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**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA	:	Criminal No. 17-52
	:	
v.	:	18 U.S.C. § 1341
	:	18 U.S.C. § 1343
MICHAEL KWASNIK and	:	18 U.S.C. § 1956(a)(1)(B)(i)
WILLIAM KWASNIK	:	18 U.S.C. § 1956(h)
	:	18 U.S.C. § 1957
	:	18 U.S.C. § 2
	:	
	:	<b><u>SUPERSEDING INDICTMENT</u></b>

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

**COUNTS ONE THROUGH THREE**  
**(Wire Fraud)**

**Relevant Parties and Entities**

1. At all times relevant to this Indictment:
  - a. Defendant MICHAEL KWASNIK ("KWASNIK") was an attorney licensed to practice law in Pennsylvania and New Jersey, and a named partner at the law firm Kwasnik, Kanowitz & Associates PC ("KKA"), and its predecessor, Kwasnik, Rodio, Kanowitz & Buckley ("KRKB" and, collectively with KKA, "the Kwasnik Law Firm"). Defendant MICHAEL KWASNIK and/or his wife held multiple personal bank accounts at various banks, including TD Bank and United Savings Bank.

b. Defendant WILLIAM KWASNIK was the father of defendant MICHAEL KWASNIK and resided in New Jersey. Defendant WILLIAM KWASNIK held multiple personal bank accounts at various banks, including TD Bank.

c. The Kwasnik Law Firm maintained offices in New Jersey and Pennsylvania, and held multiple bank accounts which were controlled, directly and indirectly, by defendant MICHAEL KWASNIK, including the following:

- 1) KKA business account at TD Bank ending in 7653;
- 2) KKA attorney trust account at TD Bank ending in 7679;
- 3) KRKB business account at TD Bank ending in 8559; and
- 4) KRKB attorney trust account at TD Bank 7680.

d. Defendant MICHAEL KWASNIK provided legal advice and services through the Kwasnik Law Firm to clients, including in the area of trusts and estates. In that capacity, he obtained the trust and confidence of these clients.

e. The Kwasnik Law Firm served as corporate counsel to the following entities, which defendants MICHAEL KWASNIK and WILLIAM KWASNIK controlled directly and indirectly through other individuals (collectively, the "Kwasnik Entities"):

- 1) Liberty State Financial Holdings Corporation ("LSFHC"), a New Jersey entity that served as the parent company for several subdivisions, including:

a) Liberty State Benefits (“LSB”), Liberty State Benefits of Pennsylvania (“LSBPA”), and Liberty State Benefits of Delaware (“LSBDE”), all investment companies purportedly formed to acquire life insurance policies;

b) Liberty State Insurance Services (“LSISI”), an insurance company in New Jersey;

c) Financial services companies: Liberty State Wealth Management (“LSWM”) in New Jersey, and Liberty State Credit, Inc. (“LSCI”) in New Jersey;

2) Oxbridge Investors Fund, LLC (“Oxbridge Investors”), a purported real estate holding company in Florida;

3) OPIS Management Fund, LLC (“OPIS”), a purported investment company in Florida; and

4) Capital Management of Delaware, Inc. (“CMD”), an investment company purportedly formed to acquire life insurance policies.

f. Defendant WILLIAM KWASNIK held various positions in the Kwasnik Entities, including the following: the CEO, President and a member of the Board of Directors of LSFHC (“the LSFHC Board”); the President of LSBPA; the President of LSISI; and CEO of LSBDE. As CEO of LSFHC, defendant WILLIAM KWASNIK signed documents and corporate checks. As a member of the LSFHC Board, defendant WILLIAM KWASNIK was responsible for, among other things, making financial decisions, reviewing the financial statements, and reviewing the monthly list of checks issued by LSFHC.

g. The Kwasnik Entities held numerous bank accounts at TD Bank including the following accounts, which were controlled by defendants MICHAEL KWASNIK and WILLIAM KWASNIK directly and indirectly through other individuals:

- 1) An account ending in 6913 held by LSFHC;
- 2) An account ending in 8513 held by LSFHC;
- 3) An account ending in 4410 held by LSFHC;
- 4) An account ending in 7932 held by LSBDE;
- 5) An account ending in 3776 held by Oxbridge; and
- 6) An account ending in 4321 held by OPIS.

h. Abby Grant Insurance Services and its predecessor, Abby Grant Insurance Corp. (collectively "Abby Grant"), was an insurance agency in New Jersey. From in or about December 2008 to in or about March 2011, defendant WILLIAM KWASNIK was the owner of Abby Grant. Abby Grant maintained a TD Bank account ending in 8203, for which defendant WILLIAM KWANIK had signing authority until approximately August 23, 2011.

#### **The Scheme and Artifice to Defraud**

2. From in or about October 2008 to in or about February 2014, in Camden County, in the District of New Jersey, and elsewhere, defendants

**MICHAEL KWASNIK and  
WILLIAM KWASNIK**

did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud clients of the Kwasnik Law Firm ("Clients") and to obtain money and

property by means of materially false and fraudulent pretenses, representations and promises, which scheme and artifice was in substance as set forth below.

**Object of the Scheme and Artifice to Defraud**

3. The object of the scheme and artifice to defraud was to divert funds from Clients' trusts to accounts held by the Kwasnik Entities and the Kwasnik Law Firm, and to unlawfully use such funds not for the benefit of the Clients but for the operation of the Kwasnik Entities and the Kwasnik Law Firm and for the personal enrichment of defendants MICHAEL KWASNIK and WILLIAM KWASNIK and their families.

**Manner and Means of the Scheme and Artifice to Defraud**

4. It was part of the scheme and artifice to defraud that defendant MICHAEL KWASNIK and others induced Clients to provide him with access to money and property held by them and their family estates for purposes of managing and settling such estates and protecting their assets.

5. It was further part of the scheme and artifice to defraud that defendant MICHAEL KWASNIK and others induced Clients, including J.M., F.C., J.E., S.U., and W.F., to establish irrevocable family trusts ("IFTs"), special needs trusts ("SNTs") and charitable remainder trusts ("CRTs" and, collectively with IFTs and SNTs, "Trusts") by telling them, *inter alia*, that the only way to protect their estate assets from significant tax consequences was to establish such a Trust.

6. It was further part of the scheme and artifice to defraud that defendant MICHAEL KWASNIK induced Clients to establish these Trusts and

name him as trustee of the Trusts based on, among other things, the following material misrepresentations and omissions and materially false pretenses:

a. Defendant MICHAEL KWASNIK falsely represented to some Clients that their money would remain in their Trust accounts earning interest until either the estate was settled and the funds could be distributed to the Client, or a new Trustee was appointed;

b. Defendant MICHAEL KWASNIK falsely represented to some Clients seeking investment opportunities that their money would be safely invested in no-risk or low-risk opportunities;

c. Defendant MICHAEL KWASNIK falsely represented to Clients that they could retrieve their money at any time;

d. Defendant MICHAEL KWASNIK did not disclose to any Clients the fact that their money would be transferred to entities which he and defendant WILLIAM KWASNIK controlled, namely the Kwasnik Entities and the Kwasnik Law Firm;

e. Defendant MICHAEL KWASNIK did not disclose to any Clients the fact that their money would be used to pay for legal and operational expenses of the Kwasnik Entities and the Kwasnik Law Firm, and personal expenses of himself, defendant WILLIAM KWASNIK, and their families.

7. It was further part of the scheme and artifice that, once a Client agreed to establish a Trust, defendant MICHAEL KWASNIK provided the Client with Trust documents, which named himself as trustee. As the trustee, defendant MICHAEL KWASNIK owed fiduciary duties to each Trust and its

beneficiaries, which included a duty to act at all times in the best interest of the beneficiaries and a duty to refrain from self-dealing and obtaining personal benefits at the expense of the Trust.

8. It was further part of the scheme and artifice that, once the Trust was legally established, defendant MICHAEL KWASNIK directed the Client to gather his/her estate assets and deposit them into an account to which defendant MICHAEL KWASNIK had access, as follows:

a. In most instances, defendant MICHAEL KWASNIK opened a bank account at TD Bank in the name of the new Trust and named himself as signer on such account. At the direction of defendant MICHAEL KWASNIK, the Client then deposited his/her estate assets, or arranged for the deposit of such assets, into the Trust account, including through mailings and wire communications as set forth below. Clients often made additional deposits of money and property into their Trust accounts over time.

b. In some instances, defendant MICHAEL KWASNIK directed the Client to deposit his/her estate assets into the Kwasnik Law Firm attorney trust account. These Client funds were either subsequently transferred into a new Trust account established for the Client, or held in the Kwasnik Law Firm attorney trust account until they were transferred as set forth below in paragraph 10.

9. It was further part of the scheme and artifice that, between in or about October 2008 and in or about November 2011, defendant MICHAEL

KWASNIK collected at least approximately \$13.2 million in Trust funds from more than 40 Clients.

10. It was further part of the scheme and artifice that within several days of the Client's funds being deposited into a Trust account or the Kwasnik Law Firm attorney trust account, defendant MICHAEL KWASNIK caused virtually all of those funds (the "Stolen Funds") to be transferred to an account held by Abby Grant or one of the Kwasnik Entities or the Kwasnik Law Firm, without informing the Client, at the time, of such transfer and of his control of these entities. To effect many of these transfers, defendant MICHAEL KWASNIK directed employees of the Kwasnik Law Firm to make in-person deposits of checks drawn upon the Trust accounts or the Kwasnik Law Firm attorney trust account, which checks he had signed or otherwise authorized.

11. It was further part of the scheme and artifice that defendants MICHAEL KWASNIK and WILLIAM KWASNIK then caused the Stolen Funds to be transferred in and out of other accounts held by the Kwasnik Entities and the Kwasnik Law Firm in order to conceal the fact that they were Stolen Funds. To effect many of these transfers, defendant MICHAEL KWASNIK directed employees of the Kwasnik Law Firm to make in-person deposits of checks that he or defendant WILLIAM KWASNIK had signed or otherwise authorized.

#### **Proceeds of the Fraud**

12. It was further part of the scheme and artifice that defendants MICHAEL KWASNIK and WILLIAM KWASNIK used at least \$10 million of the Stolen Funds to pay for legal and operational expenses of the Kwasnik Entities



and the Kwasnik Law Firm, and personal expenses of themselves and their families, including:

- a. Attorneys' fees incurred by defendants MICHAEL KWASNIK and WILLIAM KWASNIK and the Kwasnik Entities to defend themselves in various lawsuits;
- b. Distributions to personal bank accounts held by themselves and their families;
- c. Office leases;
- d. Car payments; and
- e. Credit card payments.

13. It was further part of the scheme and artifice that, in violation of the Trust agreements, defendant MICHAEL KWASNIK used the money held in Clients' Trusts for his personal use and to financially support the Kwasnik Entities and the Kwasnik Law Firm.

#### **Concealment**

14. It was further part of the scheme and artifice that defendants MICHAEL KWASNIK and WILLIAM KWASNIK used one client's funds to make payments to another client or payments to third-parties on behalf of another client, which allowed the fraudulent scheme to continue undetected.

15. It was further part of the scheme and artifice that defendant MICHAEL KWASNIK concealed the fraud by falsely representing to Clients who demanded access to their money that certain paperwork was required to release the funds.

16. It was further part of the scheme and artifice that defendant MICHAEL KWASNIK further concealed the fraud by causing an independent accountant to create false trust accounting documentation ("Trust Accounting") for certain of the Trusts, which falsely represented that the Stolen Funds were still held by the Trust or invested in other entities for the benefit of the Trust. In some instances, defendant MICHAEL KWASNIK provided these false Trust Accountings to Clients in person; in other instances, defendant MICHAEL KWASNIK caused these Trust Accountings to be delivered to Clients by mail, private commercial carrier and/or email, including as set forth below.

17. It was further part of the scheme and artifice that after LSBDE, LSBPA and LSFHC filed for bankruptcy in or about July 2011, defendant MICHAEL KWASNIK falsely reassured certain Clients whose money had purportedly been invested in CMD by sending them letters that falsely stated that their money was "not illegally dissipated" and that they would recover their money through the LSBDE bankruptcy. Defendant MICHAEL KWASNIK caused these letters to be delivered to Client S.U. by mail, as set forth below.

**Interstate Wires**

18. On or about the dates set forth below, in furtherance of the above-described scheme and artifice, in the District of New Jersey and elsewhere, defendants

**MICHAEL KWASNIK and  
WILLIAM KWASNIK**

knowingly and intentionally transmitted and caused to be transmitted by means of wire communications in interstate and foreign commerce certain writings, signs, signals, pictures and sounds, namely, the wire transfers and emails set forth below, each constituting a separate count of this Indictment:

<b>Count</b>	<b>Approximate Date</b>	<b>Description</b>
1	April 6, 2011	Email (attaching Trust Accounting for Client J.M.) sent from the Kwasnik Law Firm, through the Kwasnik Law Firm server in Toronto, Canada, to client J.M. in New Jersey
2	September 28, 2011	Email requesting account liquidation and transfer of funds to Trust account, sent by Client J.E. in New Jersey to Morgan Stanley in Pennsylvania
3	October 14, 2011	Wire transfer of \$16,281.19 from Citigroup Global Markets Inc. in New York to Client J.E.'s Trust account at TD Bank in New Jersey

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

**COUNTS FOUR THROUGH SIX**  
**(Mail Fraud)**

19. The allegations set forth in Paragraphs 1 through 17 of Counts One through Three above are hereby repeated, realleged and incorporated as if fully set forth herein.

20. On or about the dates set forth below, in furtherance of the above-described scheme and artifice, in the District of New Jersey and elsewhere, defendants

**MICHAEL KWASNIK and**  
**WILLIAM KWASNIK**

did knowingly cause to be delivered by United States mail and by private and commercial interstate carrier according to the direction thereon at the place at which it was directed to be delivered the following matters, each constituting a separate count of this Indictment:

<b>Count</b>	<b>Approximate Date</b>	<b>Description</b>
4	April 12, 2011	Letters and checks totaling approximately \$125,774 sent from Midland National Life Insurance Company in West Des Moines, Iowa to Client F.C. in Mt. Laurel, New Jersey
5	November 11, 2013	CMD letter mailed to Client S.U. in New Jersey
6	February 26, 2014	CMD letter mailed from West Palm Beach, Florida to Client S.U. in Atlantic City, New Jersey

In violation of Title 18, United States Code, Section 1341, and Title 18, United States Code, Section 2.

**COUNT SEVEN**  
**(Conspiracy to Commit Money Laundering)**

21. The allegations set forth in all paragraphs of Counts One through Six above are hereby repeated, realleged and incorporated as if fully set forth herein.

22. From in or about October 2010 to in or about August 2011, in the District of New Jersey and elsewhere, defendants

**MICHAEL KWASNIK and**  
**WILLIAM KWASNIK**

did knowingly and willfully conspire and agree with each other and with other persons known and unknown to the Grand Jury to commit offenses against the United States in violation of Title 18, United States Code, Section 1956, to wit, to knowingly conduct and attempt to conduct financial transactions affecting interstate commerce and foreign commerce, which transactions involved the proceeds of specified unlawful activity, that is, mail fraud, in violation of Title 18, United States Code, Section 1341, and wire fraud, in violation of Title 18, United States Code, Section 1343, 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 said specified unlawful activity, and that while conducting and attempting to conduct such financial transactions, knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, contrary to Title 18, United States Code, Section 1956(a)(1)(B)(i).

In violation of Title 18, United States Code, Section 1956(h).

**COUNTS EIGHT THROUGH FOURTEEN**  
**(Money Laundering)**

23. The allegations set forth in all paragraphs of Counts One through Six above are hereby repeated, realleged and incorporated as if fully set forth herein.

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

**MICHAEL KWASNIK and**  
**WILLIAM KWASNIK**

did knowingly conduct and attempt to conduct the following financial transactions affecting interstate commerce, which involved the proceeds of specified unlawful activity, as set forth below, 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 said specified unlawful activity, and that while conducting and attempting to conduct such financial transactions, the defendants knew that the property involved in the financial transactions, represented the proceeds of some form of unlawful activity:

<b>Count</b>	<b>Date</b>	<b>Description</b>	<b>Specified Unlawful Activity</b>
8	March 24, 2011	Transfer of approximately \$100,000 in the form of a check from Abby Grant to KRKB	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
9	March 25, 2011	Transfer of approximately \$449,912 in the form of a check from Abby Grant to KRKB	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343

10	March 25, 2011	Transfer of approximately \$50,000 in the form of a check from Abby Grant to Barbara Drozdics, an employee of the Kwasnik Law Firm	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
11	April 14, 2011	Transfer of approximately \$52,800 in the form of a check from Abby Grant to KKA	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
12	April 21, 2011	Transfer of approximately \$125,000 in the form of a check from Abby Grant to KRKB	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
13	May 9, 2011	Transfer of approximately \$55,000 in the form of a check from Abby Grant to KKA	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
14	August 2, 2011	Transfer of approximately \$112,000 in the form of a check from Abby Grant to OPIS	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343

In violation of Title 18, United States Code, Section 1956(a)(1)(B)(i) and Title 18, United States Code, Section 2.

**COUNTS FIFTEEN THROUGH TWENTY-TWO**  
**(Transacting in Criminal Proceeds)**

25. The allegations set forth in all paragraphs of Counts One through Five above are hereby repeated, realleged and incorporated as if fully set forth herein.

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

**MICHAEL KWASNIK**

did knowingly engage and attempt to engage in monetary transactions through a financial institution, affecting interstate commerce, in criminally derived property of a value greater than \$10,000, such property having been derived from a specified unlawful activity, as set forth below:

<b>Count</b>	<b>Date</b>	<b>Description</b>	<b>Specified Unlawful Activity</b>
15	April 15, 2011	Transfer of approximately \$105,000 in the form of a check from KRKB Op Acct to KKA Op Acct	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
16	April 21, 2011	Transfer of approximately \$60,000 in the form of a check from KRKB Op Acct to KKA Op Acct	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
17	April 21, 2011	Transfer of approximately \$30,000 in the form of a check from KRKB Op Acct to Oxbridge	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
18	August 26, 2011	Transfer of approximately \$13,000 in the form of a check from OPIS to Oxbridge	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343



19	September 9, 2011	Transfer of approximately \$17,000 in the form of a check from OPIS to Dawn DeLorenzo, an employee of the Kwasnik Law Firm	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
20	September 12, 2011	Transfer of approximately \$45,500 in the form of a check from OPIS to defendant MICHAEL KWASNIK	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
21	September 19, 2011	Transfer of approximately \$25,000 in the form of a check from OPIS to defendant MICHAEL KWASNIK	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343
22	October 17, 2011	Wire transfer of approximately \$44,000 from defendant MICHAEL KWASNIK to Oxbridge	Mail fraud and wire fraud, in violation of 18 U.S.C. §§ 1341 and 1343

In violation of Title 18, United States Code, Section 1957 and Title 18, United States Code, Section 2.

### **FIRST FORFEITURE ALLEGATION**

1. The allegations contained in all Paragraphs of Counts One through Six of this Indictment are hereby realleged and incorporated by reference for the purpose of noticing forfeiture pursuant to 18 U.S.C. §§ 981(a)(1)(C) and 982(a)(2)(A) and 28 U.S.C. § 2461(c).

2. The United States hereby gives notice to defendants MICHAEL KWASNIK and WILLIAM KWASNIK charged in Counts One through Six that, upon conviction of any such offense, the United States will seek forfeiture in accordance with 18 U.S.C. §§ 981(a)(1)(C) and 982(a)(2)(A) and 28 U.S.C. § 2461(c), which requires any person convicted of such offenses to forfeit any property, real or personal, which constitutes or is derived from proceeds traceable to the commission of the scheme to defraud of which the defendant is convicted, including but not limited to a sum of money equal to approximately \$ 11.8 million in United States currency.

3. If any of the above-described forfeitable property, as a result of any act or omission of the defendants MICHAEL KWASNIK or WILLIAM KWASNIK:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- 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 divided without difficulty;

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

**SECOND FORFEITURE ALLEGATION**

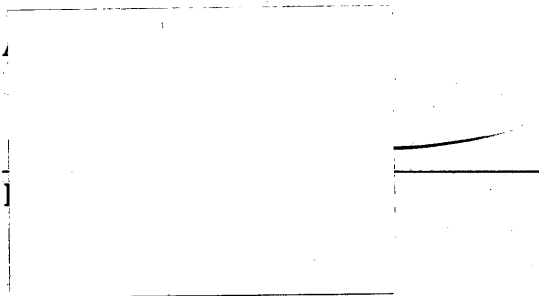
1. The allegations contained all Paragraphs of Counts Seven through Twenty-two of this Indictment are hereby realleged and incorporated by reference for the purpose of noticing forfeiture pursuant to 18 U.S.C. § 982.

2. The United States hereby gives notice to defendants MICHAEL KWASNIK and WILLIAM KWASNIK charged in Counts Seven through Twenty-two that, upon conviction of any such offense, the United States will seek forfeiture in accordance with 18 U.S.C. § 982(a)(1), which requires any person convicted of such offenses to forfeit any property, real or personal, involved in those offenses, and any property traceable to such property.

3. If any of the above-described forfeitable property, as a result of any act or omission of defendants MICHAEL KWASNIK or WILLIAM KWASNIK:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- 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 divided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p) and 18 U.S.C. § 982(b)(1), to seek forfeiture of any other property of said defendant up to the value of the forfeitable property described above.



*Paul J. Fishman*  
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PAUL J. FISHMAN  
UNITED STATES ATTORNEY

CASE NUMBER:17-52

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**United States District Court  
District of New Jersey**

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**UNITED STATES OF AMERICA**

**v.**

**MICHAEL KWASNIK and  
WILLIAM KWASNIK**

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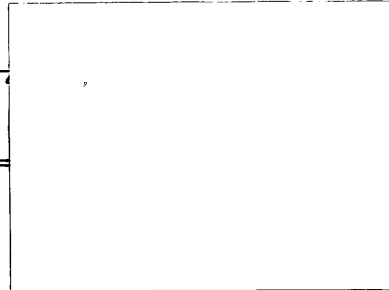
**SUPERSEDING INDICTMENT FOR**

**18 U.S.C. §§ 1341, 1343, 1956(a)(1)(B)(i), 1956(h), 1957 & 2**

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**A True Bill,**



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**SARAH M. WOLFE  
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