



*United States Attorney  
Southern District of New York*

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

**FORMER FUGITIVE IN MULTIMILLION-DOLLAR NEW SQUARE  
FRAUD SCHEME PLEADS GUILTY IN MANHATTAN FEDERAL COURT**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today that AVRUM DAVID FRIESEL pleaded guilty today in Manhattan federal court before United States Magistrate Judge HENRY B. PITMAN for his role in a long-running scheme to defraud a number of federal and state programs. FRIESEL initially fled from the United States to Israel in about 1997, prior to the unsealing of the original Indictment. FRIESEL subsequently fled from Israel to the United Kingdom, where he resided until his arrest there in 2008. FRIESEL was then extradited to the United States, arriving in New York in August 2009.

According to the Superseding Indictment, statements made during FRIESEL's guilty plea, and other documents filed in Manhattan federal court and in connection with extradition proceedings in the United Kingdom:

FRIESEL and several other co-defendants defrauded a number of federal and state grant, loan, and subsidy programs for the benefit of themselves and other residents of the Village of New Square, an incorporated village in Rockland County. During the course of the fraud, millions of dollars were obtained from various federal and state programs.

For example, FRIESEL and his co-defendants defrauded the Pell Grant program funded by the United States Department of Education. The Pell Grant program provides funds to financially needy post-secondary students who are seeking to obtain an academic or professional degree, vocational certificate, or other recognized undergraduate educational credential. FRIESEL and his co-defendants assisted in enrolling thousands of New Square residents and others in post-secondary educational programs in order to obtain tens of millions of dollars in Pell Grants and other forms of student financial aid to which they were not entitled. Most of these students were enrolled in "independent study" programs that did not require the students to attend

classes, but instead permitted them to study independently under the guidance of "mentors," who supposedly met with them periodically to gauge their progress and administer examinations. Members of the conspiracy used fraudulent means to conceal the fact that many of these "students" were actually ineligible to receive financial aid because they were not seeking any certificate or degree, or because they were still in high school.

Among other things, and in order to execute the fraud, participants in the conspiracy: created entities through which federal and state funds could be fraudulently obtained; submitted fraudulent documentation in order to establish the eligibility of New Square residents and others to participate in these programs; used the funds obtained from these programs for impermissible purposes; and concealed their fraud by using false names and nominee bank accounts.

In addition to the Pell Grant program, participants in the conspiracy defrauded other programs and departments, including: a Small Business Administration program designed to provide venture capital to small, minority-owned businesses; the Section 8 rental subsidy program funded by the United States Department of Housing and Urban Development; the Social Security Administration; and the Internal Revenue Service.

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FRIESEL faces a maximum penalty of five years in prison and a maximum fine of \$250,000 or twice the gain or loss resulting from the crime. In addition, as part of his plea agreement with the Government, FRIESEL agreed to pay restitution of more than \$11.6 million.

FRIESEL is scheduled to be sentenced by United States District Judge BARBARA S. JONES on June 15, 2010, at 11:00 a.m.

FRIESEL's co-defendants, KALMEN STERN, DAVID GOLDSTEIN, JACOB ELBAUM, and BENJAMIN BERGER, were convicted on January 25, 1999, following an 11-week jury trial in White Plains federal court and received sentences of between 30 and 78 months in prison, sentences which were commuted in 2001. CHAIM BERGER, the leader of the scheme who fled the United States, was arrested in Israel in 1999 and was later extradited to the United States. He pleaded guilty on January 23, 2002, and was sentenced to 72 months in prison. The last defendant, NATHAN ADLER, remains at large.

Mr. BHARARA said, "Today, Avrum Friesel has acknowledged his role in stealing money intended for legitimate students in need of financial assistance. After fleeing and living in hiding for eleven years, Friesel will finally face justice. In cases like these, our Office, in coordination with our local, federal, and international law enforcement partners, never ceases to pursue fugitives who evade responsibility for their crimes."

Mr. BHARARA praised the work and cooperation of the Department of Education, the Internal Revenue Service, the Federal Bureau of Investigation, the Department of Housing and Urban Development, the Small Business Administration, and the Social Security Administration for their investigation and their extraordinarily dedicated commitment to the prosecution. Mr. BHARARA also praised the efforts of the United States Marshals Service for locating FRIESEL, for helping to apprehend FRIESEL in the United Kingdom, and for providing essential support in obtaining his return to the United States. Mr. BHARARA also thanked London's Metropolitan Police Service, Extradition Unit, for its assistance in the location and apprehension of FRIESEL.

The case is being prosecuted by the Office's Complex Frauds Unit. Assistant United States Attorney DANIEL W. LEVY is in charge of the prosecution.

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