DISCIPLINARY REVIEW BOARD

OF THE

SUPREME COURT OF NEW JERSEY

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April 21, 2026

Heather Joy Baker, Clerk
Supreme Court of New Jersey
P.O. Box 970
Trenton, New Jersey 08625-0962

Re: **In the Matter of J. Stewart Grad**
Docket No. DRB 26-060
District Docket No. XIV-2024-0415E

Dear Ms. Baker:

The Disciplinary Review Board (the Board) has reviewed the motion for discipline by consent (reprimand or such lesser discipline as the Board deems appropriate) filed by the Office of Attorney Ethics (the OAE) in the above matter, pursuant to R. 1:20-10(b). Following a review of the record, the Board granted the motion and determined that a reprimand, with conditions, is the appropriate quantum of discipline for respondent's violation of RPC 1.15(a) (three instances – failing to safeguard client funds, negligently misappropriating client funds, and commingling), RPC 1.15(b) (failing to promptly disburse funds), and RPC 1.15(d) (failing to comply with the recordkeeping requirements of R. 1:21-6).

The stipulated facts are as follows.

On July 3, 2012, respondent was the subject of a random audit (the 2012 Audit). During that audit, the OAE identified three recordkeeping deficiencies:

(1) inactive trust ledger balances remained in his attorney trust account (ATA) for an extended period of time, (2) improper ATA designation, and (3) improper attorney business account (ABA) designation. On January 15, 2013, respondent sent a letter to the OAE, representing the corrective actions he had taken to remediate the deficiencies and, on January 18, 2013, the OAE closed the 2012 Audit.

On May 22, 2024, respondent again was the subject of a random audit (the 2024 Audit). During that audit, the OAE identified ten recordkeeping deficiencies, two of which previously had been identified during the 2012 Audit. The recordkeeping deficiencies the OAE identified during the 2024 Audit included inactive ATA balances, in violation of RPC 1.15(b); failure to maintain monthly ATA three-way reconciliations and ABA and ATA receipts and disbursements journals for seven years, as R. 1:21-6(c)(1) requires; improperly issuing ATA checks made payable to "cash," in violation of R. 1:21-6(c)(1)(a); improperly holding special fiduciary funds in the ATA, in violation of R. 1:21-6(a)(1); commingling, in violation of RPC 1.15(a); improper ABA designation, in violation of R. 1:21-6(a)(2); failing to deposit all earned legal fees in an ABA, in violation of R. 1:21-6(a)(2); and unsigned retainer agreements, contrary to R. 1:21-7(g).

On July 3, 2024, respondent provided the OAE with proof of his corrective actions to remediate the deficiencies. However, due to an $11,467.08 deposit in respondent's ATA two days prior to the 2024 Audit, made to replenish a shortage, along with his failure to maintain monthly three-way reconciliations, the OAE commenced a disciplinary investigation.

Accordingly, on October 31, 2024, the OAE conducted a demand audit. During the interview, respondent admitted that he was not preparing monthly three-way reconciliations and that, as a result, he caused shortages in his ATA. Specifically, the OAE identified an $11,467.08[1] shortage in respondent's ATA.

The parties jointly explained the reasons for the ATA shortage as follows: on August 18, 2017, Dean McClenathen, who was the owner of Custom Machine, Inc., a business located in Michigan, retained respondent to settle a

[1] Although the stipulation stated that the OAE identified an $11,467.08 shortage in respondent's ATA, the stipulation also indicated that the shortage was $11,417.08. The $50 discrepancy is not clear from the record.

$100,000 dispute he had with Woodbridge Machine & Tool Co., Inc. On August 25, 2017, respondent deposited in his ATA a $99,950 check, on McClenathen's behalf, issued by Woodbridge Machine & Tool. Five days later, he disbursed $95,000 to McClenathen.[2] Respondent retained the $4,950 balance in his ATA.[3]

However, on September 5, 2017, respondent sent an e-mail to McClenathen advising that "it appears that the check from Woodbridge Machine & Tool was counterfeit. Since the funds have already been sent, my office has been in touch with [law enforcement]." Later, in a September 14, 2017 letter to respondent, the bank informed respondent that it had investigated his report regarding fraud, but that "the account into which you transferred money has now been closed, no funds were remaining at the time that we were made aware of your situation. For this reason [the bank] is unable to return any money to you."

Accordingly, respondent filed a claim with his malpractice insurance carrier and was reimbursed $95,000. Because respondent had a deductible, the insurance carrier did not reimburse the full $99,950. Respondent failed to replace $4,950 of the counterfeit funds, thereby causing a shortage in his ATA. The record is silent regarding what ultimately occurred with the $95,000 respondent received from his insurance carrier.

Also during the 2024 Audit, respondent identified an additional $3,967.43 shortage in his ATA, caused by wire fees; stop payment fees; overpayments; checks negotiated for more than the amount issued; and math errors. Respondent attributed his inability to identify the cause of the remaining $2,499.65 ATA shortage to a "bookkeeping error which preceded his available records."

Additionally, on November 18, 2022, respondent received three checks, totaling $2.1 million, on behalf of his client, A.K. Eighteen months later, on May 3, 2024, respondent issued a $103,802.77 ATA check payable to his ABA, representing his legal fees in the A.K. matter. Because of respondent's delayed disbursement of his legal fees from his ATA, his $11,467.08 shortage did not impact the client funds he held in his ATA until May 3, 2024, when he disbursed

[2] Although the stipulation asserted that respondent disbursed funds to McClenathen, an August 30, 2017 entry on the client ledger indicated that respondent completed a $94,950 "wire transfer to U.K." and paid a $40 "bank fee," resulting in a $4,960 balance.

[3] Although the stipulation stated that respondent retained $4,950 in his ATA, the ledger sheet indicates that he held $4,960. The record does not explain the $10 discrepancy.

his legal fees in the A.K. matter. On May 16, 2024, six days before the OAE conducted the 2024 Audit, respondent deposited $11,467.08 in his ATA to cure the shortage.

Due to his failure to maintain proper records, respondent could not determine whether he had maintained legal fees earned in other client matters in his ATA prior to the November 18, 2022 A.K. deposit.

On July 3, 2025, following the demand audit, respondent provided the OAE with the books and records he had maintained since January 1, 2025, which reflected his compliance with R. 1:21-6.

Based on the foregoing facts, the parties stipulated that respondent violated RPC 1.15(a) in three respects. First, he failed to promptly disburse earned legal fees and costs from his ATA by holding in his ATA, from November 18, 2022 through May 3, 2024, the $103,802.77 in legal fees he earned in the A.K. matter. Second, he negligently misappropriated client funds when, despite the $11,467.08 shortage in his ATA, he disbursed to himself his $103,802.77 legal fee in the A.K. matter, thereby invading client funds. Third, he failed to safeguard client funds by maintaining an $11,467.08 shortage in his ATA for approximately two years. Respondent also stipulated that he violated RPC 1.15(b) by failing to promptly deliver funds to his client despite his client ledger cards reflecting balances due. Finally, respondent stipulated that he violated RPC 1.15(d) by failing to maintain his books and records in compliance with R. 1:21-6.

Following its review, the Board found that respondent violated RPC 1.15(a) by failing to promptly disburse his earned legal fee in the A.K. matter from his ATA for nearly eighteen months, thereby commingling his personal funds with client funds. Thereafter, when he disbursed his $103,802.77 legal fee, shortly before the 2024 Audit, he caused a more than $11,000 shortage in his ATA, constituting a failure to safeguard client funds and a negligent misappropriation of client funds, additional violations of RPC 1.15(a).

Furthermore, respondent violated RPC 1.15(b) by allowing nearly $5,000 attributed to the McClenathen matter to languish in his ATA. Specifically, on August 25, 2017, only four years after the OAE closed the 2012 Audit, respondent deposited the funds in his ATA. However, at the time of the 2024 Audit, he still maintained a balance in his ATA.

Finally, respondent violated RPC 1.15(d) by admittedly failing to maintain his books and records in compliance with R. 1:21-6, in numerous respects.

It is well established that a reprimand typically is imposed for negligent misappropriation caused by poor recordkeeping practices. See, e.g., In re Asterita, 260 N.J. 120 (2025) (reprimand for an attorney whose recordkeeping deficiencies resulted in multiple acts of negligent misappropriation; although a censure was supportable based on the attorney's repeated acts of negligent misappropriation which, for years, invaded substantial sums of entrusted funds, the Board determined that a reprimand was the appropriate quantum of discipline, considering the apparent lack of any ultimate financial harm to clients or third parties, the attorney's relatively prompt replenishment of his ATA shortages, and the preventive measures he adopted to avoid future recordkeeping errors and negligent misappropriation); In re Steinmetz, 251 N.J. 216 (2022) (reprimand for an attorney who committed numerous recordkeeping violations, negligently misappropriated more than $60,000, and commingled personal funds in his ATA; the attorney also failed to correct his records for seventeen months after the OAE notified him of the recordkeeping concerns; in mitigation, the attorney had no prior discipline in sixteen years at the bar, hired an accountant to assist with his records, and did not cause harm to any client).

Based on the above disciplinary precedent, the Board concluded that the baseline level of discipline for respondent's misconduct is a reprimand. However, to craft the appropriate discipline in this case, the Board also considered aggravating and mitigating factors.

In aggravation, respondent had a heightened awareness of his obligation to comply with R. 1:21-6 by virtue of the 2012 Audit. The Board was particularly concerned that the 2024 Audit involved seven more deficiencies than the OAE had identified twelve years earlier – two of which were repeat deficiencies.

In significant mitigation, respondent has no prior discipline in more than fifty-five years at the bar, a factor the Board accorded significant weight. In re Convery, 166 N.J. 298, 308 (2001). Moreover, he corrected his recordkeeping deficiencies and entered into this motion for discipline by consent, thereby accepting responsibility for his misconduct and conserving disciplinary resources.

On balance, despite the mitigation, the Board determined that a reprimand is the appropriate quantum of discipline to protect the public and preserve confidence in the bar.

Additionally, as conditions to his discipline, the Board recommended that, within sixty days of the Court's disciplinary Order in this matter, respondent be required to attend a recordkeeping course approved by the OAE. Further, the Board recommended that he be required to submit to the OAE, on a quarterly basis, his monthly three-way reconciliations, for a period of two years.

Enclosed are the following documents:

1. Notice of motion for discipline by consent, dated March 4, 2026.

2. Stipulation of discipline by consent, dated March 4, 2026.

3. Affidavit of consent, dated February 9, 2026.

4. Ethics history, dated April 21, 2026.

Very truly yours,

/s/ Timothy M. Ellis

Timothy M. Ellis
Chief Counsel

TME/akg
Enclosures

c: (w/o enclosures)
Hon. Mary Catherine Cuff, P.J.A.D. (Ret.), Chair
Disciplinary Review Board (e-mail)
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