



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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CALIFORNIA FUND MANAGER SENTENCED TO 10 YEARS IN FEDERAL PRISON FOR \$24 MILLION FRAUD SCHEME INVOLVING FAKE TARP-BACKED SECURITIES

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and United States Attorney for the Central District of California André Birotte Jr. today announced that a former investment fund manager and radio personality who admitted bilking investors out of millions of dollars by falsely promising to purchase corporate bonds backed by the Troubled Asset Relief Program (TARP) was sentenced on Monday to 10 years in federal prison.

John Farahi, 56, of Bel Air Estates, California, who operated the Beverly Hills-based New Point Financial Services, Inc. and had a regular radio show on KIRN-AM, was sentenced by United States District Judge Phillip S. Gutierrez. In addition to the 10-year prison term, Judge Gutierrez ordered Farahi to pay \$24,366,617 in restitution to 59 victims.

“John Farahi is the second securities industry professional sentenced to prison for selling investments in fake TARP-backed securities,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “Farahi preyed on vulnerable victims during the financial crisis who lost their homes, retirement savings, and funds for medical needs while Farahi used their money, and money from TARP banks, to live in a Beverly Hills mansion, sail in a yacht, and drive a Bentley, Ferrari, and Rolls Royce. Exploiting the TARP bailout for personal gain is reprehensible, and SIGTARP will work with our law enforcement partners to shut down TARP-related fraud and bring perpetrators to justice.”

Farahi pleaded guilty last June to four felony counts – mail fraud, loan fraud, selling unregistered securities, and conspiracy to obstruct justice while collaborating with his corporate counsel to cover-up the fraud. In a plea agreement filed in United States District Court, Farahi acknowledged that the scheme caused losses of more than \$7 million, but prosecutors successfully demonstrated that the actual losses were well over \$24 million.

When he pleaded guilty, Farahi admitted that he engaged in a long-running scheme that defrauded victims by using their funds for a range of unauthorized purposes, including paying off prior investors and subsidizing options futures trading. Farahi also admitted that he drew down on personal lines of credit based upon false statements to federally insured banks, including Bank of America, Sun West Bank, and U.S. Bank. Farahi also acknowledged that he violated federal securities laws by selling unregistered securities and failing to comply with the SEC’s rules and regulations for selling unregistered securities. Farahi further admitted that he conspired with his attorney to obstruct an SEC investigation by, among other things, altering documents that were turned over to the SEC and providing false and misleading testimony under oath to the SEC on three separate occasions.

Attorney David Tamman, 46, of Santa Monica, was found guilty following trial last year of 10 counts, including obstruction of justice, altering records in a federal investigation, and being an accessory after the fact to Farahi's crimes. The evidence presented at the trial showed that Tamman conspired with Farahi to obstruct the SEC investigation into Farahi's fraud scheme. Tamman, who was suspended from practicing law earlier this year by the California State Bar, served as outside counsel for Farahi's investment company and was a partner at Nixon Peabody. Tamman is scheduled to be sentenced by Judge Gutierrez on May 20.

The case against Farahi and Tamman is the result of an investigation by SIGTARP and the Federal Bureau of Investigation. The SEC provided substantial assistance during the investigation.

The SEC filed a federal civil complaint alleging violations of the federal securities laws against Farahi and others in January 2010. The lawsuit alleged that Farahi and others conducted an unregistered offering fraud aimed at Iranian-Americans in the Los Angeles area (see: <http://www.sec.gov/news/press/2010/2010-3.htm>). The SEC subsequently obtained a permanent injunction, as well as orders freezing Farahi's and New Point's assets and appointing a receiver over New Point Financial Services.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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