



*United States Attorney
Southern District of New York*

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**MARC DREIER CO-CONSPIRATOR KOSTA KOVACHEV PLEADS GUILTY
TO FRAUD CHARGES IN MANHATTAN FEDERAL COURT**

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, pleaded guilty this morning to one count of conspiracy to commit securities and wire fraud and one count of wire fraud stemming from his participation with MARC DREIER in the sale of over \$100 million dollars in fictitious promissory notes to various hedge funds, as part of a larger fraud perpetrated by DREIER. The plea was entered in Manhattan federal court before 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 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 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 for \$13.5 million fictitious promissory notes 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 pleaded guilty today to Count One of the Information, which charged him with conspiracy to commit securities fraud and wire fraud, and to Count Three of the Information, which charged him with wire fraud. He is scheduled to be sentenced by Judge BUCHWALD on March 5, 2010, at 2:30 p.m.

Following a guilty plea, DREIER was sentenced in July to 20 years in prison by Judge JED S. RAKOFF, and ordered to pay \$387,675,303.32 in restitution and to forfeit \$746,460,000 in proceeds of his offenses.

KOVACHEV, 58, faces a maximum sentence of 5 years in prison on the conspiracy charge and a maximum sentence of 20 years in prison on the wire fraud charge. Each of those charges also carries a maximum fine of \$250,000 or twice the gross gain or loss from the offense. KOVACHEV agreed as part of his plea to forfeit the funds he received from DREIER as payment for his fraudulent activities.

United States Attorney BHARARA stated: "Kosta Kovachev flagrantly disregarded the law when he impersonated others to induce purchases of fictitious notes. Unfortunately, Kovachev's play-acting caused millions of dollars of real losses to real 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.

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