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**Kaiser scion gets prison in SureWest theft
He pleaded guilty to helping swipe \$2 million from the Roseville firm.**

August 23, 2006
Section: METRO
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By Denny Walsh

Bee Staff Writer

--Henry M. Kaiser, grandson of Kaiser Industries and Kaiser Permanente founder Henry J. Kaiser, spent 17 years in the venture capital business, but was never very successful.

Then a group of European con artists lured him into believing he finally got the break he needed.

What the 62-year-old Oakland resident got instead was a year and a day prison sentence.

A Sacramento federal judge Tuesday imposed the sentence for Kaiser's role in the theft of \$2 million from publicly traded SureWest Communications, a Roseville-based telecommunications firm.

In the words of his lawyer, Kaiser "fell prey to false promises of instant capital for his company and crossed the line in pursuit of that capital."

By virtue of that extra day on his sentence, he is eligible for up to 54 days off his term for good behavior. Such a reduction is not credited if the sentence is a year or less.

Kaiser was ordered to surrender Oct. 24 to begin serving his sentence.

Kaiser pleaded guilty in April 2004 to interstate transportation of fraudulently obtained property and engaging in monetary transactions with criminally derived property.

The sentencing range for his offenses, as calculated under federal advisory guidelines, is two years and nine months to three years and five months.

But Assistant U.S. Attorney R. Steven Lapham, in a letter to the judge, recommended leniency, citing Kaiser's extraordinary cooperation in the government's investigations of two co-defendants and others.

In late 2001, Kaiser, Larry Wells and a third partner started Quivira Ventures as an investment fund for health care start-ups.

During the ensuing two years few institutions were investing in venture capital funds. In addition, since

none of the three had ever run a fund, they had no track record upon which potential investors could rely.

Some European promoters told them if Quivira could demonstrate that it had \$25 million on deposit at a major bank, the promoters would come up with \$200 million to underwrite Quivira's venture capital fund, without Quivira ever having to relinquish any of the \$25 million.

Wells' son, Jeffrey, was then a senior treasury analyst at SureWest with access to a portion of the firm's money.

According to the grand jury indictment of Kaiser and the Wellses, "in return for cash and other considerations, including the promise of future employment with Quivira Ventures," Larry Wells persuaded his son to transfer up to \$25 million from SureWest to Quivira bank accounts for the purpose of demonstrating Quivira had sufficient funds to make it a viable venture capitalist.

"It was an extremely elaborate scheme," said U.S. District Judge Morrison C. England Jr., in sentencing Kaiser. "Had it not been discovered, there is no telling what the consequences would have been."

Kaiser and Larry Wells "would periodically transfer money back to SureWest Communications for the purpose of concealing the fact that funds had been misappropriated," the indictment said.

But the European promoters then said they could not procure the \$200 million unless Quivira wired \$2 million to an account in Luxembourg. Larry Wells and Kaiser initially refused, but then wired the money.

"A decision Kaiser will regret for the rest of his life," according to Matthew Jacobs, Kaiser's attorney.

Quivira never received the promised financing and the European promoters transferred much of the \$2 million elsewhere.

The Sacramento U.S. attorney's office has frozen approximately \$700,000 in a Luxembourg account in the name of one of the promoters.

Beyond prison time, England fined Kaiser \$25,000, and ordered him and the two co-defendants to jointly pay SureWest restitution of \$2 million.

Kaiser also agreed to forfeit to the government his family home of 33 years in the East Bay's enclave of Piedmont.

Kaiser told England he is still unable "to explain how I could have betrayed my family, myself and my heritage in this way. I will let my deeds speak for me as I redirect my life."

Jacobs cited a number of charitable works that he said his client has undertaken since he was charged and pleaded guilty more than two years ago.

"The message the court should send is that it's never too late to do the right thing," Jacobs told England.

Larry Wells, 63, and Jeffrey Wells, 34, pleaded guilty in June, the father to engaging in monetary transactions with criminally derived property and wire fraud and the son to wire fraud. They are scheduled to be sentenced Oct. 10.

THE SENTENCE

Henry M. Kaiser was sentenced to a year and a day in prison. By virtue of that extra day on his sentence, he is eligible for up to 54 days off his term for good behavior.

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