



High-tech sleuthing uncovers iffy deals

INVESTIGATORS: They use technology to uncover information vital to Venture Capital firms.

By Roger Harris
Staff writer

On the surface, the aviation company seeking funding from a Los Angeles area business investment group looked legitimate.

The principals appeared to be experienced and business savvy. The company itself had a track record as a federal contractor.

But thanks to some high-tech sleuthing by Camarillo-based California Business Intelligence Inc. (CBI), the lender turned down the loan, a decision that may have prevented the loss of millions of dollars.

CBI, a business and corporate intelligence firm, discovered the aviation company had been fined \$500,000 and barred from doing business with the federal government until the year 2000. The principals in the company had been fined \$200,000 each, and were placed on probation after pleading guilty to charges involving a conspiracy to defraud Boeing Co. and Learjet Inc.

"That one was a slam dunk," said a CBI co-owner.

CBI is one of a new breed of investigators that use technology to dig deep to deliver the background information that investors need to make sound funding decisions.

Using the Internet and powerful search programs, CBI accesses numerous proprietary and public online databases to quickly scan everything from local, state and federal court records to organized crime connections to banking, property ownership and driving records.

"We provide the information and the analysis, but the client makes the decision on what to do with their money," says CBI.

CBI was founded three years ago as a reseller of county court, civil and criminal records. It also generated background profiles for the asset recovery industry.

In response to the demand for information, CBI added due diligence investigations, asset location, fraud investigations, intellectual property violations, employment background checks, and the location of missing persons to its service list.

CBI's clients include businesses in the financial, legal, insurance and entertainment arenas. Risk assessment for venture capital firms and other lenders and investors has become a large part of CBI's business.

Although most companies routinely conduct background investigations before making investments or writing a check to a new service provider, sometimes mistakes are made, said CBI President Tim Worley, a former senior deputy with the Ventura County Sheriff's Department.

The Internet, in particular, has become a prime area for potential fraud, Worley said.

"There are some very resourceful people using the Internet," Worley said. "And with so many people now doing business on the Net it often is difficult to confirm who you are dealing with."

By using Internet resources of its own, CBI attempts to ferret out sophisticated scams, as well as confirm legitimate funding requests, Worley said.

The need for investor information has grown substantially since the mid-1990s according to the national accounting house Price Waterhouse.

In the first quarter this year, venture capitalists invested a total of \$3.6 billion in hundreds of companies nationwide, according to a recent Price Waterhouse investment survey.

That was the fourth consecutive quarter that venture capital investments exceeded \$3 billion.

Paul Dryman, owner of Informed Decision, a Conejo Valley investigative service, said the flood of investment capital has helped to create a growing market for background information.

"I don't think there's anyone out there who hasn't been burned once or twice so people are trying to be more careful," Dryman said.

Although he has a competing investigative service, Dryman sometimes hires CBI to take advantage of the Camarillo firm's access to various online databases.

One of the private databases that CBI subscribes to is the Financial Crime & Organized Crime Database, which tracks news stories and other resources.

Thorough background checks are essential for making sound investment decisions, said Jeff Krentz of Critical Capital Growth Fund, a small-business investment company based in the Bay area and CBI client.

It does little good to hire investigators to go looking for your money after it has been sucked away by a risky investment, said Krentz, a partner and senior vice president with the Marin County firm.

"For the most part we are interested in the integrity and character of the people we are thinking of backing," Krentz said. "CBI has been able to provide us with information that isn't easily accessible otherwise."

In one case, CBI found that the president of a company Critical Capital was talking to had filed for bankruptcy and faced a \$350,000 IRS tax lien.

"Obviously that's the kind of information that we need," Krentz said.

Internet provides tool for investigative firms

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