

Business



Posted: Thu, Jan. 26, 2012, 3:01 AM

Accused Ponzi swindler remains in jail, despite N.J. bail ruling

By Chris Mondics

Inquirer Staff Writer



As more than a dozen of his alleged victims looked on, some of them in tears, accused swindler Michael Kwasnik was cleared Wednesday by Camden Superior Court Judge Michael Kassel for release on bail on one set of criminal charges.

But Kwasnik will remain incarcerated while the state wrangles with his defense attorney over new charges

of theft filed earlier in the week.

Kassel found that \$100,000 offered to bail out Kwasnik had come from relatives, not from his victims. The judge granted that bank-account-routing information in Kwasnik's possession at the time of his arrest Nov. 9 in Alabama raised concerns that he might have been planning to skip bail and reimburse his relatives, but said there was no concrete evidence that was the case.

"There is really nothing in terms of concrete evidence that shows a quid pro quo," Kassel said.

The courtroom was filled with alleged victims, a few of whom were openly sobbing about their loss of funds. Kwasnik, looking gaunt and wearing an orange prison jumpsuit, said nothing audible during the hearing, although his lawyer Rocco Cipparone seemed to wave him away at one point as Kwasnik apparently sought to offer advice.

Kwasnik, a lawyer from Philadelphia, was indicted Nov. 7 on charges of stealing \$1.1 million from a Cherry Hill widow, 96, who had hired him to manage her funds and plan her estate. The New Jersey Attorney General's Office also charges in a lawsuit that Kwasnik; his father, William; and others orchestrated a multimillion-dollar Ponzi scheme in which scores of elderly investors were victimized.

The vehicle for the scheme was a company called Liberty State Benefits of Pennsylvania, according to the lawsuit. The company said it purchased the right to collect the life-insurance benefits of elderly policyholders for a premium over the surrender value, a transaction called a life settlement. Authorities charge instead that millions of dollars collected from investors went to Kwasnik, his relatives, or his law firm.

The FBI has now joined the investigation and was monitoring the bail hearing Wednesday.

"Basically, everyone is telling us the same thing: There is little or no chance to get anything back," said Bob Gentile, 65, a retired printing-plant manager from New Castle, Del., who says he invested about \$400,000 with Kwasnik.

According to the new indictment, announced Tuesday, Kwasnik allegedly stole at least \$324,000 from a client trust account established by his firm for a married couple that had won a settlement in a personal-injury lawsuit. The state alleged that Kwasnik had used the the money to pay expenses for his law firm and to pay personal expenses, including credit-card debt.

Prosecutors also charge that he illegally withdrew funds from the account as he was fleeing arrest after his Nov. 7 indictment. Kwasnik was picked up two days later by police in Dothan, Ala.