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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	08 Civ. 10617 (MGC)
- against -	:	
	:	
MARC S. DREIER,	:	
	:	
Defendant.	:	
	:	
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PLAINTIFF’S STATUS REPORT

Plaintiff Securities and Exchange Commission (“Commission”) respectfully submits the following status report concerning its remaining claims, for monetary relief, against defendant Marc Dreier (“Dreier”).

The Commission filed this action on December 8, 2008, alleging that Dreier -- founder and owner of the Dreier LLP law firm -- engaged in a fraudulent scheme to sell bogus promissory notes to hedge funds, ultimately defrauding his victims out of over \$700 million. On May 8, 2009, this Court entered a consent judgment against Dreier that: (1) enjoins him from future violations of the anti-fraud provision of the federal securities laws; and (2) orders Dreier to disgorge his ill-gotten gains and pay a civil money penalty, in amounts to be determined upon further motion by the Commission. (Docket #46.) For the following reasons, the Commission

has determined to forgo its pending claims for monetary relief against Dreier.

At the outset of the litigation, the Court appointed a receiver to oversee Dreier LLP and other assets associated with Dreier. (Docket #24.) The receiver identified, recovered, and secured tens of millions of dollars of assets for the purpose of paying victims of Dreier's fraud and creditors of Dreier LLP. (Docket #37.) On December 16, 2008, the receiver caused Dreier LLP to file for Chapter 11 bankruptcy protection. In re Dreier LLP, No. 08-15051 (Bankr. S.D.N.Y.). The Chapter 11 trustee, in turn, determined that Dreier's personal assets should be liquidated pursuant to a separate Chapter 7 bankruptcy case and, on January 26, 2009, filed an involuntary Chapter 7 bankruptcy petition against Dreier. In re Marc S. Dreier, No. 09-10371 (Bankr. S.D.N.Y.). In light of the bankruptcy proceedings, the receiver determined that the receivership no longer was necessary and, on April 3, 2009, this Court approved the receiver's request to terminate the receivership. (Docket #32, 37, 39.)

On May 11, 2009, Dreier pleaded guilty in the parallel criminal case, United States v. Dreier, 09-cr-085 (S.D.N.Y.), and on July 13, 2009, was sentenced to twenty years in prison and ordered to pay approximately \$388 million in restitution and to forfeit approximately \$746 million (the proceeds of his offenses). The \$388 million in restitution represents the total loss for the twenty-five victims of Dreier's fraudulent scheme. The \$746 million forfeiture order represents the approximately \$700 million that Dreier raised from the sale of phony notes plus the approximately \$46 million that Dreier misappropriated from Dreier LLP's client escrow account. Due in part to the receiver's work identifying and gathering assets, the government was able to distribute \$55 million to fraud victims through the parallel criminal proceeding.

In addition, the Chapter 11 trustee has liquidated substantially all of Dreier LLP's assets, collected accounts receivable, and commenced several "claw-back" actions. The Chapter 11

trustee currently holds approximately \$32 million, which will be augmented by any money collected in pending actions. The Chapter 11 trustee plans to file a disclosure statement and plan of liquidation, which will provide for a distribution to Dreier LLP creditors (who include Dreier fraud victims).

The Dreier Chapter 7 trustee has liquidated substantially all of Dreier's personal assets and currently holds approximately \$2 million. Provided the Chapter 7 trustee is able to resolve pending federal and New York State priority tax claims, the Chapter 7 trustee will be able to make a distribution to Dreier's creditors (who include Dreier fraud victims). However, if the tax authorities do not agree to subordinate their priority claims, the Chapter 7 trustee will not have any funds to make a distribution to other creditors, including Dreier fraud victims.

The Commission has determined to forgo its monetary claims against Dreier in this case because, as explained above, all of Dreier's assets (including those of Dreier LLP) were either forfeited to the government in his criminal case or liquidated in the bankruptcy cases, for distribution to fraud victims and other creditors. Furthermore, Dreier was sentenced in his criminal case to a twenty-year prison term and ordered to forfeit all of the funds he received through his fraudulent conduct. Thus, no reason exists for the Commission to continue to seek disgorgement of those funds from, or an additional civil money penalty against, Dreier.

Respectfully submitted,

Dated: New York, New York
March 1, 2013

SECURITIES AND EXCHANGE COMMISSION

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