

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - - x

UNITED STATES OF AMERICA :

- v. - :

NEDKO NEDEV, :

Defendant. :

- - - - - x

SEALED INDICTMENT

16 Cr
16 CRIM 093

COUNT ONE

(Securities Fraud: Market Manipulation - Rocky Mountain)

The Grand Jury charges:

Background

Relevant Entities and Individuals

1. At all times relevant to this Indictment, NEDKO NEDEV, the defendant, was a dual citizen of the United States and Bulgaria. Starting in approximately 2010, NEDEV resided primarily in Sofia, Bulgaria. Prior to 2010, NEDEV resided at various times in Nevada.

2. At all times relevant to this Indictment, Rocky Mountain Chocolate Factory, Inc. ("Rocky Mountain"), which was based in Durango, Colorado, was an international franchisor, manufacturer and retail operator of stores selling chocolate products. Rocky Mountain was traded on the NASDAQ exchange under the ticker symbol "RMCF."

The EDGAR System

3. At all times relevant to this Indictment, the Securities and Exchange Commission (the "SEC") received submissions from issuers, companies and others who filed public documents with the SEC through the Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR"). Before an entity could file a document on EDGAR, the entity was required to fill out a "Form ID," which required an applicant to provide certain pedigree information about the proposed filer, including a valid email address. One type of document that could be filed on EDGAR was a tender offer.

NEDEV's Brokerage Accounts

4. Between in or about June 2008 and in or about at least June 2015, NEDKO NEDEV, the defendant, traded equities, options and Contracts for Difference¹ of publicly traded companies through at least two U.S.-based online broker dealers at which NEDEV maintained at least four accounts: (a) Strategic Wealth Investments Inc. (the "Strategic Wealth Account"); (b) SWIP Capital Partners, Inc. (the "SWIP Account"); (c) Strategic Capital Partners Muster Limited (the "Strategic Capital

¹ A Contract for Difference ("CFD") is an agreement between two parties to exchange the difference in value of an underlying stock between the time the contract is opened and the time at which it is closed. CFDs are not traded in the United States, but they are frequently traded outside the United States and tied to underlying securities traded on U.S.-based exchanges.

Account"); and (d) Strategic Capital Partners Muster Limited CFD Account (the "Strategic Capital CFD Account," collectively with the Strategic Capital Account, the "Strategic Capital Accounts"). NEDEV or a member of his immediate family was listed as an authorized user on the Strategic Wealth Account and the Strategic Capital Accounts. An individual known to be associated with NEDEV was the authorized user for the SWIP Account. All four accounts (the "Strategic Accounts") were associated with residential addresses in either Nevada or Sofia, Bulgaria.

Overview of the Market Manipulation Scheme

5. As set forth more fully below, from at least in or about January 2012 through at least in or about December 2012, NEDKO NEDEV, the defendant, devised and carried out a scheme to manipulate the public market for Rocky Mountain stock, enrich himself, and mitigate trading losses. In furtherance of the scheme, NEDEV artificially inflated the share price and trading volume of Rocky Mountain through a sham tender offer he caused to be filed on EDGAR (the "Rocky Mountain Offer").

The Rocky Mountain Offer

6. From at least in or about December 2008, NEDKO NEDEV, the defendant, caused the Strategic Accounts to consistently hold shares of Rocky Mountain stock. When NEDEV opened the Strategic Capital Account in July 2012, Rocky

Mountain was the first stock purchased. As of August 2012, the Strategic Accounts held shares of Rocky Mountain valued at more than \$1.1 million. After reaching a peak share price of almost \$14.00 per share in August 2012, Rocky Mountain's share price began to decline steadily. By November 2012, the price had dropped to approximately \$10.36 per share. By that time, NEDEV's Rocky Mountain holdings in the Strategic Accounts had accumulated a total of approximately \$250,000 in unrealized losses as well as approximately \$278,000 in realized losses.

7. To effectuate the scheme to manipulate the market in Rocky Mountain, NEDKO NEDEV, the defendant, created a fictitious entity to make a sham tender offer for Rocky Mountain. Previously, on or about January 28, 2012, NEDEV had registered the email account balifamilyoffice@mail.com (the "Bali Email Account") at a U.S.-based email provider (the "Provider"). Between January 2012 and May 2015, NEDEV used the Bali Email Account to send and receive emails in the name of Peter Bali, a name he used in the course of the scheme, as well as other names.² On or about November 21, 2012, NEDEV caused Rocky Mountain to receive a voicemail from an individual who purported to be named Petar Bali. The voicemail indicated that Bali had mailed a tender offer to purchase Rocky Mountain on

² In the course of the scheme, NEDEV used both "Peter Bali" and "Petar Bali."

behalf of a company purportedly called "PST Capital Group" ("PST"). One week later, on or about November 28, 2012, NEDEV caused Rocky Mountain to receive a letter of intent from PST (the "PST Letter of Intent"), which identified Bali as the "Chairman" of PST and indicated that PST was based in London, England. The PST Letter of Intent offered, among other things, to purchase all outstanding shares of Rocky Mountain at a price of \$13.50 per share. On or about December 6, 2012, NEDEV caused Rocky Mountain to receive another voicemail from the individual purporting to be Bali asking if Rocky Mountain had received the PST Letter of Intent. In truth and in fact, PST did not exist, as it had been invented for the purpose of effecting the market manipulation scheme.

8. Approximately two weeks later, on or about December 13, 2012, NEDKO NEDEV, the defendant, caused a Form ID (the "PST Form ID") to be filed with the SEC from Bulgaria. The PST Form ID, which requested that PST be allowed to file documents on EDGAR, indicated that PST was based in London, England, and contained a notary stamp purporting to be associated with a particular California-based registered notary (the "PST Notary"). In truth and in fact, the stamp was forged, as the PST Notary did not notarize the PST Form ID, nor authorize anyone to use the PST Notary's name or notary credentials to do so, as NEDEV well knew.

9. To further effectuate the market manipulation scheme, NEDKO NEDEV, the defendant, caused the Rocky Mountain Offer to be filed on EDGAR on or about December 18, 2012, after the close of the trading day. As with the PST Form ID, the Rocky Mountain Offer was filed from Bulgaria. As with the PST Letter of Intent, the Rocky Mountain Offer was made in the name of PST, listed Bali as PST's Chairman, and proposed to acquire all of Rocky Mountain's stock at \$13.50 per share, which represented an approximately 27 percent premium above the stock's closing price as of December 18, 2012.

10. The Rocky Mountain Offer also included the following language, in relevant part (the "Rocky Mountain Offer Language"):

The [offering company] has substantial experience in managing acquisitions and is committed to working quickly to complete due diligence and execute a definitive agreement.

[and]

The Proposed Offer does not create any binding obligation, and no such binding obligation will arise unless and until a mutually satisfactory definitive agreement has been executed and delivered by the parties.

11. Rocky Mountain's share price was approximately \$10.60 when the market closed at 4:00PM on December 18, 2012. As intended by NEDKO NEDEV, the defendant, Rocky Mountain's

share price began to increase following the release of the Rocky Mountain Offer. At approximately 4:45PM, a victim investor (the "Victim") purchased approximately 797 shares of Rocky Mountain in after-market trading, at a price of approximately \$13.01 per share, from a brokerage account affiliated with an address in Manhattan, New York.

12. Before the markets opened on December 19, 2012, Rocky Mountain issued a press release publicly filed on EDGAR as a Form 8-K (the "Rocky Mountain Press Release") indicating that the Rocky Mountain Offer appeared to be fake. Rocky Mountain's share price opened at approximately \$11.00 per share. Shortly after the market opened, the Victim sold his shares of Rocky Mountain at a price of \$11.02 per share, resulting in a loss of more than 18 percent of his investment. Although the Rocky Mountain Press Release diminished the impact of the Rocky Mountain Offer, inasmuch as the release was issued before the trading day began, the stock price nonetheless rose approximately 4.6 percent during market hours on December 19, 2012, to a high of \$11.09 per share, and the trading volume increased approximately 1,775 percent on that day.

13. NEDKO NEDEV, the defendant, did not cause any shares of Rocky Mountain to be sold from the Strategic Accounts on December 19, 2012.

Statutory Allegation

14. From at least in or about January 2012 through at least in or about December 2012, in the Southern District of New York and elsewhere, NEDKO NEDEV, the defendant, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and the mails, and of the facilities of national securities exchanges, used and employed, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon any person, to wit, NEDEV schemed to artificially increase the share price and trading volume of Rocky Mountain stock by making, and causing to be made, a sham tender offer for Rocky Mountain, which included false filings with the SEC.

(Title 15, United States Code, Sections 78j(b) & 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.)

COUNT TWO
(Wire Fraud - Rocky Mountain)

The Grand Jury further charges:

15. The allegations contained in paragraphs 1 through 13 above are hereby repeated, re-alleged, and incorporated by reference as if fully set forth herein.

16. From at least in or about January 2012 through in or about December 2012, in the Southern District of New York and elsewhere, NEDKO NEDEV, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, NEDEV, disseminated and caused to be disseminated a fake and deceptive tender offer for Rocky Mountain via email, facsimile, and other interstate wires, including electronic filings with the SEC, for the purpose of increasing the share price and volume of Rocky Mountain stock.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT THREE

(Aggravated Identity Theft - Rocky Mountain)

The Grand Jury further charges:

17. The allegations contained in paragraphs 1 through 13 above are hereby repeated, re-alleged, and incorporated by reference as if fully set forth herein.

18. In or about December 2012, in the Southern District of New York and elsewhere, NEDKO NEDEV, the defendant, willfully and knowingly transferred, possessed and used, without lawful authority, a means of identification of another person during and in relation to a felony violation enumerated in Title 18, United States Code, Section 1028A(c), to wit, NEDEV transferred, possessed and used the name and other identifying information of a notary licensed in the United States during and in relation to the crime of wire fraud, as charged in Count Two of this Indictment, in violation of Title 18, United States Code, Section 1343.

(Title 18, United States Code, Sections 1028A(a)(1) and 2.)

COUNT FOUR

(Securities Fraud: Market Manipulation - Avon)

The Grand Jury further charges:

19. The allegations contained in paragraphs 1 through 13 above are hereby repeated, re-alleged, and incorporated by reference as if fully set forth herein.

Background

Relevant Entity

20. At all times relevant to this Indictment, Avon Products, Inc. ("Avon") was a manufacturer and direct selling beauty company headquartered in New York, New York. Avon was traded on the New York Stock Exchange ("NYSE") under the ticker symbol "AVP."

Overview of the Market Manipulation Scheme

21. As set forth more fully below, from at least in or about April 2015 through at least in or about May 2015, NEDKO NEDEV, the defendant, devised and carried out a scheme to manipulate the public market for Avon stock, enrich himself, and mitigate trading losses. In furtherance of the scheme, NEDEV inflated the share price and trading volume of Avon stock through a sham tender offer he caused to be filed on EDGAR (the "Avon Offer").

22. In making the sham Avon Offer, NEDKO NEDEV, the defendant, used nearly identical means and methods to that used in the Rocky Mountain Offer filed on EDGAR on December 18, 2012. Unlike the Rocky Mountain Offer, however, the Avon Offer, as set forth more fully below, was filed early in the trading day, causing a significant impact on Avon's trading volume and share price and permitting NEDEV to sell a portion of his Avon holdings for a profit.

The Avon Offer

23. From at least in or about February 2012, the Strategic Accounts consistently held Avon stock and Avon derivatives, specifically options and CFDs. As of April 2015, NEDKO NEDEV, the defendant, caused the Strategic Accounts to hold positions in Avon valued at more than \$225,000. After reaching a share price of \$15.28 per share in April 2014, Avon's share price began to decline steadily. By April 2015, the share price had dropped to \$8.17 per share. By that time, NEDEV had suffered a total of approximately \$46,000 in unrealized losses on his Avon holdings.

24. To effectuate the scheme to manipulate the market in Avon, NEDKO NEDEV, the defendant, created a fictitious entity to make a sham tender offer for Avon. Thus, on or about April 16, 2015, NEDEV caused the email account ptgcapitalpartners@activist.com (the "PTG Email Account") to be registered with the Provider. The PTG Email Account was registered in the name Steve Kohe.

25. Five days later, on April 21, 2015, NEDKO NEDEV, the defendant, caused a Form ID (the "PTG Form ID") to be filed with the SEC requesting access to file documents on EDGAR on behalf of the purported entity PTG Capital Partners Ltd. ("PTG"). The PTG Form ID provided the PTG Email Account and listed Steve Kohe, a name NEDEV used to execute the scheme, as

PTG's Chief Compliance Officer. In truth and in fact, PTG did not exist, as it had been invented by NEDEV for the purpose of effecting his market manipulation scheme.

26. Like the PST Form ID, the PTG Form ID indicated that PTG operated in London, England. Also like the PST Form ID, the PTG Form ID contained a notary stamp purporting to be associated with another California-based registered notary (the "PTG Notary"). In truth and in fact, the PTG Notary did not notarize the PTG Form ID, nor authorize anyone to use the PTG Notary's name or notary credentials to do so, as NEDKO NEDEV, the defendant well knew.

27. To further effectuate the market manipulation scheme, NEDKO NEDEV, the defendant, caused the Avon Offer to be filed on EDGAR on May 14, 2015, at approximately 11:34AM, in the first half of the trading day. The Avon Offer proposed to acquire all of Avon's stock at \$18.75 per share, which represented an approximately 181 percent premium above the stock's closing price on May 13, 2015. As with the Rocky Mountain Offer, the Avon Offer was filed from Bulgaria. In addition, the Avon Offer contained nearly identical language as was contained in the Rocky Mountain Offer Language.

28. The Avon Offer significantly impacted the share price and trading volume of Avon, a company with more than 400 million publicly trading shares. Approximately half an hour

after the Avon Offer was publicly filed at 11:34AM, Bloomberg released an article (the "Bloomberg Article") indicating that Avon had stated that the Avon Offer was fake. During the approximate half hour between the public release of the Avon Offer and the Bloomberg Article, the share price of Avon increased to a high of \$8.00 per share from a low of \$6.60 per share, the effect of which was to manipulate the market by hundreds of millions of dollars. The total trading volume during just this approximate half hour period was more than 17 million shares, more than the average per day trading volume for the three-month period before the Avon Offer. In total, the trading volume on the day of the Avon Offer was more than 69 million shares, an increase of more than 400 percent over the average per day trading volume for the three-month period before the Avon Offer. As a result of this significant increase in the volume of trading, the NYSE halted trading three times in Avon shares in the half hour period following the Avon Offer.

29. Approximately twenty-five minutes after the Avon Offer was filed on EDGAR, NEDKO NEDEV, the defendant, sold a portion of his Avon holdings at the artificially inflated price. Through these sales, NEDEV earned profits in the Strategic Capital Accounts. The Avon Offer also caused the value of his unsold Avon positions to increase significantly during the time period of the manipulation.

30. Despite the release of the Bloomberg Article reporting that the Avon Offer was a sham, the unusually high trading volume continued as the market adjusted to the news, including as certain individuals who purchased shares at an artificial price as a result of the Avon Offer sought to unwind those positions.

Statutory Allegation

31. From at least in or about April 2015 through at least in or about May 2015, in the Southern District of New York and elsewhere, NEDKO NEDEV, the defendant, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and the mails, and of the facilities of national securities exchanges, used and employed, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes and artifices to defraud; (b) making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon any person, to wit, NEDEV schemed to artificially increase the share price and trading volume of Avon

stock by making, and causing to be made, a sham tender offer for Avon, which included false filings with the SEC.

(Title 15, United States Code, Sections 78j(b) & 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.)

COUNT FIVE
(Wire Fraud - Avon)

The Grand Jury further charges:

32. The allegations contained in paragraphs 1 through 13, and 20 through 30, above are hereby repeated, re-alleged, and incorporated by reference as if fully set forth herein.

33. From at least in or about April 2015 through in or about May 2015, in the Southern District of New York and elsewhere, NEDKO NEDEV, the defendant, willfully and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, transmitted and caused to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice, to wit, NEDEV, disseminated and caused to be disseminated a fake and deceptive tender offer for Avon via email, facsimile, and other interstate wires, including electronic filings with the SEC, for the purpose of increasing the share price and volume of Avon stock,

thereby enriching himself and mitigating his trading losses.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT SIX

(Aggravated Identity Theft - Avon)

The Grand Jury further charges:

34. The allegations contained in paragraphs 1 through 13, and 20 through 30, above, are hereby repeated, re-alleged, and incorporated by reference as if fully set forth herein.

35. In or about April 2015, in the Southern District of New York and elsewhere, NEDKO NEDEV, the defendant, willfully and knowingly transferred, possessed and used, without lawful authority, a means of identification of another person during and in relation to a felony violation enumerated in Title 18, United States Code, Section 1028A(c), to wit, NEDEV transferred, possessed and used the name and other identifying information of a notary licensed in the United States during and in relation to the crime of wire fraud, as charged in Count Five of this Indictment, in violation of Title 18, United States Code, Section 1343.

(Title 18, United States Code, Sections 1028A(a)(1) and 2.)

COUNT SEVEN

(Securities Fraud in Connection with a Tender Offer -
Tower Group)

The Grand Jury further charges:

36. The allegations contained in paragraphs 1 through

13, and 20 through 30, above, are hereby repeated, re-alleged, and incorporated by reference as if fully set forth herein.

Relevant Entities and Individuals

37. At all times relevant to this Indictment, Tower Group International, Ltd. ("Tower Group") was an insurance and reinsurance business based in New York. Tower Group was traded on the NASDAQ exchange under the ticker symbol "TWGP."

38. At all times relevant to this Indictment, ACP Re, Ltd. ("ACP Re") was an insurance and reinsurance business based in Bermuda. In approximately September 2014, Tower Group was acquired by and became a fully-owned subsidiary of ACP Re.

39. At all times relevant to this Indictment, Euroins Insurance Group AD ("Euroins") was a Bulgarian insurance company and subsidiary of Eurohold Bulgaria AD ("Eurohold"), a publicly-traded company based in Bulgaria. At all times relevant to this Indictment, an individual not named as a defendant herein was the Chairman of Eurohold (the "Eurohold Chairman").

Overview of the Insider Trading Scheme

40. As set forth more fully below, from in or about October 2013 through at least in or about May 2014, NEDKO NEDEV, the defendant, carried out a scheme to enrich himself by trading on material, non-public information concerning an offer by Euroins to acquire Tower Group (the "Inside Information"), which NEDEV obtained from the Eurohold Chairman and which he

understood was non-public at the time, and which he was duty-bound not to misappropriate for his own personal benefit. In May 2014, after Euroins publicly offered to acquire Tower Group, NEDEV sold a portion of his shares of Tower Group for a profit.

41. In or about October 2013, through a pre-existing relationship with the Eurohold Chairman, NEDKO NEDEV, the defendant, learned that Euroins was interested in acquiring a U.S.-based insurance company and that Tower Group was one of the target companies under consideration. NEDEV encouraged the Eurohold Chairman to make an offer for Tower Group and offered to act as an external consultant to help bring the deal to fruition. To that end, NEDEV touted his contacts in the U.S. investment community and stated that he could help assemble the team necessary to close such a deal. NEDEV and the Eurohold Chairman agreed that NEDEV would act as an external consultant and that NEDEV would be compensated if a deal was consummated.

42. In or about October 2013, possessing the Inside Information that Euroins was considering a business combination with Tower Group, NEDKO NEDEV, the defendant, began purchasing Tower Group stock in the Strategic Accounts. By January 2014, the Strategic Accounts held 276,500 shares of Tower Group stock, valued at approximately \$934,570, which represented the second largest position by value in the Strategic Accounts at that time.

43. On or about January 6, 2014, Tower Group announced that it had entered into a merger agreement in which Tower Group was to be acquired by ACP Re for \$3.00 per share. NEDKO NEDEV, the defendant, believed the price of Tower Group stock would increase if a competing offer by Euroins was made at a higher price. He also took steps to prevent the ACP Re merger from being consummated so that an offer from Euroins would be viable. For example, on or about March 10, 2014, NEDEV sent an email to an executive of Tower Group in which NEDEV asked, in sum and substance, for the deadline by which shareholders of Tower might challenge the \$3.00 per share price offered by ACP Re for Tower Group, thereby opening the door to a higher offer from Euroins.

44. To further effectuate his insider trading scheme, NEDKO NEDEV, the defendant, participated in numerous emails and phone calls to encourage Euroins to continue to pursue an offer for Tower Group, notwithstanding Tower Group's announcement of the ACP Re deal. For example:

a. On or about March 20, 2014, NEDEV sent an email to the Eurohold Chairman attaching two articles on Tower Group.

b. On or about April 13, 2014, NEDEV registered the email address eigpartners@insurer.com (the "NEDEV Euroins Email Account") with the Provider. Between April 13, 2014 and

May 13, 2014, NEDEV used the NEDEV Euroins Email Account to exchange emails with several U.S.-based consultants regarding the acquisition of Tower Group by Euroins. In these emails, NEDEV represented himself as affiliated with and acting on behalf of Euroins.

45. Between January and May 2014, NEDKO NEDEV, the defendant, continued to accumulate Tower Group stock in the Strategic Accounts. By May 13, 2014, the Strategic Accounts held more than 385,000 shares of Tower Group stock, valued at approximately \$863,000 and which represented the second largest position by value in the Strategic Accounts. At that time, the Tower Group position also represented an unrealized loss of approximately \$258,000, as the share price of Tower Group had declined from a high of approximately \$2.98 per share on January 6, 2014 to a low of \$1.67 per share on May 7, 2014.

46. On or about May 8, 2014, NEDKO NEDEV, the defendant, sent a draft letter of intent to a U.S. lawyer (the "Lawyer") based in New York concerning the contemplated tender offer by Euroins for Tower Group (the "Draft LOI"). The Draft LOI, the format and terms of which largely resembled the PST Letter of Intent, set forth proposed terms under which Euroins would purchase all outstanding shares of Tower Group at \$3.75 per share. The Draft LOI contained numerous conditions precedent which were required to be satisfied before Euroins was

bound to a deal, including the right to conduct due diligence and obtain a legal opinion, and further stated that the "terms and conditions of payment" would "be negotiated between the parties." On or about May 9, 2014, NEDEV was advised by the Lawyer that in order for Tower Group to consider a tender offer from Euroins as a legitimate alternative to the offer by ACP Re, the Euroins offer would need to contain significant additional detail, such as how Euroins would finance such a transaction. Notwithstanding this information, NEDEV encouraged Euroins to make an offer to Tower Group in the form reflected in the Draft LOI.

47. Four days later, on or about May 13, 2014, at the direction of NEDKO NEDEV, the defendant, Euroins sent a letter of intent (the "Euroins Letter of Intent") to Tower Group offering to acquire all of Tower Group's outstanding stock for \$3.75 per share (the "Tower Group Offer"). The Tower Group Offer represented a premium of approximately 67 percent over the then-current Tower Group share price and a premium of \$.75 per share over the pending ACP Re offer. The Euroins Letter of Intent contained essentially the same terms as the Draft LOI and did not include the additional detail recommended by the Lawyer.

48. At approximately 12:26PM on May 13, 2014, Euroins issued a press release (the "Euroins Press Release") through a U.S.-based newswire service stating that Euroins had submitted

an acquisition offer to Tower Group. The language contained in the Euroins Press Release was nearly identical to the December 2012 Rocky Mountain Offer Language, which would later be included in the Avon Offer.

49. Almost immediately after the Euroins Press Release was issued at approximately 12:26PM on May 13, 2014, Tower Group's share price increased to \$2.91 per share. At approximately 12:50PM, NEDKO NEDEV, the defendant, received email confirmation from an employee of Euroins that the Euroins Press Release had been released. Within approximately one minute of receiving such confirmation, NEDEV began selling shares of Tower Group held in the Strategic Accounts. In total, on or about May 13, 2014, NEDEV caused the Strategic Accounts to sell approximately 90,000 shares of Tower Group for a gain of approximately \$26,100. When Euroins received questions from investors on the day the Euroins Press Release was released, the questions were routed to NEDKO NEDEV, the defendant, at the NEDEV Euroins Email Account. NEDEV did not advise the Eurohold Chairman or anyone at Euroins that he sold Tower Group stock after the Tower Offer was made.

50. Two days later, on or about May 15, 2014, Tower Group issued a press release acknowledging receipt of the Euroins Letter of Intent but announcing that Tower Group's Board of Directors had unanimously determined that Euroins's proposal

"[did] not constitute and could not reasonably be expected to lead to a superior proposal" to the contemplated ACP Re merger.

NEDEV's Admissions to the Euroins Chairman

51. In or about June 2015, following media reports that the SEC and the Federal Bureau of Investigation were investigating NEDKO NEDEV, the defendant, in connection with the Rocky Mountain, Avon and Tower Group Offers, the Eurohold Chairman met with NEDEV in Sofia, Bulgaria. During their meeting, the Eurohold Chairman confronted NEDEV about his stock holdings in Tower Group at the time NEDEV was advising on a potential acquisition of Tower Group by Euroins. NEDEV acknowledged that he had owned Tower Group stock at the time of the Tower Group Offer and apologized.

Statutory Allegation

52. From at least in or about October 2013 through in or about May 2014, in the Southern District of New York and elsewhere, NEDKO NEDEV, the defendant, willfully and knowingly engaged in fraudulent, deceptive, and manipulative acts and practices in connection with a tender offer, in that after an offering person had taken substantial steps to commence a tender offer, NEDEV, while in possession of material information relating to such tender offer, which information he knew and had reason to know was non-public and which he knew and had reason to know had been acquired directly and indirectly from the

offering person, the issuer of the securities sought and to be sought by such tender offer, and an officer, director, partner, and employee and other person acting on behalf of the offering person and such issuer, purchased and sold and caused to be purchased and sold such securities, and an option and right to obtain and to dispose of any of the foregoing securities, without, within a reasonable time prior to any such purchase and sale, first publicly disclosing such information and its source by press release or otherwise, to wit, on the basis of material, non-public information that NEDEV acquired in the course of advising Euroins concerning its planned tender offer for Tower Group, NEDEV executed and caused to be executed securities transactions in Tower Group stock.

(Title 15, United States Code, Sections 78n(e) & 78ff; Title 17, Code of Federal Regulations, Sections 240.14e-3(a) & 240.14e-3(d); and Title 18, United States Code, Section 2.)

COUNT EIGHT
(Securities Fraud - Tower Group)

The Grand Jury further charges:

53. The allegations contained in paragraphs 1 through 13, 20 through 30, and 37 through 51, above, are hereby repeated, re-alleged, and incorporated by reference as if fully set forth herein.

54. From at least in or about October 2013 through in or about May 2014, in the Southern District of New York and

elsewhere, NEDKO NEDEV, the defendant, willfully and knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce, and the mails, and of the facilities of national securities exchanges, used and employed, in connection with the purchase and sale of securities, manipulative and deceptive devices and contrivances, in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by: (a) employing devices, schemes and artifices to defraud; (b) making, untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices and courses of business which operated and would operate as a fraud and deceit upon any person, to wit, on the basis of material, non-public information that NEDEV acquired in the course of advising Euroins concerning its planned tender offer for Tower Group, NEDEV executed and caused to be executed securities transactions in Tower Group stock.

(Title 15, United States Code, Sections 78j(b) & 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5, and Title 18, United States Code, Section 2.)

FORFEITURE ALLEGATION

55. As the result of committing the offenses alleged in Counts One, Two, Four, Five, Seven and Eight of this Indictment, NEDKO NEDEV, the defendant, shall forfeit to the

United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461, any and all property, real and personal, which constitutes or is derived from proceeds traceable to the commission of the above offenses, including, but not limited to, a sum of United States currency, representing the amount of proceeds obtained as a result of the charged offenses.

Substitute Assets Provision

56. If any of the above-described forfeitable property, as a result of any act or omission of NEDKO NEDEV, the defendant,

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party;

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been comingled with other property which cannot be divided without difficulty,

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of NEDEV, up to the value of the forfeitable

property described above:

(Title 18, United States Code, Section 981(a)(1)(C);
Title 21, United States Code, Section 853(p); and
Title 28, United States Code, Section 2461.)



FOREPERSON



PREET BHARARA
United States Attorney

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v. -

NEDKO NEDEV,

Defendant.


SEALED INDICTMENT

16 Cr.

(15 U.S.C. §§ 78m(d), 78j(b), 78n(e) &
78ff; 17 C.F.R. §§ 240.10b-5, 240.13d-1
240.14e-3(a) & 240.14e-3(d);
18 U.S.C. §§ 2, 1343, 1028A)

PREET BHARARA
United States Attorney

A TRUE BILL

 Foreperson
