

Approved: Raymond J. Lohier
RAYMOND J. LOHIER
JONATHAN R. STREETER
Assistant United States Attorneys

Before: HONORABLE THEODORE H. KATZ
United States Magistrate Judge
Southern District of New York

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UNITED STATES OF AMERICA	:	<u>SEALED COMPLAINT</u>
- v. -	:	Violation of
	:	18 U.S.C. § 371
KOSTA KOVACHEV,	:	
Defendant.	:	COUNTY OF OFFENSE:
	:	NEW YORK

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SOUTHERN DISTRICT OF NEW YORK, ss.:

JORDAN GOODMAN, being duly sworn, deposes and says that he is a Criminal Investigator with the United States Attorney's Office for the Southern District of New York and charges as follows:

COUNT ONE
(Conspiracy to Commit Wire Fraud)

1. From at least in or about early October 2008, up to and including on or about October 23, 2008, in the Southern District of New York and elsewhere, KOSTA KOVACHEV, the defendant, Marc Dreier ("Dreier"), and others known and unknown, unlawfully, willfully, and knowingly, did combine, conspire, confederate, and agree together and with each other to commit an offense against the United States, to wit, wire fraud, in violation of Title 18, United States Code, Section 1343.

2. It was a part and object of the conspiracy that KOSTA KOVACHEV, the defendant, Dreier, and others known and unknown, unlawfully, wilfully, 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, would and did transmit and cause to be transmitted by means of wire and radio communication in interstate commerce, writings, signs, signals,

7
pictures, and sounds, for the purpose of executing such scheme and artifice, in violation of Section 1343 of Title 18, United States Code.

Overt Acts

3. In furtherance of the conspiracy and to effect the illegal object thereof, KOSTA KOVACHEV, the defendant, Dreier, and others known and unknown, committed the following overt acts, among others, in the Southern District of New York and elsewhere:

a. In or about early October 2008, KOVACHEV contacted the founder of a hedge fund about fictitious promissory notes that Dreier sought to sell.

b. On or about October 15, 2008, KOVACHEV visited the offices of a real estate development company located in New York, New York.

c. In or about October 2008, Dreier negotiated by telephone calls between New York, New York and Connecticut about the sale of fictitious promissory notes.

d. On or about October 23, 2008, while in Connecticut, KOVACHEV and Dreier participated in a conference call with individuals located in New York, New York concerning fictitious promissory notes.

(Title 18, United States Code, Section 371.)

The bases for my knowledge and the foregoing charges are, in part, as follows:

4. I have been a Criminal Investigator with the United States Attorney's Office for the Southern District of New York for approximately 6 years. During that time, I have been assigned to the Securities and Commodities Fraud Task Force, and I have been personally involved in the investigation of this matter. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained from other sources, including: a) statements made or reported by various witnesses with knowledge of relevant facts; and b) my review of documents supplied to me by witnesses and entities during the course of this investigation. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include every fact that I have learned during the course of the investigation. Where the contents of documents and the actions, statements and conversations of others are reported herein, they are reported in substance and in part, except where otherwise indicated.

5. I have interviewed an employee of Dreier LLP, a law firm based in New York, New York. That employee informed me that KOSTA KOVACHEV, the defendant, had an electronic pass that allowed him to enter Dreier LLP, had access to computers at Dreier LLP, used various offices at Dreier LLP, and worked with Marc Dreier, the founder and managing partner of Dreier LLP. I have further reviewed records that inform me that KOVACHEV was formerly a registered broker with the National Association of Securities Dealers.

6. I have interviewed employees of a hedge fund located in New York, New York ("Hedge Fund #1"). They informed me of the following:

a. During in or about 2006 and 2007, Dreier sold to Hedge Fund #1 various promissory notes purportedly issued by a real estate development company headquartered in New York, New York (the "Developer") and having a face value totaling approximately \$115 million. In or about September 2008, the repayment to Hedge Fund #1 of the principal of certain of those notes was not made in a timely manner. In response, an employee of Hedge Fund #1, who had previously dealt almost exclusively with Dreier in connection with the notes, asked to meet with representatives of the Developer to discuss repayment of the notes at the offices of the Developer. Dreier agreed and informed the employee that such a meeting would be held on or about October 15, 2008, at the offices of the Developer.

b. On or about October 15, 2008, employees of Hedge Fund #1 went to the offices of the Developer in New York, New York and were greeted in the reception area by Dreier. Dreier then brought them into a conference room and introduced a person representing himself to be the controller of the Developer. During the meeting that followed, the person representing himself to be the controller of the Developer explained various financial records purportedly of the Developer that were presented during that meeting and answered questions concerning the Developer's finances.

c. One of the employees of Hedge Fund #1 identified a photograph that I know to be of KOSTA KOVACHEV, the defendant, as a photograph of the person who represented himself to be the controller of the Developer during the meeting held at the Developer's offices on or about October 15, 2008.

7. I have reviewed a security video as well as records maintained by the Developer of the individuals who entered its offices on or about October 15, 2008. Those records show that just prior to the meeting described in paragraph 6(b) above, KOSTA KOVACHEV, the defendant, signed in at the offices of the

Developer. In addition, the security video shows that a person matching the appearance of KOVACHEV, which I know from his passport and driver's license photographs, was escorted through the Developer's offices by Dreier just prior to that meeting. I have also reviewed records of a cell phone subscribed to by Dreier. Those records show that just prior to that meeting, a cell phone subscribed to by KOVACHEV called Dreier's cell phone, and shortly thereafter Dreier's cell phone called KOVACHEV. I have also confirmed with the Developer that KOVACHEV was never employed by the Developer as the controller.

8. Another criminal investigator at the United States Attorney's Office for the Southern District of New York ("Investigator #1") has informed me that he interviewed a senior managing director (the "Managing Director") of a hedge fund located in Connecticut ("Hedge Fund #2"). The Managing Director informed him of the following:

a. In or about early October 2008, KOSTA KOVACHEV, the defendant, who had previously been known as a broker to the founder of Hedge Fund #2, contacted the founder to tell him about certain notes that Dreier sought to sell. KOVACHEV subsequently put Dreier in touch with employees of Hedge Fund #2. Dreier then informed employees of Hedge Fund #2 that the Developer had a \$500 million so-called "note program," and that Hedge Fund #2 could purchase certain of those notes at a discount.

b. In or about late October 2008, the Managing Director negotiated with Dreier to have Hedge Fund #2 purchase a \$25 million dollar note issued by the Developer for approximately \$13.5 million. Much of the negotiation about the sale of the note occurred in telephone calls between Hedge Fund #2's offices in Connecticut and Dreier's office located in New York, New York. During the negotiations, Dreier sent to Hedge Fund #2 a promissory note that purported to be signed by the chief executive officer ("CEO") of the Developer. During the course of Hedge Fund #2's discussions with Dreier, KOVACHEV periodically contacted employees of Hedge Fund #2 to discuss the transaction.

9. Investigator #1 and another criminal investigator at the United States Attorney's Office for the Southern District of New York have informed me that they interviewed employees at a hedge fund located in New York, New York ("Hedge Fund #3"). Those employees informed them of the following:

a. In or about October 2008, Dreier informed Hedge Fund #3 that he had for sale certain notes issued by the Developer at a substantial discount. During the course of Hedge Fund #3's research or "due diligence" on the potential purchase, Dreier sent to Hedge Fund #3 documents that Dreier claimed were audited

financial statements of the Developer and various companies affiliated with the Developer.

b. Also in or about October 2008, during the course of negotiations with Dreier, an employee of Hedge Fund #3 asked to speak to someone who was actually employed by the Developer about those financial statements. Dreier agreed to arrange a conference call with a person who he claimed was the CEO of the Developer. Dreier supplied the employees of Hedge Fund #3 with a specific phone number located in Connecticut (the "Connecticut Phone Number") at which to reach the CEO. On or about October 23, 2008, while located at their offices in New York, New York, employees of Hedge Fund #3 called the Connecticut Phone Number and had a conference call with Dreier and a person using the name of the actual CEO of the Developer. That person answered questions concerning the financial statements described in paragraph 9(a) above as well as other questions about the Developer's finances. The person using the name of the actual CEO of the Developer also provided a telephone number and email address at which he could be contacted.

c. In or about between the end of October 2008 and the beginning of November 2008, Hedge Fund #3 bought the notes offered by Dreier for a total of approximately \$100 million.

10. Investigator #1 has interviewed the actual CEO of the Developer whose name was used during the conference call described in paragraph 9(b) above and who purportedly signed the notes described above. The actual CEO informed Investigator #1 of the following:

a. The Developer did not issue any of the notes described above and has no "note program." Dreier is not and has never been responsible for selling any notes on behalf of the Developer.

b. The CEO never had a telephone conference call with employees of Hedge Fund #3 and Dreier.

c. The signatures purporting to be those of the CEO on the notes that Dreier sold to Hedge Fund #3 are forged. In addition, the financial statements that Dreier provided to employees of Hedge Fund #3, and that the person claiming to be the CEO of the Developer discussed during the conference call described in paragraph 9(b) above, were not the financial statements of the Developer and were entirely fabricated.

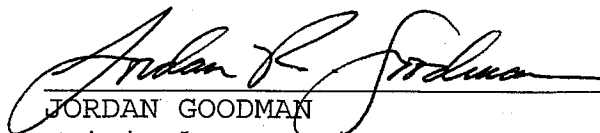
d. On or about October 15, 2008, the date of the meeting with employees of Hedge Fund #1 described in paragraph 6(b) above, Dreier falsely told a receptionist at the Developer's

offices that he and three other individuals were authorized by the CEO to enter the Developer's offices in order to attend a meeting with the CEO. In fact, the CEO had not scheduled such a meeting, but the CEO subsequently observed Dreier having an unauthorized meeting with three individuals in a conference room at the Developer's offices. The CEO did not recognize those three individuals.

11. I have interviewed an employee at the Connecticut office of Dreier LLP ("Connecticut Employee"), who informed me of the following: The Connecticut Phone Number which the employees of Hedge Fund #3 used to have the conference call with the person claiming to be the CEO of the Developer and Dreier on or about October 23, 2008 (as described in paragraph 9(b) above) is the phone number for a specific conference room at the Connecticut office of Dreier LLP. On or about October 23, 2008, Dreier arrived at the firm's Connecticut offices with another individual and used that conference room. An employee at the New York, New York office of Dreier LLP informed the Connecticut Employee that Dreier was accompanied by KOSTA KOVACHEV, the defendant. The Connecticut Employee has also supplied me with a description of the person accompanying Dreier that day. That description is consistent with photographs that I know to be of KOVACHEV. Phone records of Dreier's cell phone further show that on or about October 22, 2008, the day before the conference call, there were phone calls between Dreier's cell phone and a cell phone subscribed to by KOVACHEV.

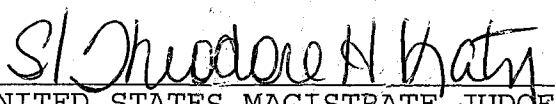
12. Investigator #1 has informed me that he has reviewed records concerning the telephone number that the person claiming to be the CEO of the Developer supplied during the conference call described in paragraph 9(b) above. That phone number is subscribed to by Dreier LLP. In addition, the email address that the person claiming to be the CEO supplied during that conference call is registered to an individual at Dreier LLP.

WHEREFORE, deponent prays that an arrest warrant be issued for KOSTA KOVACHEV, the defendant, and that he be arrested and imprisoned, or bailed, as the case may be.



JORDAN GOODMAN
Criminal Investigator
United States Attorney's Office
Southern District of New York

Sworn to before me this
18th day of December, 2008



UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK