



*United States Attorney  
Southern District of New York*

**FOR IMMEDIATE RELEASE  
FEBRUARY 18, 2011**

**CONTACT: U.S. ATTORNEY'S OFFICE  
ELLEN DAVIS,  
EDELI RIVERA,  
JESSIE ERWIN  
PUBLIC INFORMATION OFFICE  
(212) 637-2600**

**FORMER DEAN OF BROOKLYN SCHOOL SENTENCED  
IN MANHATTAN FEDERAL COURT TO 48 MONTHS IN PRISON  
FOR \$4 MILLION EXTORTION SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that MILTON BALKANY, former Dean of the Bais Yaakov day school in Borough Park, Brooklyn, was sentenced today to 48 months in prison stemming from his \$4 million scheme to extort a Connecticut-based hedge fund (the "Hedge Fund") into paying millions of dollars to Bais Yaakov and another school on behalf of BALKANY. BALKANY was sentenced in Manhattan federal court by U.S. District Judge DENISE L. COTE, who presided over the seven-day trial at which BALKANY was found guilty of crimes of extortion, blackmail, wire fraud and making false statements.

According to documents previously filed in Manhattan federal court and statements made during court proceedings:

From December 2009 to February 2010, BALKANY claimed to be the spiritual advisor to, in communication with, and in control of, an individual who was incarcerated at a federal prison in Otisville, New York (the "Inmate"). According to BALKANY, the Inmate advised him that in 2004 and 2005, the Hedge Fund obtained material, non-public information (the "Inside Information") and used the purported Inside Information to profit from trading in at least six stocks. BALKANY told lawyers from the Hedge Fund that representatives from the Federal Bureau of Investigation ("FBI") and the U.S. Attorney's Office for the Southern District of New York ("USAO") (collectively, the "Government Officials") were aware that the Inmate was in possession of the Inside Information, and that, they were anxious to speak with him. That was untrue. The Government Officials never contacted the Inmate about the purported Inside Information. Instead, BALKANY himself contacted the USAO in January 2010 by telephone, and had conversations during which he attempted to induce the USAO to make contact with the Inmate. During the same conversations, BALKANY made false statements and concealed material information from the Government.

Separately, BALKANY advised attorneys for the Hedge Fund that he was in frequent contact with the Inmate, and that the Inmate would follow BALKANY's instructions as to what he should and should not tell the Government Officials. BALKANY also told lawyers for the Hedge Fund that he would instruct the Inmate not to tell the Government Officials about the Hedge Fund's purported illegal trading if the Hedge Fund made certain payments to BALKANY, specifically, \$2 million to Bais Yaakov, and \$2 million to another school as a "loan." BALKANY stated, for example, "In regard to your concern and your company . . . you can go to sleep at night completely comfortable, without any worry. That's what I can tell you." Through numerous telephone calls and meetings, BALKANY pressured the Hedge Fund into paying the money, by falsely claiming that the Government was about to approach the Inmate for his cooperation. BALKANY further threatened that if the Hedge Fund did not pay, BALKANY would attempt to help the Inmate reduce his prison sentence by permitting him to speak to the Government Officials.

On February 18, 2010, as part of a law enforcement operation, BALKANY received two checks from the Hedge Fund totaling \$3.25 million. At the time he received these checks, BALKANY advised a representative of the Hedge Fund that the Inmate would not discuss the Hedge Fund with the Government Officials at a meeting between the Inmate and the USAO that BALKANY claimed was scheduled for the next day. In truth and in fact, no such meeting was scheduled to occur.

\* \* \*

In addition to the prison term, Judge COTE sentenced BALKANY, 64, of Brooklyn, New York, to three years of supervised release.

During the sentencing proceeding, Judge COTE stated: "When you extort money from others, when you lie to the Government, when you commit serious acts, there is a consequence

Mr. BHARARA praised the work of the Criminal Investigators of the U.S. Attorney's Office for the Southern District of New York.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local

law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

Assistant U.S. Attorneys MARC P. BERGER and JESSE M. FURMAN are in charge of the prosecution.

11-052

###