



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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FORMER FUND MANAGER INDICTED ON FEDERAL CHARGES OF BILKING INVESTORS AND TARP-FUNDED BANKS OUT OF MORE THAN \$20 MILLION

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and U.S. Attorney for the Central District of California André Birotte Jr. today announced that a former investment fund manager was charged with defrauding investors out of millions of dollars by falsely promising investors their money would be used to purchase corporate bonds backed by the federally funded Troubled Asset Relief Program (TARP) and then collaborating with his corporate counsel to cover-up the fraud.

John Farahi, 54, of Bel Air Estates, was named in a 41-count indictment returned late Wednesday afternoon by a federal grand jury. The indictment charges Farahi – a former member of the Reno, Nevada, City Council and Farsi-language radio investment advisor – with various fraud offenses that include making false statements to TARP-funded banks in relation to multi-million dollar loans.

“Farahi exploited TARP to line his own pockets and fund his lavish lifestyle,” said Christy Romero, Deputy Special Inspector General for SIGTARP. “He is accused of selling investors fake securities that he called TARP-backed securities and committing loan fraud against TARP recipient banks to cover his losses. Investors should beware that there is no such thing as a TARP-backed security.”

The indictment also charges attorney David Tamman, 44, of Santa Monica, with conspiring with Farahi to obstruct a Securities and Exchange Commission (SEC) investigation into Farahi’s fraud scheme. At the time of the alleged obstruction, Tamman, who is now a sole practitioner with offices in Century City, served as corporate counsel for Farahi’s investment company and was a law firm partner.

From 2005 until early 2010, Farahi ran the Beverly Hills-based New Point Financial Services, which he used to sell more than \$20 million worth of investment instruments – which he called debentures – to more than 100 investors, most of whom are members of the Southland’s Iranian-Jewish community. Farahi attracted many of the investors through his daily radio show in which he touted a conservative investment philosophy. When Farahi met with investors he falsely told them New Point Financial Services invested in low-risk investments like certificates of deposit, TARP-backed corporate bonds, and deeds of trust backed by substantial amounts of borrower equity.

The indictment alleges that Farahi did not make these types of investments and that he instead used investor money for a variety of personal purposes, including to support his family’s lavish lifestyle, to make Ponzi payments to early clients of New Point Financial Services, and to trade in high-risk and speculative future options trading. Starting in 2008, Farahi allegedly failed to tell New Point Financial

Services investors that he had lost at least \$15 million through his undisclosed options trading – even as he continued to solicit investors for New Point Financial Services.

In the face of huge trading losses at the end of 2008, Farahi allegedly tried to extend the scheme by drawing down extensively on lines of credit at banks while making false statements to those banks about his financial condition. The victim banks included Bank of America, U.S. Bank, and Sun West Bank. Bank of America and U.S. Bank were recipients of federal TARP funds.

When the SEC opened an investigation into New Point Financial Services in April 2009, Farahi allegedly conspired with Tamman, who was the company's longtime securities counsel, to cover-up and conceal the fraud scheme from the SEC. The indictment alleges that Farahi and Tamman engaged in a conspiracy to obstruct justice that involved, among other things, altering and backdating various documents to make it appear that New Point Financial Services investors were given full disclosures about the nature and risks of their investments, removing incriminating documents from investor files before they were produced to the SEC, and lying to the SEC in sworn testimony.

As a result of both his investment and loan fraud schemes, investigators believe that New Point Financial Services investors and financial institutions suffered losses of at least \$20 million.

The SEC filed a federal complaint alleging violations of the federal securities laws against Farahi and others in January 2010 (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. In January 2011, the SEC initiated public administrative proceedings against Tamman for improper professional conduct during an SEC examination (see: <http://www.sec.gov/news/press/2011/2011-29.htm>).

The indictment charges Farahi with 16 mail fraud counts, one count of wire fraud, five counts of offering for sale unregistered securities, four counts of loan fraud, one count of aggravated identity theft, one count of conspiring with Tamman, four counts of obstruction of justice, five counts of alteration of documents, one count of suborning perjury, one count of concealing a material fact, and one count of witness tampering. If he is convicted of the 40 counts in which he is charged, Farahi would face a statutory maximum sentence of 717 years in federal prison.

Tamman is charged with one count of conspiracy, three counts of obstruction of justice, five counts of alteration of records, and one count of being an accessory after the fact to the charged mail fraud and securities violations. If he is convicted of the 10 counts in which he is charged, Tamman would face a statutory maximum sentence of 190 years in federal prison.

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until proven guilty in court.

Farahi has agreed to surrender to authorities Friday morning at United States District Court. He is expected to be arraigned on the indictment Friday afternoon.

Tamman will be summoned to appear in federal court for an arraignment that is expected to be scheduled for January 9.

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 case is being prosecuted by Assistant U.S. Attorneys Aaron May and Paul Stern.

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.

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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