

Marketplace

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Saturday, Dec. 8, 2007 | Marketplace 3

Irvine scam costs US Bancorp \$10 million verdict

Case alleged bankers helped DFJ Italia loot investors' money.

THE ORANGE COUNTY REGISTER

The bankruptcy trustee operating the failed **DFJ Italia** investment operation from Irvine has won a \$10.3 million jury verdict against **US Bancorp** in a case that alleged that the bankers helped DFJ's operators loot investors' money.

DFJ Italia investors, who lost upward of \$45 million, were told the company was run by a royal Italian family that had interests in hundreds of companies around the world. But DFJ was a fraud looted by its insiders. It collapsed in 2000 and soon ended up in bankruptcy court.

On Thursday, a county jury in Santa Ana agreed with the bankruptcy trustee's assertions that US Bancorp workers let DFJ insiders steal investors' money that was in accounts at the bank, said Irvine attorney Ron Rus.

US Bancorp said: "US Bank is disappointed in the result and will appeal the decision. This is a complex case involving events that occurred almost a decade ago. The jury only heard part of the story and the bank is confident the result would have been different had the jury heard all the facts."

Some \$14 million moved through US Bancorp's DFJ accounts in less than a year, Rus said.

Two other banks that also handled other DFJ accounts had previously reached private settlements with the bankruptcy trustee.

With the jury's awarding of interest, too, Rus estimates the trustee is owed roughly \$18 million by US Bancorp.

"The bank allowed these guys to walk in and operate without identification, not withstanding the bank's own procedures," Rus said.

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U.S. Bancorp Ordered to Pay \$17.6 Million for Ponzi Scheme

By Don J. DeBenedictis
Daily Journal Staff Writer

SANTA ANA — It isn't often a lawyer suing several banks over account authorization and fiduciary duty can put a witness on the stand who claims to be a cell mate of John Gotti and a "made" member of the Bonano crime family.

For Ronald Rus, it was witnesses like that who helped bring home a \$17.6 million verdict against U.S. Bancorp last week. *Casey v. City National Bank*, 02CC06597 (Orange Super. Ct., filed May 6, 2002).

Rus and other lawyers from the Irvine firm of Rus, Miliband & Smith represent the trustee overseeing the Chapter 7 bankruptcy of a fraudulent investment company called DFJ Italia Ltd. that bilked 200 investors out of \$45 million with boasts of 24 percent returns and connections to a royal Italian family. Among the investors were NFL stars Eric Dickerson and Duval Love.

Seven men have pleaded guilty to federal crimes growing out of the FBI and IRS investigation of the Newport Beach business, which the U.S. attorney's office described as a Ponzi scheme.

In the civil action, bankruptcy trustee Thomas H. Casey claimed three banks, including U.S. Bank, should have figured out the DFJ Italia personnel were engaging in shady transactions. The suit claimed the banks had aided and abetted DFJ officers' breach of fiduciary duty to investors.

The DFJ operators "looted the

company with the assistance of the banks," Rus said.

U.S. Bank's attorney, Donald R. Brown of Manatt, Phelps & Phillips in Los Angeles, said he could not comment on the cases. Brown referred to a statement from the bank indicating it will appeal.

"This is a complex case involving events that occurred almost a decade ago," the bank's statement said. "The jury only heard part of the story, and the bank is confident the result would have been different had the jury heard all the facts. The bank did nothing wrong and has faith that it will prevail on appeal."

Two principals of the scheme, DFJ Italia vice presidents Ken Kuczway and former Gotti cell mate Angelo Ales, testified for the plaintiff.

They told the Orange County Superior Court jury that they previously had bribed U.S. Bancorp employees, when those employees worked at different banks, with envelopes of cash. This time, they walked into U.S. Bank and opened three DFJ Italia accounts without proof they represented the corporation, according to Rus.

At trial, Rus said, the bank claimed it had lost many documents about the opening of the accounts. What the bank did produce, he said, included signature cards indicating that Ales and Kuczway had the same home phone number and mother's maiden name.

"It was very, very entertaining stuff," Rus said.

The bank argued that it should

See Page 2 — U.S.

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**Ronald Rus,
Rus, Miliband & Smith**

U.S. Bancorp Ordered to Pay \$17.6 Million

Continued from page 1

not be held responsible for the actions of these criminals and that the jury should not trust their testimony.

Rus said he countered that the bank shouldn't have trusted them. "[Ales] is the bank's criminal," he said. "That's the one that trusted him."

He said jurors told him after the trial that they believed all bank witnesses, including an expert, lied to them.

The jury awarded \$10.3 million in damages and also awarded discretionary interest. Rus said the interest should total about \$7.3 million.

Wells Fargo Bank and City National Bank earlier settled the suit for \$2.5 million, public records show.