

Bank settles for millions with plaintiff CPM client in California political fraud case

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A California bank that handled the accounts of a former campaign treasurer for several high-profile Democratic politicians has agreed to pay \$4 million to settle a lawsuit alleging the bank should have known the treasurer was embezzling money, attorneys for the politicians and the bank said Thursday.

The agreement reached with First California Bank includes \$2 million for the campaign account of U.S. Sen. Dianne Feinstein. She estimated that she had lost \$4.5 million when it was revealed that her longtime treasurer, Kinde Durkee, had been carrying on an elaborate shell game in which she regularly shifted money between her clients' accounts while she siphoned off millions of dollars.

Durkee pleaded guilty to five counts of mail fraud last year and was sentenced to more than eight years in federal prison. She was ordered to pay \$10.5 million in restitution, even though she had few assets.

Feinstein and several other lawmakers and political committees sued First California Bank, alleging there was a "pervasive pattern of misconduct" and that the bank was at the heart of Durkee's illegal transfers.

Joe Cotchett, who represented Feinstein, said the attorneys had evidence that bank employees knew about the fraud based on emails and other correspondence they were able to obtain.

"We finally got the hard drive from the FBI. We were able to look at that and get emails that certainly tracked the allegations we made," he said.

Attorneys

Joseph W. Cotchett
Justin T. Berger

Practice Areas

Commercial Litigation
Securities / Financial Fraud

BANK SETTLES FOR MILLIONS WITH PLAINTIFF CPM CLIENT IN CALIFORNIA POLITICAL FRAUD CASE

Feinstein's staff did not return calls seeking comment Thursday.

Thomas Nolan, an attorney who represented First California Bank, said the bank does not acknowledge that it was "culpable, engaged in any wrongdoing, or had any knowledge of fraudulent wrongdoing."

"Any monies were lost through their own negligence in not monitoring or not reading their own bank statements," Nolan said.

He said the plaintiffs agreed in court this week to settle the case the same day a judge was scheduled to hear arguments on the bank's petition to throw out the case.

The settlement has not yet been filed in Los Angeles County Superior Court.

Attorney Wylie Aitken, who represented clients that include Reps. Linda and Loretta Sanchez, who are sisters, said bank officials overlooked several red flags because they didn't want to lose Durkee's business. That included illegal transfers between federal and state campaign accounts.

"She was one of their personal customers; they were giving her favors for being one of their better depositors of monies," he said.

Aitken said the bank continued to pay funds even when Durkee's checks bounced...