



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
MARCH 31, 2010

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

**MARC DREIER CO-CONSPIRATOR KOSTA KOVACHEV SENTENCED IN
MANHATTAN FEDERAL COURT TO 46 MONTHS IN PRISON**

PREET BHARARA, the 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 sentenced today to 46 months in prison for his participation with MARC DREIER in the sale of fictitious promissory notes to various hedge funds. The sentence was imposed in Manhattan federal court by United States District Judge NAOMI REICE BUCHWALD.

According to the criminal Information previously filed against KOVACHEV, other documents filed in this case, and statements made during KOVACHEV's plea proceeding:

During 2006 and 2007, MARC DREIER, the founder and managing partner of the law firm Dreier LLP, sold various promissory notes with a face value of approximately \$115 million to a New York City hedge fund. 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 pretended that he worked in the finance department of the Developer and falsely answered questions about the Developer's finances.

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

Also in October 2008, DREIER informed a third hedge fund that it could buy the Developer's promissory 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, 58, of Trumbull, Connecticut, previously pleaded guilty before Judge BUCHWALD on November 2, 2009, to one count of conspiracy to commit securities fraud and wire fraud and one count of wire fraud. Judge BUCHWALD also sentenced KOVACHEV to pay \$215,000 in restitution and to forfeit \$215,000 in proceeds that he received from the offense.

In July 2009, following a guilty plea, DREIER was sentenced to 20 years in prison by Judge JED S. RAKOFF, and ordered to pay \$389,144,929.95 in restitution and to forfeit \$746,460,000 in proceeds of his offenses.

Mr. BHARARA said, "Kosta Kovachev reaped hundreds of thousands of dollars by playing the role of an impostor in the fraudulent web spun by him and Marc Dreier in order to induce victims into purchasing fake promissory notes. Our Office remains committed to freeing our markets of fraudsters who cause millions of dollars of losses to victims."

Mr. BHARARA 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 ANNA ARREOLA are in charge of the prosecution.