



*United States Attorney
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**PAIR SENTENCED IN MANHATTAN FEDERAL COURT TO
63 AND 51 MONTHS IN PRISON IN CONNECTION
WITH \$2.7 MILLION SECURITIES FRAUD SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, and JOSEPH M. DEMAREST, JR., the Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced that FELIX STRASHNOV was sentenced today to 63 months in prison in connection with his participation in a fraudulent investment scheme through which STRASHNOV and co-defendant MICHAEL AYGORN defrauded over 100 investors of over \$2.7 million. The sentence was imposed by United States District Judge BARBARA S. JONES. On November 12, 2009, Judge JONES sentenced MICHAEL AYGORN to 51 months in prison.

According to the charging documents and statements made at court proceedings in the case:

Between November 2004 and June 2007, STRASHNOV and AYGORN sold unregistered securities in Empire Development Group LLC ("EDG") and Empire Development Group Fund I LLC ("EDGF") based on material misrepresentations and omissions. STRASHNOV and AYGORN collected over \$2.7 million from more than 100 investors in EDG and EDGF. Instead of using investors' money to purchase real estate for the benefit of EDG and EDGF, STRASHNOV and AYGORN spent most of the investors' money on STRASHNOV and AYGORN's personal residences, cars, meals, gambling, and other items for themselves and their families.

For example, STRASHNOV and AYGORN represented to investors that EDG and EDGF were investing in real estate. However, in interviews and depositions with the United States Securities and Exchange Commission (the "SEC"), STRASHNOV and AYGORN identified as EDG and EDGF investments only two

properties: (1) AYGORN's personal residence in Brooklyn, New York, which public records show was purchased in the names of AYGORN and his wife in July 2005, and (2) a Fair Lawn, New Jersey, property which was held in STRASHNOV's name. According to SEC personnel, STRASHNOV showed them blueprints for the Fair Lawn, New Jersey, property that were labeled "Strashnov Residence."

Further, STRASHNOV and AYGORN paid themselves and their wives hundreds of thousands of dollars from Empire accounts, withdrew hundreds of thousands of dollars of funds from Empire accounts, and used Empire funds to purchase and lease personal automobiles and other items.

On March 23, and 27, 2009, AYGORN and STRASHNOV, respectively, pleaded guilty to one count of conspiracy to commit securities fraud and one count of securities fraud in connection with the scheme.

STRASHNOV, 38, and AYGORN, 37, are both from Brooklyn, New York.

In addition to his prison term, Judge JONES ordered STRASHNOV to pay \$2,791,593 in restitution to the fraud victims and to forfeit \$2,791,593, reflecting the proceeds of the fraud scheme. Judge JONES also ordered AYGORN to pay \$2,791,593 in restitution to the fraud victims and to forfeit \$2,791,593 in connection with the fraud scheme.

Mr. BHARARA praised the work of the Federal Bureau of Investigation and thanked the SEC for its assistance in the investigation.

Assistant United States Attorney ANDREW L. FISH is in charge of the prosecution.

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