



*United States Attorney
District of New Jersey*

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**ROMANIAN PROGRAMMER ADMITS THAT HE HELPED CREATE BITCLUB
NETWORK, A FRAUD SCHEME WORTH AT LEAST \$722 MILLION**

NEWARK, N.J. – A Romanian man arrested in Germany admitted today to conspiring to engage in wire fraud and offering and selling unregistered securities in connection with his role in the BitClub Network, a cryptocurrency mining scheme worth at least \$722 million, U.S. Attorney Craig Carpenito announced.

Silviu Catalin Balaci, 35, a Romanian citizen who was living in Germany, pleaded guilty by videoconference before U.S. District Judge Claire C. Cecchi to a superseding information charging him with one count of a dual-object conspiracy to commit wire fraud and to offer and sell unregistered securities. Balaci and four co-defendants – Matthew Brent Goettsche, Russ Albert Medlin, Jobadiah Sinclair Weeks, and Joseph Frank Abel – were charged previously by indictment in December 2019 in connection with the scheme.

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

From April 2014 through December 2019, the BitClub Network was a fraudulent scheme that solicited money from investors in exchange for shares of purported cryptocurrency mining pools and rewarded investors for recruiting new investors into the scheme. Balaci assisted Goettsche and Medlin in creating and operating the BitClub Network and served as a programmer for the BitClub Network.

As a part of the scheme, Balaci and Goettsche discussed that the target audience for the BitClub Network would be “dumb” investors, referred to them as “sheep,” and plotted that they would be “building this whole model on the backs of idiots.” The BitClub Network told investors that they could invest in three different bitcoin mining pools; however, Balaci admitted that, at no point during the conspiracy was he aware of the BitClub Network operating three separate bitcoin mining pools. Balaci admitted that he, at Goettsche’s behest, changed the figures displayed as bitcoin mining earnings to make it appear that the BitClub Network was earning more than what

was actually being mined. For example, in February 2015, Goettsche directed Balaci to “bump up the daily mining earnings starting today by 60%,” to which Balaci warned “that is not sustainable, that is ponzi teritori [sic] and fast cash-out ponzi . . . but sure.” In connection with his plea, Balaci confirmed that during the course of the scheme, the BitClub Network took at least \$722 million worth of bitcoin from investors.

The charge to which Balaci pleaded guilty carries a maximum penalty of five years in prison and a fine of \$250,000, or twice the pecuniary gain to the defendant or loss to the victims. A sentencing date has not been set.

U.S. Attorney Carpenito credited special agents and task force officers of the FBI Los Angeles Division’s West Covina Resident Agency, under the direction of Assistant Director in Charge Paul D. Delacourt; special agents of IRS - Criminal Investigation, under the direction of Special Agent in Charge Michael Montanez in Newark; special agents of the IRS Los Angeles Field Office, under the direction of Special Agent in Charge Ryan L. Korner; and the FBI Criminal Investigative Division, under the supervision of Assistant Director Calvin A. Shivers and the Financial Crimes Section, under the leadership of Section Chief Steven Merrill, with the investigation leading to today’s guilty plea. He also thanked the Department of Justice’s Office of International Affairs and German authorities for their assistance.

Anyone who believes they may be a victim may visit <https://www.justice.gov/usao-nj/bitclub> or the Department of Justice’s large case website <https://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, Assistant U.S. Attorneys Jamie L. Hoxie and Anthony P. Torntore of the Cybercrime Unit, and Unit Chief Sarah Devlin and Assistant U.S. Attorney Joseph Minish of the Asset Recovery and Money Laundering Unit, of the U.S. Attorney’s Office in Newark.

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Defense counsel: Robert J. Anello, Brian Jacobs, Margaret Vasu, and Joe Stern Esqs., New York