



Charles Stanziale Jr.,  
partner at McCarter  
& English LLP.

## Street smarts

*Lawyer recalls lessons from his youth in resolving high-profile Ponzi scheme by Solomon Dwek*

BY MARTIN C. DAKS

CHARLES STANZIALE JR. is used to handling high-profile, complex bankruptcy cases like **Tower Air**, **Kiwi Airlines**, **Trump Entertainment Resorts** and the automaker **John Z. DeLorean**.

But in some ways, they were all stepping stones to a case the partner at **McCarter & English LLP** is working on now: settling the bankruptcy case of **Solomon Dwek**, a Deal-based real estate developer who fleeced millions of dollars from friends, family and other investors before his Ponzi scheme collapsed and he started singing for the Federal Bureau of Investigation, leading to the arrests of dozens of New Jersey politicians and other figures.

Since March of 2007 — when Stanziale was a partner with Morristown-based **McElroy, Deutsch, Mulvaney & Carpenter LLP** — the task has consumed at least half of each day, not to mention the attorneys and CPAs that provide additional support. Stanziale switched law firms along the way, joining McCarter & English in October 2008.

The nuts and bolts of the Dwek story have been documented in court filings and other accounts, but there is another tale that has yet to be told. It's the story of how Dwek forced a 69-year-old attorney from a white-shoe law firm to reach deep down into his street roots to craft a solution.

As bankruptcy trustee, Stanziale had to get the victimizer and some of his biggest victims to come to the table and make a deal that could help investors get back at least some of their money. Stanziale's job isn't to judge. Instead, as he put it, "I'm trying to marshal the assets so investors can get a dividend."

It sounds so clean: track down the properties Dwek gathered, sell them despite the down market, then disburse the proceeds equitably to investors. On the surface, at least, it's similar to other bankruptcies Stanziale has handled.

But there were some big differences, including the questionable legitimacy of the money some investors entrusted to Dwek.

"It was all mattress money," Stanziale told **NJBIZ**, referring to millions of dollars of undocumented cash investors handed over to Dwek. "It would have been very difficult to settle this bankruptcy without Dwek's cooperation. I had to win him over."

Dwek used the funds to buy real estate and pay off earlier investors, in a classic Ponzi scheme. Some properties were under water, or worth less than the mortgage; some were secretly owned by Dwek; some of the mortgaged properties never even existed.

But with no paper trail, tracking down the properties, appraising them and selling them to raise funds would have been a nightmare.

"As I got deeper into the matter, it quickly became evident that there were few, if any records," Stanziale said, sitting in his office surrounded by family pictures. "Investors were handing over huge amounts of money — from hundreds of thousands to millions of dollars — to Dwek without any documentation."

Stanziale had to get into Dwek's head. A member of the Roman Catholic Sovereign Military Order of Malta, Stanziale knew he would have to tango with Dwek, a rabbi's son who fleeced his own insular Syrian Jewish community. Getting the rhythm right meant that Stanziale had to look to his own past.

"I drew on my experiences growing up" in Newark, he said.

Like the fact that when Stanziale was a prep school student at Newark Academy — "back then, it was actually located in Newark," he said — he also ran with a gang. Talk to Stanziale long enough and some of the street grit creeps into his voice.

"When you've got a job to do, you look for the person who can handle it," he said. "You've gotta send in someone who gets things done."

To start, Stanziale had to establish common ground with Dwek. It turned out that fear was the key.

“When it became known that Dwek was a cooperating witness, some very angry people wanted to see Dwek, and the guy got scared,” Stanziale said, as his eyes narrowed. “We came to an agreement. [As bankruptcy trustee], I’d provide him with living expenses and pay for his protection. As long as he cooperates, I cooperate.”

Stanziale wouldn’t say what’s being done to safeguard Dwek, or drop a hint about his whereabouts. “That’s not my business,” he snapped. “That’s between Dwek and the government.”

But Dwek wasn’t the only guy Stanziale had to strong-arm. To preserve a pot of money for all creditors, he had to fend off banks that he thought wanted more than their fair piece of the action.

“There were some creditors [investors, and banks that extended mortgages to Dwek] that either knew, or should have known, that the value of the properties was inflated — or that they didn’t even exist,” he said. “There were signals that something was wrong. For investors, it was the outsized returns promised by Dwek; for banks, it was the fact that there was little or no paperwork connected with the property, and that some banks never even bothered to inspect the properties before they gave Dwek a mortgage. I generally worked out settlements with these people and institutions to reduce their claims.”

Stanziale’s long journey with Dwek looks like it’s slowly coming to an end. In October, Dwek pleaded guilty to fraud and other charges in Newark’s federal district court, and he’s scheduled to be sentenced Sept. 1. Stanziale submitted his second modified Chapter 11 reorganization plan to the federal bankruptcy court in Newark, and figures he may wrap the case in about 18 months.

“There’s going to be a dividend,” Stanziale said, though he declined to guess just how much investors might get back. “I had to play hardball to get it, but that’s the way it is.” ♦

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Christina Mazza



**Charles Stanziale Jr., partner at McCarter & English LLP, next to the scales of justice in the firm’s office in Newark.**

## Stanziale in a nutshell

**Name:** Charles Stanziale Jr.

**Title:** Partner, McCarter & English

**Age:** 69

**Family:** Married, two daughters, three grandchildren.

**For fun:** Owns a 50-foot boat but lately spends much of his time settling the Solomon Dwek bankruptcy case.

**Things people don’t know:**

- His wife, Peggy, wrote Madonna’s hit song, “Dress You Up.”
- He holds the Order of Merit from the Italian Republic.
- He’s a member of the Roman Catholic Sovereign Military Order of Malta.
- He speaks Yiddish like a pro and has been known to tell Jewish friends: “It’s tough being a Jew during the holidays. Don’t you think I know it?”

– Martin C. Daks