

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
 :
 v. : Crim. No. 23-
 :
 DAVID W. SCHAMENS : 18 U.S.C. § 1343
 : 15 U.S.C. §§ 78j(b) and 78ff
 : 18 U.S.C. § 1956(a)(1)(B)(i)
 : 18 U.S.C. § 2

INDICTMENT

The Grand Jury in and for the District of New Jersey, sitting at Newark,
charges:

COUNTS ONE THROUGH SEVEN
(Wire Fraud)

1. At times relevant to Counts One through Seven of this Indictment:
 - a. Defendant DAVID W. SCHAMENS (“SCHAMENS”) resided in North Carolina and managed and operated various entities used to solicit investments from members of the public (the “Victim Investors”), including TD Trading LLC (“TD”), TFG Trading LLC (“TFG”), TradeStream Analytics LTD (“TradeStream”), Tradedesk Financial Group, Inc. (“Tradedesk”), and TradeStream Algo Fund LP (“the Algo Fund”), among others (collectively, the “SCHAMENS Entities”).
 - b. TD was registered as a Delaware limited liability company in or around July 2013. SCHAMENS was the sole signatory to a bank account held by TD at Bank-1 ending in 6431 (the “Bank-1 TD Account”).

c. TFG was a Delaware limited liability company registered in or around April 2015. SCHAMENS was the sole signatory to: (1) a bank account held by TFG at Bank-1 ending in 9749 (the “Bank-1 TFG Account”); and (2) a bank account held by TFG at Bank-2 ending in 5525 (the “Bank-2 TFG Account”).

d. TD and TFG will be referred to together throughout this Indictment as “the Trading Groups.”

e. Tradedesk was registered as a Delaware corporation in or around February 2007. SCHAMENS operated the Trading Groups under the umbrella of Tradedesk. SCHAMENS was the sole signatory to: (1) a bank account held by Tradedesk at Bank-1 ending in 2714 (the “Bank-1 Tradedesk Account”); and (2) a bank account held by Tradedesk at Bank-2 ending in 3792 (the “Bank-2 Tradedesk Account”).

f. TradeStream was registered as a Delaware corporation in or around April 2007. According to its website, TradeStream purported to be a software company whose clients included paid subscribers who, for various legitimate reasons, needed direct access to trading-related services. SCHAMENS was listed on the website as TradeStream’s Chief Executive Officer. SCHAMENS was the sole signatory to a bank account held by TradeStream at Bank-2 ending in 2322 (the “Bank-2 TradeStream Account”). SCHAMENS was also the sole signatory to an account held by TradeStream under the business name, “Bold Analytics LTD d/b/a TradeStream” at Bank-1 ending in 8957 (the “Bank-1 Bold Analytics Account”).

g. The Algo Fund was registered as a Delaware limited partnership in or around February 2019. SCHAMENS was the sole signatory to: (1) a bank account held by the Algo Fund at Bank-1 ending in 9569 (the “Bank-1 Algo Fund Account”); and (2) a bank account held by the Algo Fund at Bank-2 ending in 1812 (the “Bank-2 Algo Fund Account”).

h. SCHAMENS was the sole signatory to the following bank accounts held by him personally: (1) an account held at Bank-1 ending in 5969 (the “Bank-1 SCHAMENS Account”); and (2) an account held at Bank-2 ending in 1786 (the “Bank-2 SCHAMENS Account”).

i. All accounts associated with the SCHAMENS Entities at Bank-2 were opened at a Bank-2 location in Florham Park, New Jersey and listed a New Jersey address on account opening documents.

j. The bank accounts referenced in Paragraphs 1(b) through 1(h), above, will be referenced collectively throughout this Indictment as “the SCHAMENS Bank Accounts”.

k. Bank-1 and Bank-2 were financial institutions as defined in Title 18, United States Code, Section 1956(c)(7), and Title 31, United States Code, Section 5312.

l. Entity-1 was a financial services company headquartered in Onaga, Kansas that provided custodial services for self-directed Individual Retired Accounts (“IRAs”).

m. Entity-2 was a financial services company headquartered in Oak Brook, Illinois that provided custodial services for investments and retirement accounts, including IRAs.

n. The Federal Deposit Insurance Company (“FDIC”) was an independent agency that insured deposits in banks and savings associations.

o. The Securities Investor Protection Corporation (“SIPC”) was a non-profit membership corporation that provided insurance to customers holding currency and securities at SIPC-member brokerage firms.

p. Victim-1 and Victim-2 were married and residents of Virginia.

q. Victim-3 was a resident of California.

r. Victim-4 was a resident of Tennessee.

s. Victim-5 was a resident of Texas.

t. Victim-6 was a resident of New Jersey.

u. Victim-7 was a resident of Australia.

v. Victim-8 was a resident of Maryland.

Overview of the Investment Fraud Scheme

2. From at least as early as 2014 to in or around June 2021, in the District of New Jersey and elsewhere, the defendant,

DAVID W. SCHAMENS,

did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud Victims -1 through -8 and others, and to obtain money and

property by means of materially false and fraudulent pretenses, representations, and promises, as set forth more fully below.

Object of the Scheme

3. The object of the scheme was for SCHAMENS, individually and through the SCHAMENS Entities, to profit unlawfully by fraudulently soliciting and accepting funds from the Victim Investors and using those funds for personal expenditures and to pay back prior Victim Investors in the manner of a Ponzi scheme.

Manner and Means of the Scheme

4. It was part of the scheme that:

a. SCHAMENS fraudulently induced the Victim Investors, including Victims -1 through -8, to invest in one or more of the SCHAMENS Entities under the promise of rates of return (“ROR”) varying anywhere from 12% to 30% annually.

b. SCHAMENS falsely represented to the Victim Investors that investments in the Trading Groups would be used to fund short-term investment loans made to day traders (the “Day Traders”) who would conduct trading activity on the TradeStream platform. SCHAMENS falsely assured the Victim Investors that the Trading Groups’ profits would be derived from fees imposed on the Day Traders and not from the profitability of the trades made by the Day Traders through TradeStream.

c. SCHAMENS falsely represented to the Victim Investors that funds invested in one or more of the Trading Groups could be withdrawn

“without penalty” during the first 10 business days of the trading month and the funds were “always held as cash, not traded.”

d. SCHAMENS falsely represented to the Victim Investors that funds invested in the Trading Groups and the Algo Fund were SIPC insured on behalf of the Trading Groups’ and the Algo Fund’s respective “clearing firms” and FDIC insured by a custodian bank.

e. SCHAMENS falsely represented to Victim Investors that Algo Fund investment funds would be “auto traded” by algorithms managed by TradeStream and subscribed to by the Algo Fund.

f. SCHAMENS falsely represented to the Victim Investors that funds invested in the Algo Funds could be withdrawn “upon notice during the first 10 business days of each quarter end month.”

g. SCHAMENS falsely represented to the Victim Investors that the Algo Fund would use “state of art servers” located in the same data center network as the New York Stock Exchange and the NASDAQ.

h. SCHAMENS falsely represented to Victim Investors that between June 1, 2019 and May 31, 2021, the Algo Fund had significantly outperformed the Dow Jones, NASDAQ, and the S&P 500.

i. SCHAMENS received investments in the Trading Groups and the Algo Fund in one of two ways: (1) Victim Investors wired funds directly to one of the SCHAMENS Bank Accounts; or (2) Victim Investors transferred portions of IRAs held by them at Entity-1 or Entity-2 into one of the SCHAMENS Bank Accounts.

j. After receiving funds from the Victim Investors, SCHAMENS moved the funds through one or more of the SCHAMENS Bank Accounts to disguise and conceal the nature, source, and ownership of the funds.

k. SCHAMENS periodically provided Entity-1 and Entity-2 with fake records and information regarding the purported value of the investments made by those Victim Investors who invested portions of their IRAs held at Entity-1 and Entity-2.

l. SCHAMENS used the Victim Investors' funds to: (a) finance his own lifestyle and make various personal expenditures, including vacations, payments on a luxury vehicle, and a down payment on a million-dollar home; (b) pay back prior Victim Investors in the manner of a Ponzi scheme; and (c) make various other expenditures unrelated to the investments made by the Victim Investors.

m. SCHAMENS took various steps to hide the fraudulent scheme from the Victim Investors and to maintain their trust, including by: (a) providing Victim Investors with fabricated monthly account statements related to their investments; (b) emailing Victim Investors fabricated K-1 statements that falsely represented gains associated with their investments; and (c) providing Victim Investors bogus explanations for delayed and/or incomplete payments and/or redemptions.

n. SCHAMENS defrauded more than approximately 25 Victim Investors, including Victims -1 through -8, resulting in aggregate losses of approximately \$7 million.

Execution of the Scheme

5. From at least as early as 2014 through in or around June 2021, in the District of New Jersey and elsewhere, for the purpose of executing and attempting to execute this scheme and artifice to defraud, the defendant,

DAVID W. SCHAMENS,

did knowingly and intentionally transmit and cause to be transmitted by means of wire communications in interstate and foreign commerce certain writings, signs, signals, pictures, and sounds, as set forth more fully below, each such wire transmission constituting a separate count of this Indictment:

<u>Count</u>	<u>Date</u>	<u>Description</u>
1	1/23/19	Interstate wire transfer of \$100,000 from Victim -1 and Victim-2 to the Bank-1 TFG Account
2	4/8/19	Interstate wire transfer of \$50,000 from Entity-1 on behalf of Victim-3 to the Bank-1 Algo Fund Account
3	4/10/19	Interstate wire transfer of \$50,000 from Entity-1 on behalf of Victim-4 to the Bank-1 Algo Fund Account
4	4/11/19	Interstate wire transfer of \$60,000 from Entity-1 on behalf of Victim-5 to the Bank-1 Algo Fund Account
5	4/16/19	Interstate wire transfer of \$50,000 from Entity-1 on behalf of Victim-6 to the Bank-1 Algo Fund Account
6	6/6/19	Interstate wire transfer of \$100,000 from Victim-7 to the Bank-2 Algo Fund Account
7	12/2/19	Interstate wire transfer of \$59,400 from Victim-8 to the Bank-2 Algo Fund Account

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

COUNT EIGHT
(Securities Fraud)

1. The allegations in paragraphs 1, 3, and 4 of Counts One through Seven of this Indictment are re-alleged here.

2. From at least as early as 2014 through in or around June 2021, in the District of New Jersey and elsewhere, the defendant,

DAVID W. SCHAMENS,

by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national securities exchanges, directly and indirectly, did knowingly and willfully use manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5 in connection with the purchases and sales of securities, namely shares in the Trading Groups and the Algo Fund, by: (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons.

In violation of Title 15, United States Code, Sections 78j(b) and 78ff.

COUNTS NINE THROUGH FIFTEEN

(Money Laundering)

1. The allegations in paragraphs 1, 3, and 4 of Counts One through Seven of this Indictment are re-alleged here.

2. On or about the dates set forth below, in the District of New Jersey and elsewhere, the defendant,

DAVID W. SCHAMENS,

did knowingly conduct and attempt to conduct the following financial transactions affecting interstate commerce, which involved the proceeds of specified unlawful activity, that is, wire and securities fraud, knowing that the transactions were designed in whole and in part to conceal and disguise, the nature, location, source, ownership, and control of the proceeds of the specified unlawful activity and that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, as set forth more fully below, each such transaction constituting a separate count of this Indictment:

<u>Count</u>	<u>Date</u>	<u>Description</u>
9	1/23/19	Bank transfer of \$70,170 from the Bank-1 Tradedesk Account to the Bank-1 TD Account.
10	4/8/19	Bank transfer of \$50,050 from the Bank-1 Tradedesk Account to the Bank-1 TFG Account.
11	4/10/19	Bank transfer of \$50,050 from the Bank-1 Tradedesk Account to the Bank-1 TFG Account.
12	4/11/19	Bank transfer of \$50,010 from the Bank-1 Tradedesk Account to the Bank-1 TFG Account.
13	4/16/19	Bank transfer of \$10,000 from the Bank-1 Bold Analytics Account to the Bank-1 SCHAMENS Account.
14	6/6/19	Bank transfer of \$100,100 from the Bank-2 Tradedesk Account to the Bank-2 TFG Account.

15	12/2/19	Bank transfer of \$59,000 from the Bank-2 Tradestream Account to the Bank-2 SCHAMENS Account.
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All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

FORFEITURE ALLEGATION AS TO COUNTS ONE THROUGH SEVEN

1. As the result of committing the wire fraud offenses alleged in Counts One through Seven of this Indictment, the defendant,

DAVID W. SCHAMENS,

shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C), and 28 U.S.C. § 2461(c), all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offenses charged in Counts One through Seven of this Indictment, and all property traceable thereto.

FORFEITURE ALLEGATION AS TO COUNTS NINE THROUGH FIFTEEN

2. As a result of committing the money laundering offenses charged in Counts Nine through Fifteen of this Indictment, the defendant,

DAVID W. SCHAMENS,

shall forfeit to the United States, pursuant to 18 U.S.C. § 982(a)(1), all property, real or personal, involved in such money laundering offenses, and all property traceable to such property.

Substitute Assets Provision
(Applicable to All Forfeiture Allegations)

3. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

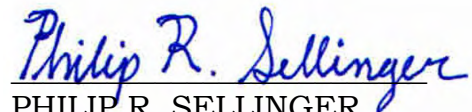
- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third person;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be subdivided without difficulty,

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by 28 U.S.C. § 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above-described forfeitable property.

A TRUE BILL

FOREPERSON


PHILIP R. SELLINGER
United States Attorney