



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE

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**INFORMATION FILED AGAINST DREIER CO-CONSPIRATOR
KOSTA KOVACHEV**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, announced today that KOSTA KOVACHEV, formerly a registered broker with the National Association of Securities Dealers, was charged in a criminal Information with conspiracy, securities fraud and wire fraud stemming from his participation with MARC DRIER in the sale of fictitious promissory notes to various hedge funds. As alleged in the criminal Information filed today in Manhattan federal court:

During 2006 and 2007, MARC DREIER, the founder and managing partner of the law firm Dreier LLP, sold to a New York City hedge fund various promissory notes with a face value of approximately \$115 million. The notes were purportedly issued by a New York City real estate development company (the "Developer"). In September 2008, after the notes were not repaid on time, an employee of the hedge fund asked to meet with representatives of the Developer at the Developer's offices. DREIER agreed, and on October 15, 2008, when employees of the hedge fund went to the Developer's offices, DREIER brought them into a conference room and introduced KOVACHEV, who falsely pretended that he worked in the finance department of the Developer and falsely answered questions about the Developer's finances.

That same month, KOVACHEV directly contacted the founder of another hedge fund to tell him about notes that DREIER had for sale. KOVACHEV thereafter introduced DREIER to employees of that hedge fund, which ultimately purchased fictitious promissory notes for \$13.5 million purportedly issued by the Developer.

Also in October 2008, DREIER informed a third hedge fund that it could buy the Developer's notes at a discount. When employees of the fund asked to speak with someone at the

Developer about financial statements DREIER had supplied, DREIER arranged a conference call among himself, the hedge fund employees, and KOVACHEV, who falsely pretended to be the Developer's CEO. During the call, KOVACHEV discussed the financial statements, which were fictitious, and falsely answered questions about the Developer's finances. That third hedge fund subsequently bought fictitious notes from DREIER for approximately \$100 million.

During October and November 2008, DREIER paid KOVACHEV a total of approximately \$215,000 for engaging in the impersonations and assisting in the sale of fictitious promissory notes.

KOVACHEV appeared in court today, waived indictment, and agreed to the filing of the Information against him. The case was assigned to United States District Judge NAOMI REICE BUCHWALD. KOVACHEV's next court appearance is scheduled before Judge BUCHWALD for May 18, 2009 at 3:30 pm.

KOVACHEV, 57, is charged with one count of conspiracy to commit securities fraud and wire fraud, one count of securities fraud, and one count of wire fraud. The conspiracy charge carries a maximum sentence of 5 years in prison, and the securities fraud and the wire fraud charges each carry maximum sentences of 20 years in prison. The securities fraud charge carries a maximum fine of \$5 million or twice the gross gain or loss from the offense; the wire fraud and conspiracy charges each carry a maximum fine of \$250,000 or twice the gross gain or loss from the offense. The Government also seeks to forfeit the funds KOVACHEV received from DREIER as payment for his fraudulent activities.

Mr. DASSIN praised the work of the Criminal Investigators of the United States Attorney's Office and thanked the United States Securities and Exchange Commission for its assistance in the case.

Assistant United States Attorneys JONATHAN R. STREETER and SHARON COHEN LEVIN are in charge of the prosecution.

The charges and allegations contained in the Information are merely accusations and KOVACHEV and DREIER are presumed innocent unless and until proven guilty.

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