UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA v. JOSHUA SCHUSTER, Defendant.	[redacted] **INDICTMENT** 25 Cr. 25 CRIM 204

COUNT ONE

(Wire Fraud)

The Grand Jury charges:

Overview

1. From at least in or about 2018, up through and including at least in or about 2022, JOSHUA SCHUSTER, the defendant, engaged in a scheme to defraud investors who had entrusted him with millions of dollars to finance real estate development projects in New York City. SCHUSTER induced investors to contribute capital to his projects by promising them equity in high-end real estate developments, and by representing that investor funds would be used exclusively for the acquisition and development of projects in Gramercy Park, Long Island City, the Bronx, and other locations.

2. In reality, the representations and promises JOSHUA SCHUSTER, the defendant, made to investors were false and misleading. SCHUSTER misappropriated tens of millions of dollars in investor money to fund his lifestyle including over $1 million in personal credit card payments and hundreds of thousands of dollars in gambling losses, to repay earlier investors in a Ponzi-like fashion, and to cover unrelated business obligations and payroll. In total, SCHUSTER fraudulently obtained and misappropriated in excess of $10 million. To conceal his misuse of

funds and prolong the scheme, SCHUSTER provided falsified financial information to investors and repeatedly claimed that profits from investments were right around the corner.

The Defendant's Representations to Investors

3. JOSHUA SCHUSTER, the defendant, was the founder and managing principal of Schuster Enterprises, which did business under the name Silverback Development ("Silverback"). Silverback operated as a real estate development firm headquartered in Manhattan and purported to specialize in high-end residential and mixed-use projects. SCHUSTER marketed Silverback and its affiliated real estate ventures as elite investment opportunities backed by his market expertise.

4. JOSHUA SCHUSTER, the defendant, solicited capital from high-net-worth individuals, family offices, and real estate-focused private equity firms through pitch decks, presentations, and one-on-one meetings. Among other things, SCHUSTER represented to investors that: (a) their funds would be used for the specific real estate project they selected; (b) investors would receive equity ownership or preferred returns tied directly to the success of the project; (c) the investors' funds would be safeguarded in dedicated accounts and tracked through LLCs formed for the sole purpose of managing that investment; and (d) Silverback had a successful track record and sound financial standing.

5. In describing his business operations to prospective investors, JOSHUA SCHUSTER, the defendant, repeatedly affirmed, in both written documents and oral communications, that his investment entities were independent of each other and project-specific, such that investor funds in one project would not be pooled with investor funds from other projects or diverted from one project to another. For example, in or about December 2019, while soliciting a $5 million investment from an individual investor for a condominium project in Gramercy Park,

SCHUSTER represented that the investor's capital would be invested through a dedicated entity and that the funds would be used exclusively to acquire and develop the Gramercy property. Similarly, in or about 2019 and 2020, in connection with a $23.6 million investment in a Long Island City development, SCHUSTER represented to the investor that its capital would be segregated and used solely for that project.

6. As JOSHUA SCHUSTER, the defendant, knew, his representations to investors about the use of the capital they contributed, and the safeguarding and tracking of their funds, were material to those investors' investment decisions. Additionally, through these investments, SCHUSTER entered into a relationship of trust and confidence with the investors, and he was responsible as their fiduciary to manage the funds consistent with his prior representations, and not to divert or misappropriate them.

The Defendant Defrauded Investors and Misappropriated Their Funds

7. Though JOSHUA SCHUSTER, the defendant, had specifically represented to investors that he would not do so, once investor funds were wired to accounts under SCHUSTER's control, he immediately diverted substantial portions for improper and unauthorized uses.

8. For example, in or about December 2019, JOSHUA SCHUSTER, the defendant, represented to an investor in a Gramercy Park development that the funds provided by the investor would only be used to develop the Gramercy Park project. But upon receiving approximately $5 million, SCHUSTER almost immediately misappropriated the investor's funds for improper purposes, including approximately $2.35 million to pay off two loans that SCHUSTER owed, approximately $137,000 that went to pay for SCHUSTER's personal credit card bill, approximately $100,000 to pay for a gambling debt, $440,000 to pay earlier investors, and approximately $400,000 that went to pay Silverback payroll expenses. The next year, in or around

July 2020, SCHUSTER made an additional capital call request to this investor, demanding a $511,000 payment for specific, purportedly necessary, expenses for the Gramercy Park development. But once the investor made the payment, SCHUSTER misappropriated approximately $330,000 to pay down a debt SCHUSTER and his company owed.

9. Similarly, in or around 2019 and 2020, JOSHUA SCHUSTER, the defendant, induced an investor to invest approximately $23.6 million in a development in Queens, and to co-sign on a construction loan valued at approximately $40 million. Although SCHUSTER agreed to safeguard this investor's funds, which were earmarked for the development of the Queens project, SCHUSTER misappropriated the money. In particular, SCHUSTER improperly withdrew approximately $450,000 from the project's bank accounts, using these funds in part to pay an approximately $180,000 personal credit card bill. Then, in or about August 2020, SCHUSTER misrepresented that $132,894 in funds earmarked for the Queens project were required to cover a repair bill. But SCHUSTER used approximately $50,000 of those funds to make a payment to another investor victim whose funds SCHUSTER had previously misappropriated. Again, in or about July 2021, SCHUSTER falsely represented to the Queens project investor that in excess of $600,000 of the investor's capital contribution was required to cover the project's expenses, but SCHUSTER used these funds, in part, to pay an approximately $140,000 personal credit card bill.

10. In or about 2020, JOSHUA SCHUSTER, the defendant, solicited investments in connection with a development project in the Bronx. SCHUSTER convinced an investor to contribute approximately $2.5 million toward the project based on the false representation that the investor's funds would go towards the project's development. But as soon as SCHUSTER received the investment, he used those funds to pay his personal credit card, pay tuition at a New York City private school, pay back other investors in other development projects, make loan

payments for other projects, and cover his business's expenses.

11. In total, JOSHUA SCHUSTER, the defendant, misappropriated more than $10 million of investor funds, diverting those funds to cover personal expenses and unrelated business debts, and to sustain the appearance of profitability by paying earlier investors with money from later investors.

STATUTORY ALLEGATIONS

12. From at least in or about 2018, up through and including at least in or about 2022, in the Southern District of New York and elsewhere, JOSHUA SCHUSTER, the defendant, knowingly having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds, for the purpose of executing such scheme and artifice, to wit, in the course of operating his real estate development company and developing real estate projects, SCHUSTER, using email among other wire communications, (a) made false and misleading statements to current and prospective investors about the use of investor funds and (b) misappropriated funds over which he had a duty to manage as a fiduciary.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT TWO
(Securities Fraud)

The Grand Jury further charges:

13. The allegations contained in paragraphs 1 through 11 of this Indictment are repeated and realleged as if fully set forth herein.

14. From at least in or about 2018, up through and including at least in or about 2022,

in the Southern District of New York and elsewhere, JOSHUA SCHUSTER, the defendant, willfully and knowingly, directly and indirectly, by use of a means and instrumentality of interstate commerce and of the mails, and of a facility of a national securities exchange, used and employed, in connection with the purchase and sale of a security, a manipulative and deceptive device and contrivance, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing a device, scheme, and artifice to defraud; (b) making an untrue statement of material fact and omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in an act, practice, and course of business which operated and would operate as a fraud and deceit upon a person, to wit, SCHUSTER made false and misleading statements to investors in real estate development projects in New York City.

(Title 15, United States Code, Sections 78j(b) & 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; Title 18, United States Code, Section 2.)

FORFEITURE ALLEGATION

15. As a result of committing the offenses alleged in Counts One and Two of this Indictment, JOSHUA SCHUSTER, the defendant, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28 United States Code, Section 2461(c), any and all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of said offenses, including but not limited to a sum of money in United States currency representing the amount of proceeds traceable to the commission of said offenses.

Substitute Assets Provision

16. If any of the above-described forfeitable property, as a result of any act or omission of JOSHUA SCHUSTER, 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 Title 21, United States Code, Section 853(p) and Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above forfeitable property.

(Title 18, United States Code, Section 981;
Title 21, United States Code, Section 853; and
Title 28, United States Code, Section 2461.)

[redacted]
FOREPERSON

Jay Clayton
JAY CLAYTON
United States Attorney