

Startup CEO Pleads Guilty to Defrauding Former Employees

By Camila Piedrahita Abello, J.D. Candidate 2019 | February 16, 2018

Isaac Choi, the founder and CEO of WrkRiot, pleaded guilty to defrauding several former employees. He now faces up to 20 years in prison and a \$250,000 fine.

When he pleaded guilty to one count of wire fraud, Choi admitted “he made false and misleading statements about various topics, including his educational and professional history, and the amount of his wealth” in an effort to recruit potential employees. He further admitted to emailing several employees forged documents reflecting salary payments that were never made.

Choi launched the company, then called 1For, in June 2015. However, financial issues soon began haunting the startup. It was then Choi began distributing fake wire transfer confirmation documents to convince employees compensation was on the way. Reports then surfaced the company had spent \$700,000 in just ten months. Its former chief technology officer and co-founder assured employees Choi planned to invest \$2 million of his own money. In reality, it was just \$400,000. Choi claimed the money he pledged to invest was tied up in other investments overseas.

By August 2016, Penny Kim, WrkRiot’s former head of marketing, wrote a post for Medium detailing the internal chaos plaguing an unnamed startup. Kim’s job offer included \$135,000 a year, equity, a \$10,000 signing bonus for relocation expenses, and a severance package. Just one month later, she was fired after filing a complaint with the Division of Labor Standards Enforcement over failure to failure to properly pay her. One of WrkRiot’s investors would subsequently publish the company’s name and an apology letter.

Investors began backing out as the FBI moved in to investigate. In addition to lying about his educational, professional, and financial background, Choi’s scams include convincing some of his employees to loan WrkRiot money.

Now that Choi has pleaded guilty, sentencing is scheduled for May 24 in the U.S. District Court of the Northern District of California.