

Case: Asset Discovery and Recovery

A Fortune 500 company requested surveillance of a former associate who defrauded the company of substantial assets. The former associate was not forthcoming in making restitution despite a judgment verdict.

Surveillance successfully identified significant assets of the former associate, including fixed wing aircraft, multiple luxury vehicles, undeveloped property in a desirable locale and a sizeable brokerage account.

Follow-up surveillance was coordinated with United States Marshals, who executed the court order and seized the assets.

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Moses Joseph arrested on fraud charges

New Mexico Business Weekly - by [Clay Holtzman](#) NMBW Staff

A manager of a California venture fund that nearly landed a \$15 million investment from New Mexico was arrested this week on charges alleging he stole millions of dollars from his investors.

Moses Joseph, general partner of the Palo Alto-based [Anila Fund](#), was arrested Tuesday. He appeared before the Santa Clara County Superior Court on Wednesday charged with 11 counts of theft and perjury.

"It's primarily a fraud scheme, and these are separate incidents," says John Chase, the deputy district attorney who is prosecuting the case for the Santa Clara County Office of the District Attorney.

According to the criminal complaint, which details 11 alleged crimes, including three counts of perjury or false statements, Joseph reportedly took more than \$12.5 million from investors and companies.

One of those 11 charges stems from [Aerofund Financial](#), a San Jose-based business lender that, according to Chase, gave Joseph \$2 million on the premise it would be used to leverage the \$15 million commitment from the New Mexico State Investment Council (SIC).

Steve Troy, president of Aerofund Financial, could not be reached for comment Thursday.

Although it was given preliminary approval, the New Mexico SIC's proposed investment of \$15 million eventually was canceled after an investigation by the New Mexico Business Weekly revealed lawsuits against Joseph and the Anila Fund that due diligence research by the state's contractor had failed to uncover.

Charles Wollmann, spokesman for the SIC, says the Anila Fund only received preliminary approval from an SIC advisory committee and that the state did not invest a dime in the venture fund.

"Does this [news of Joseph's arrest] surprise us -- no," says Wollmann.

Chase says Joseph allegedly took millions from investors and reportedly used the money to finance Anila's operations as well as an extravagant lifestyle that reportedly included a private plane, expensive cars and real estate worth millions in Carmel, Calif.

Chase says the "big mystery" for his office to solve is determining the value of Joseph's assets. He says much of the assets had already been seized and that within the last month, Joseph had filed for personal bankruptcy as well as bankruptcy protection for [Anila.org](#), a technology incubator allegedly doing business in California under the name [Anila Organization Inc.](#) In that filing, Chase says Joseph indicated his assets to be worth between \$1 million and \$10 million.

Chase said the money allegedly taken from investors was partially channeled to Joseph's company, Anila.org, a venture Chase says whose actual revenues are unknown. According to the California Secretary of State's Web site listing of state corporations, Anila.org's status as an incorporated business has been forfeited.

Chase said each of the fraud charges filed against Joseph was based on allegedly false promises or false statements that reportedly greatly inflated his financial resources.

According to copies of the criminal complaint, Joseph unlawfully took more than \$12.5 million from companies and investors, including the [Eastman Kodak Co.](#) (NYSE: EK), Aerofund Financial, Palo Alto-based [Venture Cyclotron LLC](#), and a company described in the complaint as US Bank, which Chase says he believes is [US Bankcorp](#) (NYSE: USB).

Included in the criminal complaint are three counts alleging perjury by Joseph, including one count stemming from a civil suit brought against him and one of Anila's portfolio companies, Minnesota-based [PowerWAN Inc.](#), by Kentfield, Calif.-based [Remington Partners](#). The complaint alleges Joseph additionally perjured himself in an affidavit connected to civil suit filed by [ArrowHead Consulting Group LLC](#). Joseph also is charged with preparing false evidence in connection with that lawsuit.

PowerWAN was under consideration for a New Mexico SIC investment of \$4 million at the same time the Anila Fund was being reviewed. PowerWAN's investment request was killed too.

After the SIC's former equity investment adviser, [Pacific Corporate Group](#) of La Jolla, Calif., failed to detect a pending lawsuit against Anila by Eastman Kodak -- a "red flag" that should have been detected, says the SIC's Wollmann, Pacific was replaced by Cincinnati-based [Fort Washington Capital Partners](#).

Chase says Joseph is currently in custody and his bail has been set at \$10 million. Joseph appeared in court on Wednesday and his next court hearing is scheduled for Thursday, June 2.



Office of the
DISTRICT ATTORNEY



New Charges Filed Against **Moses Joseph**

NEWS RELEASE

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NEW CHARGES FILED AGAINST MOSES JOSEPH

Moses Joseph, 46, formerly of Palo Alto, was arraigned yesterday on a new criminal complaint charging him with theft, forgery, and securities fraud. Joseph has been in custody since his arrest last May on earlier charges of theft, perjury, and falsifying documents. The previous complaint charged Joseph with stealing approximately \$9,000,000 from five companies, including Eastman Kodak Company and U.S. Bank. The new complaint charges Joseph with stealing another \$4,700,000 from five more companies and one individual. Bail in the new case was set at \$1,000,000. Bail in the earlier case remains at \$5,000,000.

The new complaint charges Joseph with stealing \$2,000,000 from the Japanese company Itochu Corporation and its American subsidiary Itochu Technology Ventures, \$340,000 from Bank One, \$1,000,000 from Ajay Puri, \$412,971.55 from Bridge Bank, \$403,647.78 from Wells Fargo Bank, \$606,593.73 from Wells Fargo Equipment Finance, Inc., and an unspecified amount over \$400 from PowerWAN, Inc., a Santa Clara County based startup company. The complaint also charges Joseph with securities fraud in connection with the sale of PowerWAN, Inc. stock to the Itochu companies, the sale of PowerWAN, Inc. stock and a limited partnership interest in Anila Fund III to Ajay Puri, and the sale of warrants for PowerWAN, Inc. stock to Bridge Bank. The complaint also charges Joseph with forging a signature on a certificate of shares of PowerWAN, Inc. stock.

If convicted of all counts Joseph could be sentenced to more than twenty-eight years in state prison.

The New York Times

September 2, 2008, 7:35 pm

Venture Fund Manager Was ‘Con Man’ Who Stole \$20 Million

By [CLAIRE CAIN MILLER](#)

The venture capital business is based on trust. Investors hand over money to a venture capitalist and trust that person to invest it wisely on their behalf.

Moses Joseph betrayed that trust.

Mr. Joseph, who managed a venture fund and started several companies, was convicted Thursday of 22 felony counts, including theft, securities fraud, forgery and fabricating evidence. A Santa Clara County jury found that Mr. Joseph stole more than \$20 million from 13 victims, including US Bank, Wells Fargo Bank, Silicon Valley Bank and Eastman Kodak. He will be sentenced in October and faces up to 28 years in state prison.

Mr. Joseph managed the Anila Fund, a \$15 million venture capital fund based in Palo Alto, starting in 1999. He also founded Anila.org, an incubator for tech companies; PowerWAN, a start-up to deliver broadband over power lines; and several other shell companies and funds.

Mr. Joseph received loans and investments from banks, the venture capital divisions of corporations and private investors to fund Anila, PowerWAN and start-up companies. To do so, he lied about his personal wealth and about the success of his companies and venture funds, created counterfeit financial documents and forged signatures, said John Chase, a deputy district attorney in the major fraud unit of the Santa Clara County district attorney's office.

Mr. Joseph used the money for business expenses such as office rent and employee salaries, to pay off other loans and for personal expenses, including a home and property in the exclusive beach town of Carmel and private airplanes, according to Mr. Chase.

“This guy was somewhat unique in his ability to keep a lie going for a long period of time and be convincing about it,” Mr. Chase said.

Chuck Smith, an attorney with Smith Bentley and Hartnett, who represented Mr. Joseph, said that his client never really intended to defraud anyone. “It’s a sad situation. The broadband product that he was trying to create and sell was a legitimate technology,” Mr. Smith said.

Mr. Joseph, who was arrested in 2005, intended to pay back investors and lenders once he brought the product to market, Mr. Smith said. However, Mr. Smith acknowledged that

Mr. Joseph created false documents, including bank statements, tax returns, audit reports and contracts. “I told the jury that the documents were as phony as anything I’d ever seen — they were forged, phony, altered, you name it,” he said.

Mr. Joseph did not testify during the trial. “The evidence shows that he was very charming, very smart about technology and spoke a really good game,” said Mr. Chase.

A witness from Itochu, one of the Mr. Joseph’s victims, noted during the trial that venture capital investing is based in large part on trust, making Ms. Joseph’s crimes particularly troubling. The lesson learned from this case for investors is that “once in a while, there’s going to come along a very talented con man,” Mr. Chase said.

Mr. Smith said it’s not like his client “took money from little old ladies. He didn’t. It was from big institutional investors.”

Mr. Chase began investigating Mr. Joseph in 2003, when a report came to the Palo Alto police department that Mr. Joseph had stolen money from limited partners in the Anila Fund. He didn’t find sufficient evidence before the statute of limitations ran out, but returned to the case a year later, when San Jose-based lender Aerofund Financial reported that Mr. Joseph had inappropriately used a \$2 million loan and produced false bank statements to hide his actions.

In 2004, Mr. Joseph partnered with Kodak to develop digital technology. Kodak and the Anila Fund were each to contribute \$4 million to the venture. Mr. Joseph lied about Anila having made its contribution to convince Kodak to put its money in, Mr. Chase said. Then Mr. Joseph withdrew Kodak’s money to pay for his Carmel home and to fund his brokerage account. When Kodak demanded bank statements, Mr. Joseph produced fraudulent documents.