to devise a scheme and artifice to defraud
 7 customers of Cred as to a material matter, and to obtain moneys and property from customers of Cred by
 8 means of materially false and fraudulent pretenses, representations, and promises, and by means of
 9 omission and concealment of material facts, which scheme and artifice is summarized in paragraphs 1
 10 through 76 above.

11 The Use of the Wires

12 81. On or about the dates set forth in the separate counts below, in the Northern District of
 13 California, and elsewhere, for the purpose of executing the scheme and artifice referred to above, and
 14 attempting to do so, the defendants

15 DANIEL SCHATT, and
 16 JOSEPH PODULKA

17 having knowingly, and with intent to defraud, devised and intended to devise a scheme and artifice to
 18 defraud Cred customers as to a material matter and to obtain money and property from Cred customers
 19 means of materially false and fraudulent pretenses, representations, and promises, and by concealment
 20 of material facts, and, for the purpose of executing such scheme and artifice and attempting to do so, did
 21 transmit, and cause to be transmitted, by means of wire communication in interstate or foreign
 22 commerce, certain writings, signs, signals, pictures, and sounds, namely, the following:

COUNT	DATE	DESCRIPTION OF WIRE COMMUNICATION
Two	April 14, 2020	Email communication containing Victim #1's confirmation of re-enrollment of loan of 58.3 bitcoin
Three	April 23, 2020	Transfer of 20 bitcoin from Victim #2's wallet ending in -wrDM to Cred's wallet ending in -29bR and transfer of 1710 ETH from Victim #2's wallet ending in -wrDM to Cred's wallet ending in -aCa7
Four	July 1, 2020	Transfer of 700,000 GUSD from Witness #3's Coin Generation account to Cred's wallet ending in -E694

Five	July 31, 2020	Transfer of 788.9 ETH from Victim #2's wallet ending in Bad6 to Cred's wallet ending in -E694
Six	August 11, 2020	Transfer of 50 bitcoin from Victim #4's wallet ending in -SDfU to Cred's wallet ending in -zAtm
Seven	August 12, 2020	Transfer of 50 bitcoin from Victim #4's wallet ending in -Qwit to Cred's wallet ending in -zAtm
Eight	August 20, 2020	Transfer of \$1,500,000 from Victim #5 to Cred Silvergate Bank account ending in -3143
Nine	August 24, 2020	Transfer of 49.901 bitcoin from Victim #6's wallet ending in -td37 to Cred wallet ending in -6kjh
Ten	September 1, 2020	Victim #7 enrolled 5.32852044 BTC in CredEarn via his Uphold account
Eleven	October 1, 2020	Victim #8 entered into a Line of Credit agreement with Cred pledging 600 ETH as collateral
Twelve	October 12, 2020	Letter emailed from CFO PODULKA to Victim #9
Thirteen	October 15, 2020	Email communication containing Victim #9's confirmation of re-enrollment of loan of \$3,829,221.40 USD
Fourteen	October 15, 2020	Victim #7 enrolled 13,016.45 UPUSD in CredEarn via his account with Company #1

Each in violation of Title 18, United States Code, Section 1343 and 2.

COUNT FIFTEEN: 18 U.S.C. § 1956(a)(1)(A) (Engaging in a Financial Transaction to Promote Specified Unlawful Activity)

82. The factual allegations in Paragraphs 1 through 81 are re-alleged and incorporated as if fully set forth here.

83. As described below, on June 19, 2020 in the Northern District of California, the defendants

DANIEL SCHATT, and
JOSEPH PODULKA,

did knowingly conduct and attempt to conduct a financial transaction affecting interstate and foreign commerce, that is, defendants authorized that 772.1915 bitcoin -- 500 bitcoin of which was derived from the proceeds of a specified unlawful activity, that is, wire fraud -- be transferred from Galois Capital's Coinbase account to Cred's Fireblocks wallet ending in -5mDB and then to Company # 2's wallet

ending in -JLVv as partial repayment of the Luxembourg bond, all with the intent to promote the carrying on of specified unlawful activity, that is, wire fraud, and that while conducting and attempting to conduct such financial transaction knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i) and 2.

COUNT SIXTEEN: 18 U.S.C. § 1957 (Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity)

84. The factual allegations in Paragraphs 1 through 81 are re-alleged and incorporated as if fully set forth here.

85. As set forth in each Count below, in the Northern District of California, defendants

DANIEL SCHATT, and
JOSEPH PODULKA,

did knowingly engage and attempt to engage in monetary transactions, by, through and to financial institutions, in and affecting interstate commerce, in criminally derived property of a value greater than \$10,000, and which in fact was derived from specified unlawful activity, namely, conspiracy to commit wire fraud as charged in Count One of this Indictment:

COUNT	APPROXIMATE DATE	DESCRIPTION OF MONETARY TRANSACTION
Sixteen	September 30, 2020	Defendants transferred \$250,000 in customer funds deposited in Cred’s Silvergate account ending in -3143 to Cred Silvergate account ending in -3127 before transferring \$100,000 from the Silvergate account ending in 3127 to Cred Customer #2 to pay a loan redemption.

In violation of Title 18, United States Code, Section 1957.

FORFEITURE ALLEGATION: 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c)

86. The allegations contained in this Indictment are re-alleged and incorporated by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

87. Upon conviction for any of the offenses set forth in Counts One through Fourteen of this Indictment, the defendants,

DANIEL SCHATT, and
JOSEPH PODULKA

1 shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and
2 Title 28, United States Code, Section 2461(c), all property, real or personal, constituting, or derived
3 from proceeds the defendant obtained directly and indirectly, as the result of those violations.

4 88. Upon conviction for any of the offenses set forth in Counts Fifteen and Sixteen of this
5 Indictment, the defendants,

6 DANIEL SCHATT, and
7 JOSEPH PODULKA

8 shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1) any
9 property, real or personal, involved in such offense, or any property traceable to such property.

10 89. If any of the property described above, as a result of any act or omission of the defendant:

- 11 a. cannot be located upon exercise of due diligence;
- 12 b. has been transferred or sold to, or deposited with, a third party;
- 13 c. has been placed beyond the jurisdiction of the court;
- 14 d. has been substantially diminished in value; or
- 15 e. has been commingled with other property which cannot be divided without
16 difficulty,

17 the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21,
18 United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).


19 All pursuant to Title 18, United States Code, Section 981(a)(1)(C), 982(a)(1), Title 28, United
20 States Code, Section 2461(c), and Federal Rule of Criminal Procedure 32.2.

21 DATED:

A TRUE BILL.

22 
23 _____
FOREPERSON

24 ISMAIL J. RAMSEY
25 United States Attorney

26 
27 _____
BARBARA J. VALLIERE
ADAM A. REEVES
28 Assistant United States Attorneys

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT
 SUPERSEDING

OFFENSE CHARGED

18 U.S.C. § 1349: Conspiracy to Commit Wire Fraud; 18 U.S.C. § 1343: Wire Fraud; 18 U.S.C. § 1956(a)(1)(A): Engaging in a Financial Transaction to Promote Unlawful Activity; 18 U.S.C. § 1957: Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity; 18 U.S.C. § 2: Aiding and Abetting; 18 U.S.C. § 981(a)(1)(C) & 28 U.S.C. § 2461(c): Forfeiture **+**
 Petty
 Minor
 Misdemeanor
 Felony

PENALTY: please see attached sheet

Name of District Court, and/or Judge/Magistrate Location

NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

DEFENDANT - U.S.

United States v. Daniel Schatt

DISTRICT COURT NUMBER
CR24-00243 JD

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

Federal Bureau of Investigation

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21, or 40. Show District

this is a reprosecution of charges previously dismissed which were dismissed on motion of:
 U.S. ATTORNEY DEFENSE } SHOW DOCKET NO.

this prosecution relates to a pending case involving this same defendant } MAGISTRATE CASE NO.

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under }

Name and Office of Person Furnishing Information on this form Ismail J. Ramsey
 U.S. Attorney Other U.S. Agency

Name of Assistant U.S. Attorney (if assigned) Barbara J. Valliere

DEFENDANT

IS NOT IN CUSTODY

Has not been arrested, pending outcome this proceeding.

- 1) If not detained give date any prior summons was served on above charges
- 2) Is a Fugitive
- 3) Is on Bail or Release from (show District)

IS IN CUSTODY

- 4) On this charge
- 5) On another conviction } Federal State
- 6) Awaiting trial on other charges
If answer to (6) is "Yes", show name of institution

Has detainer been filed? Yes No } If "Yes" give date filed

DATE OF ARREST Month/Day/Year

Or... if Arresting Agency & Warrant were not

DATE TRANSFERRED TO U.S. CUSTODY Month/Day/Year

FILED
May 01 2024
Mark B. Busby
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO

This report amends AO 257 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

SUMMONS NO PROCESS* WARRANT

If Summons, complete following:

Arraignment Initial Appearance

Defendant Address:

Bail Amount: _____

* Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment

Date/Time: _____ Before Judge: _____

Comments:

United States v. Daniel Schatt

Penalties

Count One: 18 U.S.C. § 1349: 20 years' imprisonment,
\$250,000 fine
3 years' supervised release
\$100 special assessment
Restitution
Forfeiture

Counts Two-Fourteen: 18 U.S.C. § 1343:
20 years' imprisonment,
\$250,000 fine
3 years' supervised release
\$100 special assessment
Restitution
Forfeiture

Count Fifteen: 18 U.S.C. § 1956(a)(1)(A):
20 years' imprisonment,
\$500,000 fine
3 years' supervised release
\$100 special assessment
Restitution
Forfeiture

Count Sixteen: 18 U.S.C. § 1957:
10 years' imprisonment,
\$250,000 fine
3 years' supervised release
\$100 special assessment
Restitution
Forfeiture

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT
 SUPERSEDING

OFFENSE CHARGED

18 U.S.C. § 1349: Conspiracy to Commit Wire Fraud; 18 U.S.C. § 1343: Wire Fraud; 18 U.S.C. § 1956(a)(1)(A): Engaging in a Financial Transaction to Promote Unlawful Activity; 18 U.S.C. § 1957: Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity; 18 U.S.C. § 2: Aiding and Abetting; 18 U.S.C. § 981(a)(1)(C) & 28 U.S.C. § 2461(c): Forfeiture **+**
 Petty
 Minor
 Misdemeanor
 Felony

PENALTY: please see attached sheet

Name of District Court, and/or Judge/Magistrate Location

NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

DEFENDANT - U.S.

United States v. Joseph Podulka

DISTRICT COURT NUMBER
CR24-00243 JD

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

Federal Bureau of Investigation

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21, or 40. Show District

this is a reprosecution of charges previously dismissed which were dismissed on motion of:
 U.S. ATTORNEY DEFENSE

SHOW DOCKET NO.

this prosecution relates to a pending case involving this same defendant

MAGISTRATE CASE NO.

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

Name and Office of Person Furnishing Information on this form Ismail J. Ramsey
 U.S. Attorney Other U.S. Agency

Name of Assistant U.S. Attorney (if assigned) Barbara J. Valliere

DEFENDANT

IS NOT IN CUSTODY

Has not been arrested, pending outcome this proceeding.

- 1) If not detained give date any prior summons was served on above charges
- 2) Is a Fugitive
- 3) Is on Bail or Release from (show District)

IS IN CUSTODY

- 4) On this charge
- 5) On another conviction
- 6) Awaiting trial on other charges

If answer to (6) is "Yes", show name of institution

Has detainer been filed? Yes No

If "Yes" give date filed

DATE OF ARREST Month/Day/Year

Or... if Arresting Agency & Warrant were not

DATE TRANSFERRED TO U.S. CUSTODY Month/Day/Year

FILED

May 01 2024

Mark B. Busby
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO

Federal State

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

SUMMONS NO PROCESS* WARRANT

Bail Amount: _____

If Summons, complete following:

Arraignment Initial Appearance

* Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment

Defendant Address:

Date/Time: _____ Before Judge: _____

Comments:

United States v. Joseph Podulka

Penalties

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\$250,000 fine
3 years' supervised release
\$100 special assessment
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20 years' imprisonment,
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\$100 special assessment
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Forfeiture

Count Fifteen: 18 U.S.C. § 1956(a)(1)(A):
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Restitution
Forfeiture

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10 years' imprisonment,
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