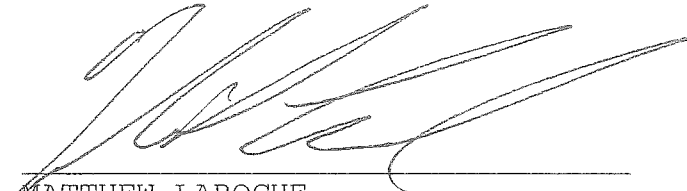


Approved:


MATTHEW LAROCHE

Assistant United States Attorney

Before: THE HONORABLE FRANK MAAS
Chief United States Magistrate Judge
Southern District of New York

15 MAG 4519

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UNITED STATES OF AMERICA

:

: SEALED COMPLAINT

:

- v. -

: Violations of 18 U.S.C. §§
: 1343 and 2

STUART SCHLESINGER,

:

: COUNTY OF OFFENSE:

Defendant.

:

: NEW YORK

:

-----X

SOUTHERN DISTRICT OF NEW YORK, ss.:

JAMES H. HILLIARD JR., being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI"), and charges as follows:

COUNT ONE
(Wire Fraud)

1. From at least in or about October 2008 up to and including at least in or about December 2015, in the Southern District of New York and elsewhere, STUART SCHLESINGER, the defendant, willfully and 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, did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, and sounds for the purpose of executing such scheme and artifice to defraud, to wit, SCHLESINGER, acting as the lawyer to various clients in personal injury cases, falsely represented, including by the use of telephone calls and emails, that he could not distribute to the clients proceeds from personal injury settlements because the personal injury cases were ongoing and/or he had not yet received the settlement proceeds.

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

The bases for my knowledge and for the foregoing charge are, in part, as follows:

2. I have been a Special Agent with the FBI for approximately twenty-four years. I have been personally involved in the investigation of this matter, and I base this affidavit on that personal experience, as well as on my conversations with other law enforcement agents, and my examination of various reports and records. Because this affidavit is being submitted for the limited purpose of demonstrating probable cause, it does not include all the facts that I have learned during the course of my investigation. Where the contents of documents and the actions, statements, and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

The Investigation

3. Based on my participation in this investigation, I am aware that from at least in or about October 2008 to in or about December 2015, STUART SCHLESINGER, the defendant, acting, at times, as a lawyer licensed to practice law in New York State, executed a scheme to defraud his clients by failing to pay them the proceeds from personal injury settlements that SCHLESINGER had obtained on behalf of his clients. As part of the scheme, SCHLESINGER falsely represented to his clients, by means of telephone calls and e-mail communications, that he had not yet received settlement proceeds and/or that he was unable to distribute settlement proceeds because of ongoing litigation involving the clients' cases. In actuality, SCHLESINGER deposited settlement proceeds into his law firm's bank account and then transferred those funds to his law firm's operating account to pay the law firm's expenses and to pay his personal expenses.

The Defendant

4. Based on my review of records of a law firm named Julien & Schlesinger, P.C. (the "Law Firm") and my review of court records, I know, among other things, the following:

a. From in or about 1965 until in or about 2015, STUART SCHLESINGER, the defendant, was an attorney licensed to practice law in New York State. On or about September 15 2015, SCHLESINGER was disbarred by order of the New York State Appellate Division, First Judicial Department.

b. SCHLESINGER is a named partner at the Law Firm. At all times relevant to this Complaint, the Law Firm was located either at or near 1 Whitehall Street, 17th Floor, New York, New York or at or near 207 East 94th Street, New York, New York.

5. Based on my review of bank records from two banks ("Bank-1" and "Bank-2"), I know, among other things, the following:

a. The Law Firm has an Interest on Lawyer's Trust Account (the "IOLTA Account") and an operating account (the "Operating Account") with Bank-1. SCHLESINGER is the authorized signer for the IOLTA account, and SCHLESINGER and the controller of the Law Firm ("Individual-1") are authorized signers for the Operating Account.

b. SCHLESINGER has a personal bank account with Bank-2 that was opened in a Bank-2 branch located in New York, New York (the "Personal Bank Account"). SCHLESINGER is the only person who is authorized to deposit funds or withdraw funds from the Personal Bank Account.

Victim-1

6. I have spoken with an individual who acted as an administrator ("Administrator-1") of the estate of a deceased individual and have reviewed documents provided by Administrator-1. From speaking with Administrator-1 and reviewing documents provided by Administrator-1, I have learned, among other things, the following:

a. Since at least as early as 1983, Administrator-1 and one of Administrator-1's children ("Witness-1") have lived in England.

b. On or about November 3, 2009, one of Administrator-1's children ("Victim-1") died in connection with medical treatment that Victim-1 received in Hoboken, New Jersey. Shortly thereafter, Administrator-1 contacted attorneys at the Law Firm to discuss retaining the Law Firm to represent Victim-1's estate in connection with a potential medical malpractice claim. Administrator-1 eventually retained the Law Firm.

c. In or about January 2010, the Law Firm commenced a medical malpractice action on behalf of Victim-1's estate ("Action-1"). Action-1 asserted claims against several doctors involved in the treatment of Victim-1 in New Jersey.

d. In or about October 2011, Administrator-1 visited the Law Firm in connection with Action-1 and met with STUART SCHLESINGER, the defendant. During that meeting, SCHLESINGER, among other things, updated Administrator-1 on the status of Action-1, and Administrator-1 understood that SCHLESINGER was the attorney overseeing Action-1. At or around this time, Witness-1 began helping Administrator-1 with Action-1 and the administration of the estate.

e. In or about August 2012, Administrator-1 was informed by an attorney at the Law Firm that Action-1 had been settled for approximately \$1,180,000 (the "Action-1 Proceeds"), and Administrator-1 subsequently received settlement documents that Administrator-1 understood needed to be signed and notarized prior to distribution of the Action-1 Proceeds. Administrator-1 mailed the executed settlement documents back to the Law Firm in or about October 2012.

f. From in or about January 2013 to in or about August 2013, Administrator-1 called SCHLESINGER or another attorney at the Law Firm ("Attorney-1") on several occasions to ask about the distribution of the Action-1 Proceeds. On each of those occasions, SCHLESINGER or Attorney-1 told Administrator-1, in substance and in part, that the Action-1 Proceeds would be distributed to Victim-1's estate in the near future.

g. In or about October 2013, Witness-1 called SCHLESINGER to ask about the progress of the distribution of the Action-1 Proceeds. During the call, SCHLESINGER told Witness-1, in substance and in part, that he was unable to distribute the Action-1 Proceeds because of a misunderstanding relating to the calculation of various fees and expenses owed by Victim-1's estate to the Law Firm. SCHLESINGER also stated, in substance and in part, that the issue would be resolved within one week.

h. In or about November 2013, Witness-1 and SCHLESINGER exchanged several e-mails regarding the fees and expenses owed by Victim-1's estate to the Law Firm. On or about November 25, 2013, SCHLESINGER sent an e-mail to Witness-1, stating that SCHLESINGER agreed with Witness-1's calculation of the fees and expenses owed to the Law Firm and that he (SCHLESINGER) would revise the Law Firm's calculations so the Action-1 Proceeds could be distributed to Victim-1's estate.

i. Despite having agreed to the fees and expenses owed to the Law Firm, SCHLESINGER never distributed the Action-1 Proceeds to Victim-1's estate. Instead, from in or about December 2013 until in or about June 2015, SCHLESINGER and

Attorney-1 told Administrator-1 and Witness-1, including in communications sent by email and on telephone calls, that the Law Firm could not distribute the Action-1 Proceeds because of unresolved paperwork relating to the settlement of Victim-1's estate in New Jersey (the "Probate Paperwork").

j. As of November 2015, the Action-1 Proceeds have not been distributed to Victim-1's estate.

7. Based on my review of email communications from an email account used by STUART SCHLESINGER, the defendant, and from an email account used by Attorney-1, I have learned the following, among other things:

a. On or about December 27, 2013, Witness-1 sent an email to SCHLESINGER requesting that SCHLESINGER send Witness-1 the Probate Paperwork. On or about that same day, SCHLESINGER sent an email to Witness-1 stating, in substance and in part, that SCHLESINGER was unable to send the Probate Paperwork because he was out of the office and the Law Firm was short staffed. SCHLESINGER also stated that he would send the Probate Paperwork to Witness-1 "shortly after the holidays."

b. On or about January 14, 2014, SCHLESINGER sent an email to Witness-1 stating, in substance and in part, that he had not sent the Probate Paperwork because "[o]ur phones and computer systems were down" but that he "will get it to [Witness-1] shortly."

c. On or about February 18, 2014, Attorney-1 sent an email to Witness-1 stating, in substance and in part, that SCHLESINGER had not sent the Probate Paperwork to Witness-1 because of "weather conditions" and staffing issues but that Attorney-1 would send Witness-1 the documents the next day.

d. On or about February 21, 2014, Attorney-1 sent an email to Witness-1 attaching the Probate Paperwork. The Probate Paperwork was a three-page, double-spaced affidavit from SCHLESINGER that, in substance and in part, set forth the distribution of the Action-1 Proceeds. On or about the same day, Witness-1 replied in an email to Attorney-1 stating, in substance and in part, that the calculation of the Law Firm's fees was incorrect.

e. From in or about February 2014 until in or about May 2014, Attorney-1 sent several emails to Witness-1 providing various excuses as to why the Probate Paperwork was not finalized. Among other things, Attorney-1 stated that SCHLESINGER was out of the office on "personal matters" and that

the Law Firm's "systems were down." On or about May 8, 2014, Attorney-1 sent an email to Witness-1 attaching what purported to be the finalized Probate Paperwork.

f. On or about July 1, 2014, Witness-1 sent an email to SCHLESINGER requesting an update on the status of the distribution of the Action-1 Proceeds. On or about July 3, 2014, SCHLESINGER responded in an email to Witness-1 stating, in substance and in part, that "[e]verything is in order so that final accounting and distribution can be made" and that "[a]ll monies will come from a central account."

g. Following the July 3, 2014 email exchange, Witness-1 sent several emails to SCHLESINGER asking for updates on the distribution of the Action-1 Proceeds. On or about July 11, 2014, SCHLESINGER sent an email to Witness-1 stating, in substance and in part, that "[a]ll necessary papers for the final accounting and distribution have been completed and submitted. Bank accounts, saving accounts and assets remain in their individual accounts. Settlement of malpractice is complete and will be distributed from a separate account. . . . We anticipate completion and total distribution by the end of July."

8. Based on my review of court records relating to Action-1 and records provided by four insurance companies that settled Action-1 (the "Action-1 Insurance Companies"), I have learned, among other things, the following:

a. In or about August 2012, Action-1 was settled. Pursuant to the settlement agreement, Victim-1's estate was to receive, among other things, approximately \$1,180,000.

b. From in or about August 2012 until in or about November 2012, the Action-1 Insurance Companies sent STUART SCHLESINGER, the defendant, several checks totaling approximately \$1,180,000 made out to Victim-1's estate and the Law Firm (the "Action-1 Checks"). The Action-1 Checks were deposited into the IOLTA Account.

Victim-2

9. I have spoken with an individual ("Victim-2") who retained STUART SCHLESINGER, the defendant, and the Law Firm. From speaking with Victim-2 and reviewing documents provided by Victim-2, I have learned, among other things, the following:

a. In or about June 2012, Victim-2 contacted SCHLESINGER to discuss retaining SCHLESINGER and the Law Firm to

represent Victim-2 in connection with a potential medical malpractice claim. Shortly after speaking with SCHLESINGER, Victim-2 retained SCHLESINGER and the Law Firm.

b. In or about September 2012, SCHLESINGER commenced a medical malpractice action on behalf of Victim-2 ("Action-2"). Action-2 asserted claims against a dentist (the "Dentist") and Victim-2's insurance plan (the "Insurance Plan"). Settlements recovered from the Dentist were to be paid by an insurance company ("Insurance Company-2") and settlements recovered from the Insurance Plan were to be paid by a different insurance company ("Insurance Company-3," together with Insurance Company-2, the "Action-2 Insurance Companies").

c. In or about October 2013, Victim-2 received a letter (the "Letter") from Insurance Company-2 informing Victim-2 that Insurance Company-2, on behalf of the Dentist, had settled Action-2 and had distributed a check to SCHLESINGER for Victim-2's benefit in the amount of \$1,000,000.

d. Victim-2 immediately called SCHLESINGER, told SCHLESINGER about the Letter, and asked why SCHLESINGER had not paid Victim-2 any portion of the settlement payment made by Insurance Company-2. SCHLESINGER responded, in sum and substance, that he could not distribute the settlement payment from Insurance Company-2 until Action-2 was resolved with respect to the Insurance Plan.

e. As of December 2013, Victim-2 had not received any portion of the settlement payment made by Insurance Company-1. As a result, Victim-2 called SCHLESINGER on several occasions in December 2013 and January 2014 and asked why Victim-2 had not been paid. On each occasion, SCHLESINGER told Victim-2, in sum and substance, that he had not settled Action-2 with respect to the Insurance Plan and would not distribute any payments until Action-2 was settled with respect to the Insurance Plan.

f. Sometime in February or March 2014, Victim-2 met with SCHLESINGER at an office located in the vicinity of 521 East 72nd Street, New York, New York. During the meeting, SCHLESINGER told Victim-2, in sum and substance, that Action-2 was still pending against the Insurance Plan and that SCHLESINGER would not distribute the settlement from Insurance Company-2 until Action-2 was settled with respect to the Insurance Plan.

g. In April 2014, Victim-2 retained an attorney ("Attorney-2") to investigate legal action against SCHLESINGER for his failure to distribute the settlement proceeds from Insurance Company-2. Attorney-2 discovered that in November 2013, Insurance Company-3, on behalf of the Insurance Plan, had settled Action-2 and had distributed a check to SCHLESINGER for Victim-2's benefit in the amount of \$500,000 (the "Letter"). Attorney-2 obtained a copy of the \$500,000 settlement check from Insurance Company-3, as well as the \$1,000,000 check from Insurance Company-2. The checks were endorsed in Victim-2's name and deposited into the IOLTA Account. Victim-2 did not sign the back of the checks or authorize anyone to sign on Victim-2's behalf.

h. Attorney-2 subsequently contacted SCHLESINGER and demanded that he distribute the settlement payments to Victim-2. SCHLESINGER agreed to meet Attorney-2 and Victim-2 at Attorney-2's office in June 2014 to distribute the proceeds of the settlement to Victim-2. However, SCHLESINGER never showed up for the meeting.

i. On or about May 16, 2014, Attorney-2 filed a lawsuit against SCHLESINGER for his failure to pay Victim-2 the settlement proceeds from Action-2 and subsequently received a judgment against SCHLESINGER for his failure to pay Victim-2.

10. Based on my review of court records relating to Action-2 and records provided by the Action-2 Insurance Companies, I have learned, among other things, the following:

a. On or about October 18, 2013, Action-2 was settled. Pursuant to the settlement agreement, Victim-2 and Victim-2's spouse were to receive, among other things, approximately \$1,500,000. Insurance Company-2 was to pay approximately \$1,000,000. Insurance Company-3 was to pay approximately \$500,000.

b. On or about October 18, 2013, Insurance Company-2 sent STUART SCHLESINGER, the defendant, a check in the amount of approximately \$1,000,000 made out to Victim-2, Victim-2's wife, and the Law Firm ("Check-2"). On or about November 8, 2013, Insurance Company-3 sent SCHLESINGER a check made out to Victim-2, Victim-2's wife, and the Law Firm in the amount of \$500,000 ("Check-3," together with Check-2, the "Action-2 Checks").

Victim-3

11. I have spoken with another individual ("Victim-3") who retained STUART SCHLESINGER, the defendant, and the Law Firm. From speaking with Victim-3 and reviewing documents provided by Victim-3, I have learned, among other things:

a. In or about January 2011, Victim-3 contacted SCHLESINGER to discuss retaining SCHLESINGER and the Law Firm to represent Victim-3 in connection with a potential medical malpractice claim. Shortly after speaking with SCHLESINGER, Victim-3 retained SCHLESINGER and the Law Firm.

b. On or about September 22, 2011, SCHLESINGER commenced a medical malpractice action on behalf of Victim-3 ("Action-3"). On or about September 18, 2013, SCHLESINGER settled Action-3 on Victim-3's behalf with an insurance company (the "Action-3 Insurance Company"). As part of the settlement, the Action-3 Insurance Company was required to pay Victim-3 approximately \$94,282.32 and Medicare approximately \$30,717.68 for Victim-3's medical bills.

c. On or about October 24, 2013, the Action-3 Insurance Company distributed two checks to SCHLESINGER for Victim-3's benefit. One check was in the amount of \$94,282.32 and made out to Victim-3 ("Check-4"). The second check was in the amount of \$30,717.68 and made out to Medicare ("Check-5"). Shortly thereafter, Victim-3 met with SCHLESINGER to endorse Check-4 so that Check-4 could be deposited into SCHLESINGER's IOLTA Account for distribution. SCHLESINGER stated during that meeting, in substance and in part, that Victim-3 would receive Victim-3's share of the settlement proceeds in approximately two to four weeks.

d. Between November 2013 and June 2014, Victim-3 called SCHLESINGER on several occasions to ask why Victim-3 had not yet received Victim-3's share of the settlement proceeds. SCHLESINGER stated, in substance and in part, that he was unable to distribute the settlement proceeds because he was negotiating with officials from the Centers for Medicare Service ("CMS") regarding the amount that Victim-3 had to allegedly reimburse Medicare for payments made in connection with Action-3.

e. In or about June 2014, Victim-3 learned from CMS that Medicare had been fully reimbursed for the debt owed by Victim-3. As a result, from in or about June 2014 to in or about May 2015, Victim-3 continued to call SCHLESINGER to ask why Victim-3 had not yet received Victim-3's share of the

settlement proceeds. On each occasion, SCHLESINGER stated, in substance and in part, that he was unable to distribute the settlement proceeds because he was still negotiating with CMS.

f. As of October 2015, Victim-3 has not received any portion of the settlement proceeds from Action-3.

12. Based on my review of court records relating to Action-3 and records provided by the Action-3 Insurance Company, I have learned, among other things, the following:

a. On or about September 18, 2013, Action-3 was settled. Pursuant to the settlement agreement, the Action-3 Insurance Company was to pay Victim-3 approximately \$94,282.32 and Medicare approximately \$30,717.68 for Victim-3's medical bills.

b. On or about October 24, 2013, the Action-3 Insurance Company sent STUART SCHLESINGER, the defendant, Check-4 made out to Victim-3 and Check-5 made out to Medicare.

Additional Victims

13. I have spoken with five other individuals (the "Additional Victims") who retained STUART SCHLESINGER, the defendant, and the Law Firm between in or about 2009 and in or about 2015, in connection with personal injury actions (the "AV Actions"). From speaking with the Additional Victims, I have learned, among other things, the following:

a. The AV Actions were settled by SCHLESINGER and the Law Firm, and the proceeds of those settlements (the "AV Settlement Proceeds") were sent to SCHLESINGER for distribution.

b. Despite receiving the AV Settlement Proceeds, SCHLESINGER did not distribute the majority of those proceeds to the Additional Victims. Instead, SCHLESINGER and attorneys at the Law Firm, through telephone calls and email communications, told the Additional Victims that the AV Settlement Proceeds could not be distributed because of, among other things, ongoing issues with the settlements and Law Firm staffing and computer issues.

c. In total, the Additional Victims have not been paid approximately \$1.2 million in the AV Settlement Proceeds to which they are entitled.

The Defendant's Use of the Victims' Settlement Proceeds

14. Based on my review of bank records from Bank-1 and Bank-2, I have learned, among other things, the following:

a. Between in or about August 2012 until in or about November 2012, the Action-1 Checks were deposited into the IOLTA Account. On or about October 21, 2013 and on or about November 12, 2013, Check-2 and Check-3 (i.e., the Action-2 Checks) were deposited into the IOLTA Account, respectively. On or about November 5, 2013, Check-4 was deposited into the IOLTA Account.

b. SCHLESINGER did not distribute the Action-1, Action-2, and Action-3 settlement proceeds that were deposited into the IOLTA Account to Victim-1's estate, Victim-2, or Victim-3. Instead, SCHLESINGER used most, if not all, of the settlement proceeds for improper purposes, including transferring settlement proceeds to the Operating Account to pay Law Firm or personal expenses, making cash withdrawals for unknown uses, and paying individuals and entities not related to Action-1, Action-2, or Action-3.

c. Examples of SCHLESINGER's improper use of the Settlement Proceeds include, but are not limited to, the following:

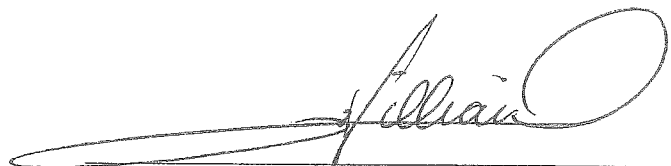
i. In or about October 2012, approximately 12 transfers totaling \$505,000.00 were made from the IOLTA Account to the Operating Account. On or about December 5, 2012, a check was drawn from the Operating Account in the amount of \$15,625.00 to pay the mortgage on a property owned by SCHLESINGER.

ii. On or about October 22, 2013, \$415,500 was transferred from the IOLTA Account to the Operating Account. On or about October 28, 2013, a check drawn against the Operating Account was issued to SCHLESINGER in the amount of \$52,000 and deposited into the Personal Bank Account.

d. At no time since October 2012 has SCHLESINGER paid any portion of the Settlement Proceeds to Victim-1's estate, Victim-2, or Victim-3.

e. As of October 30, 2015, the balance in the IOLTA Account was approximately \$297.63. On or about July 3, 2014, the Operating Account was closed with a zero balance.

WHEREFORE, the deponent respectfully requests that a warrant be issued for the arrest of STUART SCHLESINGER, the defendant, and that he be arrested and imprisoned, or bailed, as the case may be.



JAMES H. HILLIARD JR.
Special Agent
Federal Bureau of Investigation

Sworn to before me this
16th day of December, 2015



THE HONORABLE FRANK MAAS
Chief United States Magistrate Judge
Southern District of New York