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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
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11 UNITED STATES DISTRICT COURT
12 CENTRAL DISTRICT OF CALIFORNIA

13 SECURITIES AND EXCHANGE
14 COMMISSION,

15 Plaintiff,

16 vs.

17 NEWPOINT FINANCIAL SERVICES,
INC.; JOHN FARAHI; GISSOU
18 RASTEGAR FARAHI; and ELAHEH
AMOUEI,

19 Defendants,

20 and

21 TRIPLE "J" PLUS, LLC,

22 Relief Defendant.
23

Case No. **CV10 0124**

**COMPLAINT FOR VIOLATIONS OF
THE SECURITIES LAWS**

DDP

(JEMx)

24 Plaintiff Securities and Exchange Commission ("Commission") alleges as
25 follows:

26 **JURISDICTION AND VENUE**

27 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
28 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C.

1 §§ 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of
2 the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),
3 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of
4 the means or instrumentalities of interstate commerce, of the mails, or of the
5 facilities of a national securities exchange, in connection with the transactions,
6 acts, practices, and courses of business alleged in this Complaint.

7 2. Venue is proper in this district pursuant to Section 22(a) of the
8 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
9 § 78aa, because certain of the transactions, acts, practices, and courses of conduct
10 constituting violations of the federal securities laws occurred within this district,
11 Defendants John Farahi, Gissou Rastegar Farahi, and Elaheh Amouei reside in this
12 district, and Defendant NewPoint Financial Services, Inc. (“NewPoint”) transacts
13 or has transacted business in this district.

14 SUMMARY

15 3. This matter involves an unregistered offering fraud primarily targeting
16 the Los Angeles Iranian-American community. Since at least 2003, Defendant
17 NewPoint, a Beverly Hills based corporation controlled by Defendants John Farahi
18 and Gissou Rastegar Farahi, has offered and sold more than \$20 million worth of
19 debentures to more than one hundred investors. The vast majority of the money
20 raised was transferred to accounts held by Defendants John and Gissou Farahi.
21 Defendants John and Gissou Farahi, in turn, used the investor funds to, among
22 other things, construct a multi-million dollar personal residence in Beverly Hills,
23 California and to engage in risky options futures trading in the stock market in
24 which Defendants John and Gissou Farahi lost more than \$18 million in 2008 and
25 the beginning of 2009.

26 4. Most investors learned of NewPoint through a daily finance radio
27 program that Defendant John Farahi hosts on a Farsi language radio station in the
28 Los Angeles area. Investors were typically solicited to invest in the debentures by

1 the Farahis and/or Defendant Elaheh Amouei, NewPoint's controller, after making
2 an appointment to discuss investment opportunities offered by NewPoint.

3 5. Defendants John and Gissou Farahi and Defendant Amouei misled
4 investors who purchased NewPoint debentures in several ways. Defendants John
5 and Gissou Farahi and Defendant Amouei falsely told investors that the NewPoint
6 debentures were low-risk. Many investors were also falsely told that they were
7 investing in FDIC insured certificates of deposit, government bonds, and/or
8 corporate bonds issued by companies backed by funds from the Troubled Asset
9 Relief Program ("TARP"). Additionally, although NewPoint at some point created
10 a private placement memorandum ("PPM") that disclosed some risk associated
11 with the debenture investment, most investors claim that they did not receive it.
12 Finally, Defendants John and Gissou Farahi and Defendant Amouei failed to
13 disclose to investors that their money would be provided to the Farahis and used
14 for risky trading in options futures and transferred to Relief Defendant Triple "J"
15 Plus, LLC ("Relief Defendant Triple "J") to be used for the construction of the
16 Defendants John and Gissou Farahi's multi-million dollar personal residence.

17 6. Since approximately June 2009, Defendant NewPoint, Defendants
18 John and Gissou Farahi, and Defendant Amouei (collectively, "all Defendants")
19 have made further misrepresentations to investors in an effort to lull them into
20 keeping their money with NewPoint. Investors have been told that their money is
21 safe and that they are guaranteed to get the entirety of their investment back --
22 despite the fact that Defendant NewPoint lacks sufficient funds to make all
23 investors whole. Defendant John Farahi has also paid back some investors on a
24 selective basis while failing to return money to other investors who have asked for
25 a return of their investment. Defendant Amouei has falsely told some of the
26 investors who have not received a return of their investment that NewPoint was
27 unable to return their money because the Commission has frozen Defendant
28 NewPoint's financial accounts.

1 7. The Defendants have violated and are violating Sections 5(a) and 5(c)
2 of the Securities Act, 15 U.S. C. §§ 77e(a) and 77e(c), Section 17(a) of the
3 Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15
4 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5. By this action,
5 the Commission seeks a temporary restraining order and preliminary and
6 permanent injunctions prohibiting future such violations as to all Defendants,
7 appointment of a receiver over Defendant NewPoint and Relief Defendant Triple
8 “J”, an order freezing the assets of Defendants NewPoint, Defendants John and
9 Gissou Farahi, and Relief Defendant Triple “J”, an order requiring accountings
10 from Defendants NewPoint, Defendants John and Gissou Farahi, and Relief
11 Defendant Triple “J”, and an order prohibiting the destruction of documents by all
12 Defendants and Relief Defendant Triple “J”. The Commission also seeks an order
13 requiring disgorgement of ill-gotten gains with prejudgment interest thereon,
14 obtained by Defendant NewPoint, Defendants John and Gissou Farahi, and Relief
15 Defendant Triple “J”, and civil penalties against all Defendants.

16 **THE DEFENDANTS AND RELIEF DEFENDANT**

17 8. **NewPoint Financial Services, Inc. (“NewPoint”)** is a Nevada
18 corporation registered with the Nevada Secretary of State since 1999, and operates
19 from offices located in Beverly Hills, California. No registration statement has
20 been filed with the Commission or has been in effect with respect to the securities
21 offering by NewPoint alleged in this Complaint.

22 9. **John Farahi**, age 52, resides in Beverly Hills, California, and is
23 married to Defendant Gissou Rastegar Farahi. Defendant John Farahi is the co-
24 owner, president, secretary and treasurer of NewPoint and has been associated with
25 NewPoint Securities, LLC since September 1999. He holds Series 4, 7, 24, and 63
26 licenses with FINRA. Defendant John Farahi also has control over several entities
27 affiliated with NewPoint, including Relief Defendant Triple “J”. Defendants John
28 and Gissou Farahi are the sole trustees and beneficiaries of the Farahi Family

1 Trust, to which investor funds have been transferred.

2 10. **Gissou Rastegar Farahi**, age 50, resides in Beverly Hills, California,
3 and is married to Defendant John Farahi. Defendant Gissou Farahi is the co-owner
4 and former vice president of NewPoint.

5 11. **Elaheh Amouei**, age 54, resides in Thousand Oaks, California.
6 Amouei is NewPoint's controller and the personal bookkeeper for Defendants John
7 and Gissou Farahi.

8 12. **Triple "J" Plus, LLC ("Triple 'J'")**, is an active limited liability
9 company organized in Nevada. Defendant John Farahi is the controlling owner
10 and managing member of the entity. Defendants John and Gissou Farahi have
11 control over the Triple "J" bank accounts.

12 THE FRAUDULENT SCHEME

13 **A. The Offering of NewPoint Debentures**

14 13. In May 2003, Defendant NewPoint began offering and selling its
15 debentures to investors. Defendant John Farahi is NewPoint's co-owner and
16 president. He has a daily, finance-related program on a local Farsi language radio
17 station, formerly had a show on a Farsi language satellite television station, and
18 gives frequent public talks regarding finance in the region. In his public
19 appearances, Defendant John Farahi touts his and Defendant NewPoint's
20 conservative investment philosophy. Most of Defendant NewPoint's investors
21 learned of NewPoint through Defendant John Farahi's radio program and made an
22 appointment to meet with him at NewPoint's offices in order to discuss investment
23 opportunities.

24 14. In general, potential investors interested in learning more about
25 investment opportunities that NewPoint had to offer met with Defendants John and
26 Gissou Farahi and/or Defendant Amouei at NewPoint's offices. During these
27 meetings, Defendants John and Gissou Farahi and/or Defendant Amouei solicited
28 investors to purchase debentures issued by NewPoint.

1 15. Investors interested in purchasing the NewPoint debentures filled out
2 a subscription agreement, but were provided with little other material in connection
3 with their investment. Although Defendant NewPoint at some point created
4 private placement memoranda (“PPM”) explaining the investment and some risks,
5 most investors claim they never received it. In addition, Defendants John and
6 Gissou Farahi and/or Defendant Amouei failed to provide investors with audited or
7 unaudited financial information regarding NewPoint prior to their investment.
8 Approximately 40 of the more than 100 purchasers of NewPoint debentures did not
9 qualify as accredited investors and many had little or no prior investment
10 experience. Most of the NewPoint investors are residents of California; however,
11 at least one was a resident of the state of Washington at the time she invested.

12 **B. The Defendants Made Material Misrepresentations About the NewPoint**
13 **Debentures and Misappropriated Investor Funds**

14 16. In connection with the offer and sale of NewPoint’s debentures, all
15 Defendants materially misrepresented the investment and omitted material facts.
16 When investors met with Defendants John and Gissou Farahi and/or Defendant
17 Amouei to discuss investment opportunities, they were told that the NewPoint
18 investment was low-risk. In fact, Defendants John and Gissou Farahi and/or
19 Defendant Amouei falsely told many investors that they were investing in FDIC
20 insured CDs, government bonds, and/or corporate bonds issued by companies
21 backed by TARP funds. Defendants John and Gissou Farahi and/or Defendant
22 Amouei never disclosed to investors that their money would be used for risky
23 options futures trading in a brokerage account held by Defendant Gissou Farahi or
24 transferred to other entities controlled by the Farahis, such as transfers to Relief
25 Defendant Triple “J” to be used to build a multi-million dollar home for
26 Defendants John and Gissou Farahi.

27 17. The various PPMs describing the NewPoint debentures included
28 disclosures stating that investing in the debentures was high-risk. The PPMs also

1 disclosed that approximately 27% to 30% of the money raised from the sale of the
2 debentures would be loaned to the Farahis. However, not only did Defendants
3 John and Gissou Farahi and/or Defendant Amouei fail to provide the PPMs to most
4 investors, it appears that they only added the disclosure regarding loans to
5 Defendant John Farahi in 2009, *after* the offering ceased.

6 18. In total, Defendant NewPoint, through the efforts of Defendants John
7 and Gissou Farahi and Defendant Amouei, raised more than \$20 million from May
8 2003 until April 2009 when it ceased offering its debentures. Investor funds were
9 initially deposited into a NewPoint bank account controlled by Defendants John
10 and Gissou Farahi to which Defendant Amouei had access.

11 19. The vast majority of investor funds were then transferred either to
12 Relief Defendant Triple "J" or to Defendants John and Gissou Farahi's family trust
13 account. Funds transferred to Triple "J" were primarily used to construct a multi-
14 million dollar personal residence for Defendants John and Gissou Farahi in
15 Beverly Hills, California. The majority of investor funds that were transferred to
16 Defendants John and Gissou Farahi's family trust account were later transferred to
17 a brokerage account held by Defendant Gissou Farahi at Interactive Brokers and
18 invested in risky options futures. Defendant John Farahi made most of the trading
19 decisions in this brokerage account. This risky trading by Defendant John Farahi
20 resulted in more than \$18 million in losses throughout the end of 2008 and the
21 beginning of 2009.

22 **C. The Defendants Continue to Mislead Investors and Dissipate Investor**
23 **Funds**

24 20. Beginning around June 2009 and continuing through the present,
25 investors have been contacting Defendant NewPoint and asking Defendant John
26 Farahi and Defendant Amouei about their investment. These questions stemmed
27 from investors becoming aware of the Commission's investigation into NewPoint's
28 debenture offering. Some investors sought an update on the status of their

1 investment, while others began asking to cash-out of their investment entirely.

2 21. In response to these inquiries, Defendant John Farahi and Defendant
3 Amouei have made a number of misrepresentations. Defendant Amouei falsely
4 told investors that the Commission's investigation was merely a "routine audit" of
5 NewPoint. Defendant John Farahi and Defendant Amouei assured several
6 investors that their money was safe. Defendant John Farahi guaranteed at least one
7 investor that he would receive his investment in full if he would keep his money
8 with NewPoint for several more months. Indeed, at least one investor who has
9 asked for, but not yet received, a return of his investment, was falsely told by
10 Defendant Amouei that he could not get his money back because the Commission
11 had frozen Defendant NewPoint's financial accounts.

12 22. Defendant NewPoint, at the direction of Defendant John Farahi,
13 continues to dissipate investor funds by refunding money to certain favored
14 investors, at the expense of other investors whom NewPoint has refused to repay.

15 **FIRST CLAIM FOR RELIEF**

16 **Unregistered Offer And Sale Of Securities**

17 **Violations of Sections 5(a) and 5(c) of the Securities Act**

18 **(Against All Defendants)**

19 23. The Commission realleges and incorporates by reference paragraphs 1
20 through 22 above.

21 24. All Defendants, and each of them, by engaging in the conduct
22 described above, directly or indirectly, made use of means or instrumentalities of
23 transportation or communication in interstate commerce or of the mails, to offer to
24 sell or to sell securities, or to carry or cause such securities to be carried through
25 the mails or in interstate commerce for the purpose of sale or delivery after sale.

26 25. No registration statement has been filed with the Commission or has
27 been in effect with respect to the offering alleged herein. By engaging in the
28 conduct described above, each of the Defendants violated, and unless restrained

1 and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act,
2 15 U.S.C. §§ 77e(a) and 77e(c).

3 **SECOND CLAIM FOR RELIEF**

4 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

5 **Violations of Section 17(a) of the Securities Act**

6 **(Against All Defendants)**

7 26. The Commission realleges and incorporates by reference paragraphs 1
8 through 22 above.

9 27. All Defendants, and each of them, by engaging in the conduct
10 described above, directly or indirectly, in the offer or sale of securities by the use
11 of means or instruments of transportation or communication in interstate
12 commerce or by use of the mails:

- 13 a. with scienter, employed devices, schemes, or artifices to
- 14 defraud;
- 15 b. obtained money or property by means of untrue statements of a
- 16 material fact or by omitting to state a material fact necessary in
- 17 order to make the statements made, in light of the
- 18 circumstances under which they were made, not misleading; or
- 19 c. engaged in transactions, practices, or courses of business which
- 20 operated or would operate as a fraud or deceit upon the
- 21 purchaser.

22 28. By engaging in the conduct described above, all Defendants violated,
23 and unless restrained and enjoined will continue to violate, Section 17(a) of the
24 Securities Act, 15 U.S.C. § 77q(a).

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1 **SECOND CLAIM FOR RELIEF**

2 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF**
3 **SECURITIES**

4 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**
5 **(Against All Defendants)**

6 29. The Commission realleges and incorporates by reference paragraphs 1
7 through 22 above.

8 30. All Defendants, and each of them, by engaging in the conduct
9 described above, directly or indirectly, in connection with the purchase or sale of a
10 security, by the use of means or instrumentalities of interstate commerce, of the
11 mails, or of the facilities of a national securities exchange, with scienter:

- 12 a. employed devices, schemes, or artifices to defraud;
- 13 b. made untrue statements of a material fact or omitted to state a
14 material fact necessary in order to make the statements made,
15 in the light of the circumstances under which they were made,
16 not misleading; or
- 17 c. engaged in acts, practices, or courses of business which
18 operated or would operate as a fraud or deceit upon other
19 persons.

20 By engaging in the conduct described above, all Defendants violated, and unless
21 restrained and enjoined will continue to violate, Section 10(b) of the Exchange
22 Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

23 **PRAYER FOR RELIEF**

24 WHEREFORE, the Commission respectfully requests that the Court:

25 **I.**

26 Issue findings of fact and conclusions of law that all Defendants committed
27 the alleged violations.

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II.

Issue judgments, in forms consistent with Fed. R. Civ. P. 65(d), temporarily, preliminarily and permanently enjoining the Defendants and their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the judgment by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

III.

Issue, in a form consistent with Fed. R. Civ. P. 65, a temporary restraining order and a preliminary injunction freezing the assets of Defendants NewPoint, Defendants John and Gissou Farahi, and Relief Defendant Triple "J" and any entity affiliated with any of them, appointing a receiver over Defendant NewPoint and Relief Defendant Triple "J", requiring accountings from Defendants NewPoint, Defendants John and Gissou Farahi, and Relief Defendant Triple "J", and prohibiting all Defendants and Relief Defendant Triple "J" from destroying documents.

IV.

Order Defendants NewPoint, Defendants John and Gissou Farahi, and Relief Defendant Triple "J" to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

V.

Order all Defendants to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

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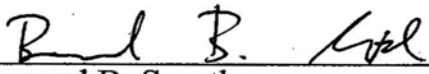
VI.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: January 7, 2010



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Securities and Exchange Commission