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The silver tongue and black heart of Mouli Cohen, con-man extraordinaire

Once considered a high-flying tech entrepreneur and American success story, his scams ruined family and friends around the world. Now he's doing 22 years.

By Shuki Sadeh May.31, 2012 | 5:30 PM

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In late August 2002, the Israeli-American businessman Samuel "Mouli" Cohen invited 30 very important people to his hilltop mansion overlooking the Golden Gate Bridge and San Francisco Bay.

To them, Cohen was a successful high-tech entrepreneur with a self-made fortune, beautiful house and private airplane.

As the gossip section of the San Francisco Chronicle recounted, the evening began with Cohen boasting to his guests, including actor Danny Glover, about the authentic paintings displayed in his house, including works by Henri Matisse, Pablo Picasso, and Joan Miro. Later he mentioned that he was looking to expand his philanthropic activities by funding a worthy cause to the tune of \$60 million.

Some weeks after the party Cohen convinced employees of the locally-based Vanguard Public Foundation - whose board members included Glover and the famous Calypso musician Harry Belafonte - to invest part of their organization's endowment with him. He told them that a company called eCast, of which he was part-owner, was about to be acquired by the technology giant Microsoft. If they invested with him, he promised, they'd get a quick return several times the size of their principal.

Not only did the foundation give money to Cohen: its executives and other employees decided to put personal money as well. Their faith in the golden opportunity was only strengthened by his request that they not jeopardize the upcoming deal with Microsoft by speaking about it.

Cohen extracted about \$30 million from 50 investors, including some of his friends and relatives. It took five years, throughout which he charged them management fees, that they realized they'd been conned.

A luxurious web of lies

As Cohen's web of deceit unraveled, its startling dimensions became clear.

The mansion hadn't been his. It was rented. The expensive paintings were forgeries. Cohen had never owned a private plane.

In fact, Cohen had left his position at eCast in 2002 and had since been unemployed. He was not even paying income tax to the Internal Revenue service, because he claimed he lived off the support of his wife, to the tune of \$2,000 a month.

None of this deterred Cohen from pursuing a dissolute lifestyle on his investors' dime. He spent \$6 million globe-trotting between the United Kingdom, France, Italy, Mexico and the Caribbean. Once, when the fancy struck him, he rented a private plane and flew from Italy to Canada just to have lunch.

In other moments of indulgence, he took legendary British rock 'n' roll singer Elton John and American pop music star and actress Jennifer Lopez for flights. He has his own chauffeur, chief of security and private chef and owned several expensive cars, including a Rolls Royce, Bentley and Jaguar. He had more jewelry than anyone could wear.

Cohen also spent large sums of money promoting a book written by his second wife, Stacy, which dished about being the wife of a Jewish billionaire. The book was a best seller in the United States and was particularly popular in the U.S. Jewish community.

Cohen pursued his wastrel ways to the very last. After San Francisco-area investors slapped him with a lawsuit, Cohen moved to a luxury apartment in Southern California's posh Beverly Hills, where he paid several thousand dollars a month in rent. He was arrested there in 2010 after the Federal Bureau of Investigation and IRS launched investigations.

The party ended on April 30, when the U.S. District Court in San Francisco sentenced him to 22 years in prison for 29 different crimes, including 15 counts of wire fraud, 11 counts of money laundering and three counts of tax evasion.

His was one of the harshest sentences ever issued in the U.S. for white-collar crimes.

Judge Charles Breyer was convinced by the prosecution's argument that Cohen should be placed in long-term confinement because he posed a significant risk of recidivism if he was released. Federal prosecutors had asked that he be given 30 years in prison.

In his ruling, Judge Breyer accused Cohen of failing to show remorse.

"In more than 40 years of experience with the criminal justice system, I have never encountered a con man like Mr. Cohen," he said when reading out the sentence. "He is serial in his proclivity to commit cons. He is nearly sociopathic in his ability to relate to his victims."

Cohen meanwhile means to appeal, says his latest attorney, Marcus Topel, alleging that the prosecution's central witness lied to the jury.

A man of faith and integrity, with a website to prove it

Before his arrest and conviction, Cohen, 54, seemed to epitomize the American dream. He grew up in a modest apartment in a Jerusalem housing project, emigrated to the U.S. with his new wife and made a fortune.

In 15 years, it seemed, Cohen had morphed from greenhorn to successful high-tech entrepreneur living the high life.

Until a month ago, Cohen had a website where he published video clips and other promotional materials about himself, including essays on the importance of business ethics in an era rife with organizational corruption. In video clips, also posted on the video-sharing website YouTube, Cohen explains, in a hard-to-miss Israeli accent, the secret to his business success, his connection to Jewish life and his generous philanthropic activities. He also recounts how his service in the Israel Defense Forces instilled several important character traits in him, including personal integrity and the ability to stick to goals, which helped him succeed in business.

On his website, Cohen claims he has created over \$3 billion in shareholder value over his career and helped found startups that have yielded over \$1 billion in profits. He also says that in recognition of his contributions to the U.S. economy, President George H.W. Bush granted him "Millionaire Resident" status, the first such honor ever bestowed.

Of course, this is nonsense.

In his summary statement before the court's ruling, Cohen's lawyer, Topel, said that his client received U.S. citizenship in 1996 during Bill Clinton's presidency.

Cohen and his second wife, Stacy, regularly boasted that they knew famous businessmen, even if they were only superficial acquaintances. For example, in an interview for an Internet magazine, Stacy recounted her great passion for diamonds, particularly those sold by Israeli diamond mogul Lev Leviev. She told the interviewer that Cohen took great pride in her work as Leviev's "brand ambassador" and mentioned that her responsibilities included participating in charity events where she helped raise social awareness for various causes.

"On many occasions Leviev has been kind enough to donate a piece of jewelry for auction and I, in turn, present the piece," she said.

Asked about these claims, a spokesperson for Leviev said that Stacy Cohen had never been an official brand ambassador for the company. The diamond tycoon had only met Stacy a handful of times at charity events, and she only modeled jewelry once at a private event that she herself organized, the spokesperson said.

A friend to Jews everywhere, especially the West Bank

During Cohen's sentencing, Topel pleaded that his client was a philanthropist who had generously contributed \$2 million to various institutions. The judge snorted, noting that Cohen's generosity had been "with other people's money."

Despite being entirely secular and leading an extremely hedonistic lifestyle, Cohen did contribute much money to religious Jewish causes. He was particularly generous with the Hasidic Chabad Lubavitch movement. In San Francisco, he was in regular contact with the local Chabad House and financed various activities undertaken by the movement's local branch.

Cohen, he told the court, also contributed \$400,000 over the last decade to Israeli settlers living in the West Bank city of Hebron. He provided aid directly to settler families and funds for the renovation of Beit Romano, a Jewish-built home that is a focal point of conflict between the ancient city's Jewish and Palestinian inhabitants.

Cohen also donated to a Jewish orphanage in the Ukrainian city of Odessa, a cemetery that needed renovation in the Ukrainian town of Yuzhne and a European Jewish student group based in Brussels. He publicized his philanthropic activities widely on the Internet.

"He lived a completely secular life. I don't know what moved him to contribute to religious causes," said a member of a Diaspora Jewish organization that received donations from Cohen. "I was dumbfounded by his arrest. I spoke with him once or twice afterward and he requested that we pray for him. He was someone who would contribute \$10,000, even though he'd promised more, and then would make a lot of noise about it as if he'd contributed 10 times as much. He made sure to publicize every contribution he made, and I assume he had some sort of ulterior motive."

During sentencing, Topel tried to paint Cohen as a businessman who had enjoyed success until the eCast scandal, and who had operated legitimately ever since.

Topel says the trial had illustrated Cohen's strong ties to Israel and the Israeli people. Indeed, Cohen's sister lives in Israel and wrote a letter to the court in support of her brother before the verdict was handed down. Cohen's parents, who are deceased, lived for many years in Israel. He also has two children from his first wife, an Israeli woman named Yael. Both children are in their 20s.

As best as can be ascertained, Yael and her son returned to Israel after the fraud surrounding eCast unraveled. Cohen's daughter is a student in New York City. Cohen's son is in the process of becoming a *baal teshuva* – a newly observant religious Jew – and is studying in an Israeli yeshiva.

"Cohen asked his son to come to the U.S. to testify on his behalf in court, but his son refused," said an Israeli source familiar with the matter. "The son is afraid to get involved in the fraud case and that he won't be allowed to leave the U.S. He doesn't know any details about father's business dealings."

In the two years between arraignment and sentencing, Cohen asked to be released on bail five different times. Eventually, he was placed under house arrest with on-site security guards. But he was slapped back in jail when he tried to bribe one of his guards.

Eavesdropping on Cohen's phone calls from jail, FBI agents heard many conversations about ways to launder money or to find people to help him hide assets from the long arm of the law.

He also talked to his ex-wife Yael about "business contacts" who might help him. In these discussions, Cohen mentioned a Russian rabbi named "Sasha", whom he had come to know through his philanthropic activities.

The FBI suspects that before being jailed, Cohen covertly funneled large sums of money into bank accounts around the world. Agents say that he opened 60 bank accounts under his name, his wife's name and registered shell companies, some in tax havens like the Cayman Islands.

From one room in Jerusalem to the Concorde

Cohen was born in Jerusalem to a family of immigrants who had come to Israel from the former Soviet Union. He grew up in a one-room apartment and went to work at a young age to help support his family, his lawyer Topel told the court.

After Cohen finished his army service, TheMarker learned, he worked as a salesperson for the Hollandia International mattress company and dabbled in electronics. Eventually, he became business partners with Kalman Shemi, the artist who made and sold mosaic carpets in Jerusalem's Talpiyot neighborhood.

For three years, Cohen helped Shemi sell his work overseas, contributing to what was considered a local success story.

"One day he appeared at the studio dressed in a classy suit and presented himself as a businessman," Shemi recounted. "He asked me if somebody represented me abroad. We were full-partners in the business, and over the course of three years he tricked, exploited and lied to me. After he left, I discovered he had saddled me with \$700,000 in debts."

Shemi had seen a side to Cohen that others would not glimpse until it was too late. A spendthrift with expensive tastes, Cohen used the bank account he shared with Shemi to buy a BMW and withdraw large amounts of cash.

"After the fact, I discovered he would fly first-class from Tel Aviv to Paris and then fly from Paris to New York on the Concorde, all on the profits I brought to the business," said Shemi, who dissolved the partnership with the help of attorney Efi Abramson.

Cohen was able to get away with all this partly because he excelled in leaving a positive impression on people.

"I knew Cohen as a bright young guy, persuasive and with excellent negotiating skills," said Jack Solomon, one of the owners of a gallery that carried Shemi's work in the U.S. "Most of the time he spoke the truth."

While Cohen worked with Shemi, he also married his first wife, Yael, a young Jerusalemite woman who grew up in a religious household. After falling out with Shemi, Cohen travelled with Yael to Europe. The couple soon landed in New York, where Cohen opened a gallery for paintings and mosaic carpets similar to the one he had helped Shemi run.

He soon established himself in the city, and somehow managed to meet the Pritzker family, owners of the Hyatt hotel chain, who apparently supported his new business.

After a while, Cohen abandoned the art and carpet business and moved into technology. In 1990, he established a video gaming company called Aristo International. Some years later the company changed its name to PlayNet Technologies and underwent a reverse merger with a shell company that was publicly traded on Wall Street.

By the mid-1990s PlayNet was considered a rising prospect. Several industry stars joined the company, including Nolan Bushnell – one of the founders of the famous gaming company Atari – and former senior executives from Apple and Sony. The plan was to ride the Internet boom to success, but this was not to be. By 1998, PlayNet's investors had lost tens of millions of dollars and the company was bankrupt.

Prominent Israelis were among the investors who lost big when PlayNet went under. They included businessman Harry Sapir, accountant Ravi Shapira and the Jewish-Australian businessman Isi Leibler, a past chairman of the World Jewish Congress.

Most of PlayNet's Israeli investors bought into the company at the advice of Joseph Ettinger, who worked for the Israeli company Clal Industries and Investments as a representative in New York.

Ettinger was introduced to Cohen by a mutual acquaintance in London, and also received a reference from Jay Pritzker when he was trying to convince the hotel tycoon to buy a building that Clal owned on New York's Fifth Avenue.

Ettinger and Cohen became close, and when Ettinger returned to Israel in 1994, he arranged several meetings to promote Cohen's company to Israeli investors. Those who decided to invest did so largely based on Ettinger's solid reputation. Ettinger invested in the company as well.

Ettinger was doubly hurt by the financial implosion of PlayNet. He lost both his investment and his good name.

In the ensuing years, Ettinger and Cohen grew increasingly distant. Cohen and his wife Yael called Ettinger every now and then and Cohen even tried to reestablish contact with him after he was imprisoned. Ettinger turned down a request to be interviewed for this article but verified the facts in the story.

Cohen maintained business ties with his Israeli investors until the moment he was indicted. His Israeli colleagues succeeded in getting him a meeting with the Israeli businesswoman Ornit Avidar, Israel's former commercial attaché in Hong Kong, to help him enter the Chinese market.

A letter from Avidar that described the meeting also appeared in court arguments before sentencing as a proof that he was a legitimate businessman.

"I met him two years ago, before the entire business collapsed. Of course, I didn't know anything," said Avidar. It was embarrassing for everyone who knew him. We had a superficial acquaintance, and he seemed to me to be a nice man. I met him through an acquaintance of an acquaintance and I tried to help him a little bit in China. Looking back, I'm happy that the whole thing didn't work out."

Murmuring sweet double-or-nothings in their ears

In 1998, the year that PlayNet declared bankruptcy, Cohen moved to San Francisco and set up a new company, called eCast, with American partners. The company planned to use video game technology similar to that developed by PlayNet.

During this time, Cohen began communicating with people at the Vanguard Public Foundation. Hari Dillon served as his main contact, according to the prosecution, for which Dillon was the main witness.

The Vanguard Public Foundation, established in 1972, was well known for its activities promoting human rights, women rights and liberal values.

Cohen told Dillon that he had a business dinner with Microsoft founder Bill Gates and company CEO Steve Ballmer, and that they had reached a handshake agreement for Microsoft to purchase eCast.

The sale of his company, Cohen told Dillon and other senior people at the foundation, would create a win-win situation for everyone. Cohen would achieve his philanthropic goals and the foundation's board members would split their profits with the foundation.

"You're doing the foundation a great favor," Dillon wrote Cohen in November 2002. "It will give us the stability we need."

In the ensuing months, Cohen sold foundation board member shares of eCast worth between \$2 and \$3.50 each. Internal company documents presented in court show that the shares were worth less than \$0.10 at the time.

Moreover, Cohen did not provide his investors with stock certificates and sold 2 million shares that he did not own. He unloaded all 5 million shares that he did own on various investors between 1998 and 2004.

As time passed without the Microsoft deal going through, Cohen's victims began asking questions. Cohen initially blamed regulators, first in the U.S. and then in Europe.

Eventually, Cohen told the foundation's investors that if they contributed another \$800,000, they could expect to double their investment after the deal with Microsoft was closed in New York. The foundation followed his advice and invested another \$800,000 dollars, which it never saw again.

Cohen's abilities of persuasion were apparently exceptional. Several days after he received the foundation's additional investment, members of the Mills family, who were on the foundation's board of directors, sent him a check for \$500,000.

Cohen's managed to keep sweet-talking his investors for a couple years. The prosecutions arguments during sentencing make it is clear that the investors gave up on getting their money back from Cohen by 2005.

At this point, they began trying to find where the money had actually gone. Eventually realizing they had been duped, they filed a lawsuit against Cohen in May 2009. In the ensuing scandal, the foundation closed.

When Cohen began to feel the noose tightening, he started transferring money abroad. FBI investigators discovered that he successfully wired \$2 million to several Swiss bank accounts.

Private investigator Brian Wilmington, who followed the scandal, describes warning signs that should have alerted Cohen's investors. One red flag should have been Cohen's resume, which was posted on several different websites with contradictory dates of employment, he writes in his blog.

Also, he noted that since the 1990s, 20 civil lawsuits have been filed against Cohen. Two of them, dating from 2003 and 2004, were even related to Cohen's involvement with eCast. Yet Cohen was able to entice Vanguard Foundation donors and other investors.

Family not spared his attentions

From the mitigation hearings it also arose that Cohen tricked his relatives and some of their friends.

Most notably, he managed to con Dr. Robert Stripling, his own father-in-law out of \$4 million using a familiar scheme.

Cohen told Stripling the story about the impending Microsoft sale and warned him that the deal would fall apart if it became public knowledge. He explained the sale was being delayed by regulatory issues. And then he told him that more money would fix the situation, specifically by convincing regulators that the deal was serious.

At Cohen's urging, the credulous doctor took out an additional mortgage on his house and liquidated his entire pension savings to purchase shares.

When Stripling was unable to repay his bank loans, Cohen offered to pay \$125,000 on his behalf in return for being listed as the sole beneficiary of his life insurance policy.

Eventually, Stripling was stripped of all his assets and was left penniless and destitute. On a Christmas card he sent to friends and family in 2007, he said that all was well except that he had become impoverished. The only thing the old man wished for that Christmas was that "Mouli would return my pension savings."

Several years ago, Stripling died after a battle with cancer. His son told the court that his father's last decade was full of financial worries. In effect, Cohen also reduced his brother-in-law's inheritance to nothing.

In another instance, Cohen defrauded a couple that he and his wife Stacy were friends with. Cohen quickly ingratiated himself with Javier and Rose Burillo by flying them to Las Vegas on a private plane and taking them to a fancy restaurant. The Burillos soon asked Cohen to be their son's godfather.

Over the years, they transferred \$8 million to Cohen to invest on their behalf. During the trial, the Burillos described how Cohen had solicited \$2 million from them for a business venture he said he was planning to sell to either Gatorade or Coca Cola.

Cohen also told Javier that, through family connections, he had learned of an impending merger between the Israeli company Teva Pharmaceutical Industries and another company. He said an investment would provide quick, huge returns. Burillo gave Cohen \$2.5 million dollars for the investment and never got it back.

Cohen used Teva to draw in at least one other victim, Burillo's friend Carl McLarand. Cohen told McLarand that he had close ties with an executive at Teva, and so knew the company was about to be bought. He said they had a window of opportunity of a few months in which to act. But McLarand, who had already lost \$2.1 million in other investments with Cohen, balked at the proposal.

On his website, Cohen announced buying Teva shares from deceased British businessman Robert Maxwell. The announcement found its way into the Israeli press. But a source who worked at Teva during the period in question said that he did not recognize Cohen's name.

Doubling down

During sentencing, Topel emphasized that the eCast scandal was Cohen's first brush with the law. Although this claim is apparently accurate, it is unclear how honest Cohen was in his business dealings before the scandal erupted.

Among the Israeli investors in PlayNet, for example, there are still many doubts and suspicions surrounding the company's unexpected bankruptcy.

A possible clue concerning the connection between PlayNet and eCast can be found in a 2004 lawsuit jointly filed by former Israeli resident Roger Ashkenazi and his mother Victoria Ashkenazi, who still lives in Israel. Ashkenazi claimed in the lawsuit that Cohen had convinced him and his mother to invest more than \$1 million in eCast in 1998.

Ashkenazi met Cohen through a mutual acquaintance, and the two became friends. In March 1998, soon after their friendship began, Cohen convinced Ashkenazi to invest \$70,000 in PlayNet. Just a few months after Cohen assured Ashkenazi of the wisdom of his investment, PlayNet entered bankruptcy proceedings.

According to the lawsuit, Cohen told Ashkenazi that PlayNet was a growing company and that he would personally work to ensure that Ashkenazi received a return of nearly 40 percent on his original investment. Cohen later told Cohen that a bug in the software the company was developing had caused its implosion. He said he would make sure the bug was fixed and transfer the technology to a new company called eCast.

Cohen promised Ashkenazi that PlayNet's technology was highly marketable and that the new company would use it much more successfully. In November 1998, Cohen persuaded Ashkenazi to invest twice as much in PlayNet as he had in eCast. At the time Ashkenazi doubled down on his investment, PlayNet was already in bankruptcy proceedings.

According to the lawsuit, Cohen told Ashkenazi that he was in negotiations with Microsoft, America Online and Cisco Systems regarding the sale of the company. In 2003, other eCast investors sued Cohen, claiming that he told them a similar story. In this version, Microsoft, Cisco Systems, Sony or Qwest was going to acquire or merge with eCast.

It appears that even at this early stage, Cohen was concocting and testing the Microsoft story that would take him so high and leave him and many others so low.