



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
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**CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER,
REBEKAH CARMICHAEL,
JANICE OH
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**MANHATTAN U.S. ATTORNEY CHARGES DEAN OF BROOKLYN SCHOOL
FOR SCHEMING TO EXTORT A HEDGE FUND
OUT OF \$4 MILLION**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that MILTON BALKANY, a/k/a "Yehoshua Balkany," Dean of the Bais Yaakov day school in Borough Park, Brooklyn, was arrested today on wire fraud, extortion, false statements, and blackmail charges stemming from an alleged \$4 million scheme to extort a Connecticut-based hedge fund ("the Hedge Fund") into paying millions of dollars to Bais Yaakov and to another school on behalf of BALKANY.

According to a criminal Complaint filed today in Manhattan federal court:

From December 2009 to February 2010, BALKANY claimed to be the spiritual advisor to, in communication with, and in control of, an individual who is incarcerated at a federal prison in Otisville, New York (the "Inmate"). According to BALKANY, the Inmate advised BALKANY 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 United States Attorney's Office for the Southern District of New York ("USAO") (collectively, the "Government Officials") were purportedly aware that the Inmate was in possession of the Inside Information, and that, as of December 2009, the Government Officials were supposedly anxious to speak with the Inmate.

In truth and in fact, however, 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 with the USAO, BALKANY made false statements and concealed material information from the Government.

BALKANY separately advised attorneys for the Hedge Fund that BALKANY 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 BALKANY 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." Through numerous telephone calls and meetings, BALKANY pressured the Hedge Fund into paying, by falsely claiming that the Government was about to approach the Inmate for the Inmate's 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.

Earlier today, 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 tomorrow. In truth and in fact, however, no such meeting was scheduled to occur.

BALKANY is charged with wire fraud, extortion, blackmail, and making false statements. He faces a maximum sentence of 20 years in prison on the wire fraud count, two years in prison on the extortion count, one year in prison on the blackmail count, and five years in prison on the false statement count. On the wire fraud, extortion, and false statement counts he also faces a fine of the greater of \$250,000 or twice the gross gain or gross loss from the offense, and on the blackmail count a fine of the greater of \$100,000 or twice the gross gain or gross loss from the offense.

BALKANY, 63, of Brooklyn, New York, was arrested this afternoon and presented in Manhattan federal court.

The case is being investigated by the Criminal Investigators of the United States Attorney's Office for the Southern District of New York. Mr. BHARARA said that the investigation is continuing.

Assistant United States Attorney MARC P. BERGER is in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.