



*United States Attorney  
Southern District of New York*

FOR IMMEDIATE RELEASE  
MAY 7, 2003

CONTACT: U.S. ATTORNEY'S OFFICE  
MARVIN SMILON, HERBERT HADAD  
MICHAEL KULSTAD  
PUBLIC INFORMATION OFFICE  
(212) 637-2600

**51-COUNT U.S. INDICTMENT CHARGES SEVEN**  
**IN MULTIMILLION-DOLLAR STOCK SCHEMES**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, today announced the indictment of seven people in multiple fraud schemes centered around a broker-dealer, Thomas Fletcher and Co., Inc. ("Thomas Fletcher"), which formerly operated at 39 Broadway in Manhattan.

As charged in the 51-count Indictment, unsealed today in Manhattan federal court, the defendants bilked dozens of unsuspecting investors out of millions of dollars in two fraudulent private placement offerings, among other schemes.

In the first, charged in Counts 1 through 40, ROMAN THAKER, SERGEI VORONCHENKO, ALEX BERG, JOHN DONADIO, PADRAIG MCGLYNN and GIANFRANCO CARBONARA allegedly induced investors to buy more than \$2.5 million worth of stock in Thomas Fletcher's sister company, in part by touting that company's investment in a promising software company, whose rosy description in offering documents was in fact largely plagiarized from materials describing the proprietary software of another brokerage firm,

E\*Trade.

Brokers employed by Thomas Fletcher also allegedly employed high pressure sales tactics, such as, on one occasion, warning a victim-investor that the decision to purchase shares had to be made within minutes. According to the Indictment, the fraud netted half-a-million dollars from one victim-investor alone, who was called by someone pretending to work for the investment bank Goldman Sachs who claimed to be willing to pay \$25 per share for securities that Thomas Fletcher brokers had been offering for only \$10.

In connection with the second private placement, which followed a similar pattern, the Indictment charges KOTLYAR, BERG, MCGLYNN and CARBONARA, in Counts 41 through 46, with inducing victims to invest approximately \$185,000 in shares of Kotlyar Fargesen, another company operating at 39 Broadway.

The Indictment also alleges, in Counts 47 through 50, that KOTLYAR fraudulently duped several shareholders of Transnational Financial Network, Inc. ("TFN"), a California-based company, into transferring more than half-a-million shares of TFN to him, which he then converted to his own use.

Finally, the Indictment charges, in Count 51, that at least two of the Thomas Fletcher brokers involved in the aforementioned private placement frauds, MCGLYNN and CARBONARA, later hatched a scheme by which they stole or attempted to steal whatever funds remained in various clients' brokerage accounts after Thomas Fletcher ceased its operations in November 2002.

Specifically, MCGLYNN and CARBONARA allegedly secretly transferred those accounts to E\*Trade - without their clients' knowledge - and began obtaining ATM/Debit cards on those accounts to withdraw the money for themselves.

The charges in the Indictment stem from a year-long investigation begun by the FBI-NYPD Joint Eurasian Organized Crime Task Force, assisted by the Securities and Exchange Commission, and furthered by the United States Postal Inspection Service.

**The Thomas Fletcher Private Placement Fraud**

According to the Indictment, from about April 2002 up to about November 2002, THAKER, VORONCHENKO, BERG, DONADIO, MCGLYNN and CARBONARA, and others known and unknown, engaged in a fraudulent scheme to obtain money and property from victim-investors in connection with the offer and sale of shares of Thomas Fletcher. In furtherance of this scheme, THAKER, VORONCHENKO, BERG, DONADIO, MCGLYNN and CARBONARA allegedly induced at least 31 victims to send checks and/or to wire funds, totaling at least \$2.5 million, on the basis of numerous false and fraudulent representations and omissions.

According to the Indictment, an offering memorandum (the "Memorandum"), which was distributed to potential investors, contained misrepresentations and material omissions, about, among

other things: (i) Thomas Fletcher's legal authorization to sell the offered shares; (ii) the use and disposition of proceeds from the sale of Thomas Fletcher Securities; and (iii) the nature, value and status of the software that Algosoft was supposedly developing for Thomas Fletcher. Large portions of the description in the Memorandum of Algosoft's supposedly proprietary software were copied, almost verbatim, from materials previously published by the brokerage firm E\*Trade, describing its own proprietary software, it was charged.

In addition, according to the Indictment, as part of the fraudulent scheme, BERG, DONADIO, MCGLYNN and CARBONARA told victim-investors that an initial public offering ("IPO") of Thomas Fletcher was imminent, giving varied target dates for such an IPO in the near future, when in fact, as of November 1, 2002, after having received more than \$2.5 million under the offering, Thomas Fletcher had no specific plans for an IPO and had not taken any concrete steps to conduct an IPO, such as filing a registration statement or even preparing any documentation for an IPO.

BERG, DONADIO, MCGLYNN and CARBONARA also told victim-investors that, soon after the purportedly imminent IPO, the Thomas Fletcher securities, which were being offered at \$10 per share, could be resold at double or triple their offering price

in the secondary market, when in fact no steps had been taken to conduct an IPO of Thomas Fletcher securities, and there had never been a public market for the Thomas Fletcher securities.

The Indictment also alleges that THAKER, VORONCHENKO, BERG, DONADIO, MCGLYNN and CARBONARA did not use the raised funds for the purposes set forth in the Thomas Fletcher Offering Memorandum - namely, to make a subordinated loan to TFC or to purchase the stock of Algosoft. Instead, approximately \$1 million was allegedly disbursed by checks to various individuals who simply cashed those checks at check-cashing businesses around New York City.

#### **The Kotlyar Fargesen Private Placement Fraud**

The Indictment also charges that, from about July 2002 through about November 2002, KOTLYAR, BERG, MCGLYNN and CARBONARA defrauded investors in connection with another private placement offering, involving the securities of a company known as Kotlyar Fargesen, which purported to be a biotechnology consulting company and which also operated at 39 Broadway.

The Indictment also alleges that BERG, MCGLYNN and CARBONARA told victim-investors that, shortly after an IPO of Kotlyar Fargesen, the Kotlyar Fargesen securities could be resold at two to nine times their offering price, when, in fact, as with

the Thomas Fletcher private placement, no steps had been taken to conduct an IPO, and there had never been a public market for Kotlyar Fargesen securities.

In about November 2002, only after the victim-investors demanded their money back and only after the FBI executed a search warrant at the offices of Kotlyar Fargesen and Thomas Fletcher at 39 Broadway, these funds were returned to the victim-investors.

**The Fraud Involving Transnational Financial Network, Inc. ("TFN")**

According to the Indictment, from about October 2001, up to about May 2002, KOTLYAR fraudulently obtained 510,950 shares of the stock of TFN, a publicly traded company located in California, by entering into fraudulent oral and written agreements with persons who owned large quantities of TFN shares (the "TFN Stock Victims"). KOTLYAR induced the TFN Stock Victims, by means of false promises, to transfer their shares, on a consignment basis and/or as a loan, to a broker-dealer he controlled in Idaho. After the transfer of the TFN shares to this other account, KOTLYAR allegedly sold the shares and converted the proceeds to his own use. KOTLYAR never provided any of the proceeds from the sale of TFN shares to the TFN Stock Victims, as KOTLYAR had promised them, it was charged.

### The Further Defrauding of the Private Placement Fraud Victims

According to the Indictment, from about February 2003 up to about April 2003, at least two of the defendants involved in the aforementioned private placement fraud schemes, MCGLYNN and CARBONARA, also orchestrated a scheme to steal the funds that remained in various clients' Thomas Fletcher brokerage accounts.

MCGLYNN, CARBONARA and others allegedly used certain private information relating to brokerage clients of Thomas Fletcher - who included several victims of the Thomas Fletcher private placement fraud, one of whom had already lost approximately \$165,000 - in order to transfer those clients' TFC brokerage accounts to another brokerage, E\*Trade.

The defendants are charged in multiple conspiracy, securities fraud, mail fraud and wire fraud counts. If convicted, each defendant faces a maximum of 5 to 20 years in prison on each count.

Mr. COMEY praised the efforts of the FBI-NYPD Joint Eurasian Organized Crime Task Force and the Postal Inspection Service. He also extended gratitude for the assistance of the Securities and Exchange Commission in the case.

Assistant United States Attorney PREET BHARARA is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

03-107

###