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Trump pardons provide leniency in cases involving investor harm



Such pardons don't sit well with securities attorneys, who say they contradict the mission of regulators and send the wrong message to perpetrators.

January 21, 2021 *By Mark Schoeff Jr.*2
MINS

A few of the people to whom President Donald Trump granted pardons and reduced prison sentences just before he left office on Wednesday committed crimes related to harming investors, a move that sends the wrong message, securities lawyers said.

Among those who received leniency from Trump were David Tamman, a lawyer who was convicted of obstructing investigations into a \$22 million Ponzi scheme; Sholam Weiss, who was convicted in the ***1994 collapse of a life insurance company***; Greg Reyes, the former chief executive of Brocade Communications, who was convicted of securities fraud; Eliyahu Weinstein, who was convicted of ***real estate investment fraud***; and William Walters, James Austin Hayes and Drew Brownstein, who were all convicted of insider trading.

Tamman was found guilty of 10 counts that included obstruction of justice, altering records in a federal investigation, and being an accessory after the fact to the fraud scheme, according to a September 2013 statement from the U.S. Attorney for the Central District of California ***announcing his seven-year sentence***. Tamman and the operator of the \$22 million Ponzi scheme, John Farahi, conspired to undermine an SEC investigation.

Tamman completed his jail term in 2019 and emerged a better man, the Trump White House said in announcing the pardon list.

"Mr. Tamman accepts full responsibility for his actions and numerous friends and colleagues have attested that he is a decent man who experienced a terrible lapse in judgment for which he has already paid a significant price," the announcement states.

Weiss had already repaid his debt to society, the Trump White House said.

"Mr. Weiss was convicted of racketeering, wire fraud, money laundering, and obstruction of justice, for which he has already served over 18 years and paid substantial restitution. He is 66 years old and suffers from chronic health conditions," the pardon statement says.

But pardons don't sit well with a former SEC attorney who says they contradict the mission of regulators and the Department of Justice.

"The goals of justice and deterrence are effectively denied by a pardon," said David Chase, who was a senior counsel in the SEC Division of Enforcement and now owns an eponymous law firm in Ft. Lauderdale, Florida.

Andrew Stoltmann, a Chicago securities attorney who represents investors in arbitration cases against brokerages, said a pardon can be a legitimate use of discretionary power by a president. But the habit of issuing pardons from the White House has gone off the rails in the last few administrations.

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“Trump has followed in a long line of Democrats and Republicans who have abused pardon power,” Stoltmann said.

Pardons perpetuate the problem of white-collar crime being treated more gently than other kinds of crime, Stoltmann said. Leniency involving schemes that harm investors looks particularly bad at a time when surging markets may be camouflaging future fraud cases.

“It sends precisely the wrong message at precisely the wrong time,” Stoltmann said.

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