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District of New Jersey*

FOR IMMEDIATE RELEASE
Dec. 10, 2019
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THREE MEN ARRESTED IN \$722 MILLION CRYPTOCURRENCY FRAUD SCHEME

NEWARK, N.J. – Three men were arrested today in connection with a cryptocurrency mining scheme that defrauded investors of \$722 million, U.S. Attorney Craig Carpenito announced.

Matthew Brent Goettsche, 37, of Lafayette, Colorado, and Jobadiah Sinclair Weeks, 38, of Arvada, Colorado, are charged by indictment with conspiracy to commit wire fraud and Goettsche, Weeks, and Joseph Frank Abel, 49, of Camarillo, California, are charged by indictment with conspiracy to offer and sell unregistered securities. Goettsche was arrested in Colorado, Weeks in Florida, and Abel in California. All three are scheduled to have their initial appearances in the districts of their arrests. Two defendants remain at large and their identities remain under seal.

“The indictment describes the defendants’ use of the complex world of cryptocurrency to take advantage of unsuspecting investors,” U.S. Attorney Carpenito said. “What they allegedly did amounts to little more than a modern, high-tech Ponzi scheme that defrauded victims of hundreds of millions of dollars. Working with our law enforcement partners here and across the country, we will ensure that these scammers are held to account for their crimes.”

“Those arrested today are accused of deploying elaborate tactics to lure thousands of victims with promises of large returns on their investments in a bitcoin mining pool, an advanced method of profiting on cryptocurrency,” Paul Delacourt, the Assistant Director in Charge of the FBI’s Los Angeles Field Office said. “The defendants allegedly made hundreds of millions of dollars by continuing to recruit new investors over several years while spending victims’ money lavishly.”

“Today’s indictment alleges the defendants were involved in a sophisticated Ponzi scheme involving hundreds of millions of dollars that preyed upon investors all over the world,” John R. Tafur, Special Agent in Charge, IRS Criminal Investigation, Newark Field Office, said. “This was a classic con game with a virtual twist; false promises of large returns for investing in the mining of Bitcoin. IRS Criminal Investigation will continue to work with our law enforcement partners, including the Joint Chiefs of Global Tax Enforcement, to investigate and bring to justice cyber criminals.”

According to documents filed in this case and statements made in court:

From April 2014 through December 2019, the defendants operated BitClub Network, a fraudulent scheme that solicited money from investors in exchange for shares of purported cryptocurrency mining pools and rewarded investors for recruiting new investors. Goettsche, Weeks, and others conspired to solicit investments in BitClub Network by providing false and misleading figures that BitClub investors were told were “bitcoin mining earnings,” purportedly generated by BitClub Network’s bitcoin mining pool. Goettsche discussed with his conspirators that their target audience would be “dumb” investors, referred to them as “sheep,” and said he was “building this whole model on the backs of idiots.” Goettsche directed others to manipulate the figures displayed as “mining earnings” during the course of the conspiracy.

For example, in February 2015, Goettsche directed another conspirator to “bump up the daily mining earnings starting today by 60%,” to which his conspirator warned “that is not sustainable, that is ponzi teritori [sic] and fast cash-out ponzi . . . but sure.” In September 2017, Goettsche sent an email to another conspirator in which he suggested that Bitclub Network “[d]rop mining earnings significantly starting now” so that he could “retire RAF!!! (rich as fuck).” Weeks sent an email in June 2017 to Goettsche and another conspirator in which he remarked that BitClub selling shares in BitClub and then not using the money to purchase mining equipment was “not right.” Goettsche, Weeks, and others obtained the equivalent of at least \$722 million from BitClub Network investors.

Goettsche, Weeks, Abel, and others also conspired to sell BitClub Network shares – which were securities – notwithstanding that BitClub Network did not register the shares with the U.S. Securities and Exchange Commission. Weeks and Abel created videos and traveled around the United States and the world to promote BitClub Network. In one video, a conspirator espoused that BitClub Network was “the most transparent company in the history of the world that I’ve ever seen.” In another video, Abel assured investors that BitClub Network was “too big to fail.”

The wire fraud conspiracy charge carries a maximum potential penalty of 20 years in prison, and a fine of up to \$250,000. The conspiracy to sell unregistered securities charge carries a maximum penalty of five years in prison and a fine up to \$250,000.

U.S. Attorney Carpenito credited special agents and task force officers of the FBI’s Los Angeles Division’s West Covina Resident Agency, under the direction of Acting Assistant Director in Charge Delacourt; special agents of IRS-Criminal Investigation, under the direction of Special Agent in Charge John R. Tafur in Newark; and the IRS Los Angeles Field Office, under the direction of Special Agent in Charge Ryan L. Korner, with the investigation leading to today’s charges.

Anyone who believes they may be a victim may visit www.justice.gov/usao-nj/bitclub or the Department of Justice’s large case website www.justice.gov/largecases. There, victims can find more information about the case, including a questionnaire for victims to fill out and submit.

The government is represented by Unit Chief David W. Feder and Assistant U.S. Attorneys Anthony P. Torntore and Jamie L. Hoxie, of the Cybercrime Unit, and Unit Chief

Sarah Devlin of the Asset Recovery and Money Laundering Unit of the U.S. Attorney's Office in Newark.

The charges and allegations contained in the indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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