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Manhattan U.S. Attorney Announces Federal Corruption Charges Against Two Members of the New York State Legislature

Six Others Charged in Bribery Schemes, Including Albany Lobbyist, Two Hospital CEOs, Health Care Consultant, and Real Estate Developer

U.S. Attorney's Office

March 10, 2011

Southern District of New York

(212) 637-2600

PREET BHARARA, United States Attorney for the Southern District of New York, and JANICE K. FEDARCYK, the Assistant Director in Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the unsealing of a complaint charging New York State Senator CARL KRUGER and State Assemblyman WILLIAM BOYLAND, JR., with accepting bribes in exchange for official acts. KRUGER is charged with taking more than \$1 million in bribes from, among others, lobbyist RICHARD LIPSKY, real estate developer AARON MALINSKY, and health care consultant SOLOMON KALISH, all of whom are also charged. DAVID ROSEN, the CEO of the MediSys Health Network, is also charged with conspiring to bribe KRUGER, as well as with paying over \$177,000 in bribes to New York State Assemblyman WILLIAM BOYLAND, JR., and \$390,000 in bribes to former New York State Assemblyman Anthony Seminero, in exchange for their official acts. ROBERT AQUINO, the former CEO of Parkway Hospital in Queens, New York, is also charged with bribing KRUGER. MICHAEL TURANO, a Manhattan-based gynecologist, is charged with laundering KRUGER's bribes through two shell companies TURANO established for the benefit of himself, KRUGER, and others. Each of the eight defendants voluntarily surrendered this morning. They are expected to be presented in Manhattan federal court later today.

Manhattan U.S. Attorney PREET BHARARA said: "Today's complaint filed in Manhattan federal court describes a broad-based bribery racket reflecting an unholy alliance of politicians, lobbyists, and businessmen. Every single time we arrest a state senator or assemblyman, it should be a jarring wake-up call. Instead, it seems that no matter how many times the alarm goes off, Albany just hits the snooze button. Maybe this time they will get the message."

FBI Assistant Director in Charge JANICE K. FEDARCYK said: "The complaint lays out a roadmap of bribery, money laundering, influence-peddling, and official misconduct that is eye-opening even to seasoned investigators. The web of graft and corruption, of buying and selling influence, is not what representative democracy is supposed to look like. The FBI remains committed to rooting out official corruption wherever it exists."

According to the complaint unsealed today in Manhattan federal court:

The Alleged KRUGER Bribery Conspiracy

CARL KRUGER has served as a member of the New York state senate since 1994, representing Bergen Beach, Flatlands, Mill Basin, and other communities in the 27th Senate District. From at least 2006 through March 2011, KRUGER received a stream of bribes totaling at least \$1 million in exchange for taking official actions on behalf of the bribe payers as opportunities arose. Rather than receive these corrupt payments directly, KRUGER funneled them to the bank accounts of two shell companies established by MICHAEL TURANO—Olympian Strategic Development Corp. ("Olympian") and Bassett Brokerage ("Bassett"). KRUGER had an intimate relationship with the TURANO family. He acted and was treated in many ways like a member of the family. Among other things, KRUGER spent his free time with the Turanos, shared holidays with them, went shopping for them, and managed the affairs of their residence. Of all the TURANOS, KRUGER was closest with MICHAEL TURANO. The two men were in nearly daily contact, KRUGER picked TURANO up from work, and people even called KRUGER's cellphone in order to reach TURANO. MICHAEL TURANO used the money deposited in Olympian and Bassett to pay the lease on a Bentley automobile, pay his credit card bills, and pay off the mortgage on the multi-million-dollar home that he shared with his mother and brother.

As alleged in the complaint, between 2006 and 2011, KRUGER received a stream of bribes from, among others: (1) RICHARD LIPSKY, a lobbyist and the principal of Richard Lipsky Associates, Inc.; (2) AARON MALINSKY, the principal of P/A Associates LLC, a real estate development firm; and (3) SOLOMON KALISH, the owner and operator of Adex Management, Inc. ("Adex"), a marketing/consulting firm that brokered relationships in the health care industry.

LIPSKY directed approximately \$250,000 of his lobbying fees to the Olympian account in exchange for

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... which KRUGER took official actions to benefit LIPSKY's clients. His actions included sponsoring and supporting legislation, lobbying other elected officials, and directing state monies for the benefit of LIPSKY and his clients. For example, KRUGER supported the award of millions of dollars in state funds to certain development projects that were being undertaken by a key client of LIPSKY's. He even wrote a letter to a judge on behalf of one of LIPSKY's clients.

MALINSKY, through P/A Associates, caused a stream of payments to be made to Olympian totaling approximately \$472,500. In exchange for these payments, KRUGER took official action to benefit MALINSKY's interest in a certain real estate development project in Brooklyn, including taking positions at a public hearing in favor of that project.

Through Adex, KALISH directed approximately \$197,000 to Olympian in exchange for KRUGER's taking official action. For example, as alleged in the Complaint, in the summer of 2008, ROBERT AQUINO, then the CEO of Parkway Hospital, paid Adex approximately \$60,000—half of which KALISH then directed to the Olympian bank account—so that KRUGER would lobby New York state officials in connection with Parkway Hospital's efforts to acquire certain other hospitals, namely the Caritas Hospitals. In 2008, DAVID ROSEN similarly attempted to bribe KRUGER in connection with efforts by MediSys to acquire the same hospitals. To that end, ROSEN caused Brookdale Hospital to hire a certain third party hospice care provider, knowing that KRUGER had an interest in it. That interest was manifested by an arrangement with Adex pursuant to which Adex was paid for helping to secure business for the hospice care provider. The contractual negotiation between Brookdale Hospital and the hospice care provider appears to have been terminated, however, when Anthony Seminerio was arrested.

The Alleged ROSEN Bribery Conspiracy

According to the complaint, KRUGER was one of three elected officials that DAVID ROSEN sought to bribe. In addition to KRUGER, ROSEN also is alleged to have made or caused corrupt payments to Anthony Seminerio and WILLIAM BOYLAND, JR. Specifically, between 1999 and 2008, ROSEN caused MediSys or its affiliates to make approximately \$390,000 in payments to Seminerio through a sham consulting company, Marc Consultants, that Seminerio had established. In exchange for receiving these payments, Seminerio advocated with New York State agencies concerning the discharge of a \$19,000,000 loan in 2006, co-sponsored legislation to provide a secured financing option to MediSys in 2006, and, like KRUGER, deliberated with state agency personnel on behalf of Medisys in connection with the acquisition of the Caritas Hospitals. Because of these acts, Seminerio was indicted, pled guilty to one count of honest services fraud, and was sentenced to six years in prison. Seminerio passed away while his case was on direct appeal and the cause of action against him was abated.

ROSEN also caused MediSys to make corrupt payments to BOYLAND. As alleged in the complaint, ROSEN caused BOYLAND to be hired for what amounted to a no-show consulting job that paid BOYLAND approximately \$35,000 a year between 2003 and 2008. In exchange for the approximately \$177,000 that BOYLAND received from MediSys, BOYLAND took official action to benefit MediSys, including requesting that the Speaker of the Assembly award millions of dollars to Brookdale Hospital, a member of the MediSys health network.

Mr. BHARARA praised the investigative work of the FBI.

This prosecution is being handled by the Office's Public Corruption Unit. Senior Trial Counsel GLEN G. MCGORTY and Assistant U.S. Attorneys WILLIAM HARRINGTON, MICHAEL BOSWORTH, and KAN NAWADAY are in charge of the prosecution.

The charges contained in the complaint are merely accusations and the defendants are presumed innocent unless and until proven guilty.

1	Conspiracy to deprive New York state and its citizens of Carl Kruger's honest services	Kruger, Lipsky, Malinsky	20 years in prison; three years of supervised release; \$250,000 or twice the pecuniary gain/loss; \$100 special assessment
2	Conspiracy to deprive New York state and its citizens of their legislators' honest services	Kalish, Aquino, Rosen, Boyland	20 years in prison; three years of supervised release; \$250,000 or twice the pecuniary gain/loss; \$100 special assessment
3	Money laundering conspiracy	Kruger, Lipsky, Malinsky, Kalish, Turano	20 years in prison; three years of supervised release; \$500,000 or twice the value of the laundered funds; \$100 special assessment

- Assistant Director in Charge Fedarcyk's remarks at press conference.

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