

SEC Enforcement Case Summary Geosyn Mining Crypto Asset Mining Fraud

On April 24, 2024, the Securities and Exchange Commission (**SEC**) filed charges against Geosyn Mining, LLC, a Texas-based crypto asset mining and hosting company, for allegedly conducting an unregistered and fraudulent securities offering. The SEC noted that between November 2021 and December 2022, Geosyn raised approximately \$5.6 million from over 60 investors under false pretenses. Investors were led to believe that Geosyn would purchase and operate crypto mining machines, distribute profits from mined assets, and provide services like personalized mining strategies and continuous onsite monitoring. However, the SEC alleges that Geosyn misled investors by falsely claiming favorable electricity contracts and profitability, while in reality, their electricity costs were far greater, and profitability was far less than represented.

Defendants were further charged with misappropriating investor funds for a variety of personal expenses, including vacation travel, construction materials, personal legal fees, firearms, wristwatches, and other items. The SEC alleged that to maintain the façade of success, the defendants attended multiple crypto asset-technology conferences and spent tens of thousands of dollars on flights for themselves and employees, luxury accommodations, nightclubs, and other entertainment venues. During one such conference, one defendant was involved in a drunk driving accident, and the firm authorized the use of investor funds to pay expenses related to criminal charges stemming from the accident.

The SEC's complaint, filed in the U.S. District Court for the Northern District of Texas, seeks permanent injunctions against all defendants, disgorgement of false gains with prejudgment interest, and civil penalties. This case highlights the SEC's efforts to enforce securities laws and protect investors from fraudulent practices within the crypto asset industry.

See Litigation Release – <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-25983>