



*United States Attorney
Southern District of New York*

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SECOND ARREST IN DREIER INVESTMENT FRAUD CASE

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, announced that KOSTA KOVACHEV, formerly a registered broker with the National Association of Securities Dealers, was arrested last night on charges of conspiring with MARC DREIER in connection with the sale of fictitious promissory notes. KOVACHEV was arrested last night in New York, New York by Criminal Investigators of the United States Attorney's Office for the Southern District of New York. As alleged in the criminal Complaint unsealed 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. 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 a person who claimed to be the developer's controller and who answered questions about the Developer's finances. That person has since been identified as KOSTA KOVACHEV, who is not and never has been the developer's controller.

That same month, KOVACHEV himself directly contacted the founder of another hedge fund, who knew KOVACHEV as a broker, to tell him about notes that DREIER had for sale. KOVACHEV thereafter put DREIER in touch with employees of that hedge fund, which ultimately purchased, for \$13.5 million, a \$25 million note purportedly issued by the New York City real estate developer.

Finally, also in October 2008, DREIER informed a third hedge fund that it could buy the developer's notes at a discount. When an employee 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 employee, and a person claiming to be the developer's CEO, who discussed the financial statements. The hedge fund subsequently bought notes from DREIER for approximately \$100 million. However, the developer's true CEO has advised that the developer did not issue the notes described, that the financial statements supplied were entirely fabricated, and that he did not participate in any conference call with this hedge fund. The person impersonating the CEO on that conference call has been identified as KOVACHEV.

KOVACHEV is expected to be presented later today before a United States Magistrate Judge in Manhattan federal court.

KOVACHEV, 57, is charged with one count of conspiracy to commit wire fraud, which carries a maximum sentence of 5 years in prison and a fine of the greater of \$250,000 or twice the gross gain or loss from the offense.

Mr. DASSIN thanked United States Securities and Exchange Commission for its assistance in the case.

Assistant United States Attorneys RAYMOND J. LOHIER, JONATHAN R. STREETER and ANNA E. ARREOLA are in charge of the prosecution.

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

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