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San Francisco Chronicle

Love story with a tragic ending Businessman slain -- wife charged with embezzlement

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Sunday, January 23, 2005

When they started their romance in 1982, she was a struggling single mother of two and he was a successful, recently divorced San Francisco business owner 20 years her senior.

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They were married within two years, and Victor Bach helped his wife, Kathy, transform herself over the next two decades. She left her old life behind and, with him, built a dream one, complete with a newly remodeled home in San Mateo, a second house for her family in Redding, two Porsches and a sailboat.

But the prosperity and respectability obscured a secret, one that Victor Bach was on the verge of discovering when he was bludgeoned to death at his business on Halloween 2003, authorities say.

The killing of the 71-year-old man remains a mystery, but his trusted wife, now 53, is facing criminal charges for what prosecutors portray as a systematic looting of \$1.9 million from Bach's business and a trust he oversaw for the family of a longtime friend.

Kathy Bach, free on bail on the charges, pleaded not guilty Friday to fraud and embezzlement. Her attorney, Jim Collins, said the prosecution is being urged on by greedy family members "pushing what seems to me to be an unfair charge."

Bach's family says it's not about the money, it's about broken trust.

"There is only one word that ever comes to mind," said Kerry

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Bach, Victor Bach's younger brother, about Victor and Kathy's life together. "Betrayal."

Police say the treachery began back in 2000, when Bach entrusted his wife with the job of keeping the books for his Western Plumbing and Heating on Treat Avenue in the Mission.

To him, she was the ideal choice. She may have lacked accounting experience, but she had proved herself successful at anything she put her mind to.

'A good girl'

She was Kathy Marie Martinez and was about 30 when Victor Bach, the recently divorced father of four, met her as she was waiting tables at the St. Francis Creamery at 24th and York streets.

She had been struggling to overcome alcohol and cocaine addiction, she would later tell family members. Victor, a Berkeley graduate, Korean War veteran and engineer, had been depressed by the breakup of his marriage and took to the idea of helping the down-and-out single mother.

"He always referred to her as a good girl," said Victor's sister, Sandra Hayes Bach. "At the time, I thought, she's nice enough, but I couldn't see anything. He was happy -- I just went with that."

The couple soon bought a modest house in Noe Valley, then moved with Kathy's children, Billy and Lisa, to the Peninsula and took in Bach's ailing father.

"She changed quite a bit over that period," Kerry Bach said. "She basically worked on herself and did a lot of self-improvement."

Kathy watched the wives of Victor's business associates, family members said, and learned to dress well, apply makeup and be an acceptable companion to a business owner. Victor was there for her and helped her overcome her addictions.

Kathy's now-estranged daughter, Lisa McLaughlin, 33, remembered her mother's efforts to fit in to her new surroundings, which were quite removed from those she had grown up in. She was raised in San Francisco's Mission District and lived with her mother, a widow who had moved with her parents from Oklahoma to California to escape poverty.

"It was definitely a huge change," McLaughlin said. "If I were my mom, it would be a dream life."

When Victor Bach became president of the Mechanical Contractors Association of America in 1991, Kathy was ready.

"Kathy had come from a different background," said Scott

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Strawbridge, a friend of the couple's for 22 years and the executive director of the Northern California affiliate of the association. "But unless you knew her, you wouldn't have thought that. She was always a very social person."

Strawbridge said Kathy traveled with Victor when he was on the road and was always at his side. "I can't remember an incident where something went badly," Strawbridge said.

"She had all the right moves," said Hayes Bach, Victor's sister.

The couple joined the Lake Merced Country Club and became avid golfers. Victor was a member of several club committees, including one dedicated to a new clubhouse, which will open in February.

"He was honest, outgoing," club general manager Michael Feil said. "You would automatically feel a connection when you met him. He was a real gentleman."

The well-dressed Kathy was always with him, Feil said. But she also was making a mark of her own.

She started a business, Affairs to Remember, and started putting on company parties, bar mitzvahs, weddings.

And she spared no expense on her own parties. For daughter Lisa's wedding in 1999, she and Victor put on a black-tie ceremony and reception that cost almost \$100,000, said Kerry Bach, Victor's younger brother.

Hayes Bach, his sister, called the dinner reception "spectacular." It was held at the Concordia-Argonaut Club in San Francisco and had an open bar and cable car-style buses that whisked guests from the ceremony to the reception.

Victor was a beaming proud father and host at the affair, Hayes Bach said. He loved Lisa as his own and put her, as well as five members of his family and extended family, through college.

In 2000, Victor made his wife controller of his plumbing and heating business. Lisa had been there for three years and handled accounting for company work projects. Kathy would learn on the job, helped by the company's former accountant.

She got to the office early and left early, often spending her spare time shopping.

"She constantly had tons of things in the house -- a shopaholic, you know," said Kalman Apple, whose father had grown up with Victor Bach's family. "She had so many sets of dishes in cabinets."

In December 2001, Kathy turned 50. As a present to herself, she started on a new phase of self-improvement -- plastic surgery and liposuction.

"She loved it -- she would be able to put on younger clothing," said Victor's daughter, Jennifer Needham.

Kathy also started shedding the wives of the businessmen who had tutored her, in favor of new friends 20 years her junior.

She began dressing in a way that Victor's family would describe as "not age-appropriate." Leather, go-go boots, sheer tops, miniskirts -- a look one of Bach's colleagues, Mark Murry, described as a cross between Cher and Tina Turner.

Her daughter, Lisa, was appalled.

"I thought she was going through a midlife crisis," she said. "I thought it was absolutely ridiculous."

Kathy started wearing expensive gems at family gatherings, saying they were gifts from Victor. She also spent late nights with her friends at nightclubs, sometimes staying out until closing time.

Victor "would razz her -- 'Are you going out in your miniskirt tonight?' " said Murry, a partner in the plumbing and heating business.

Husband not prone to arguing

If Victor didn't like it, he didn't say much, Murry said, although he did grumble that her spending kept him from retirement.

"He was 71 years old," Murry said. "He didn't want to argue with the woman. He just wanted some peace. He wanted to golf on Saturday."

Victor's family says Kathy was asserting herself in other ways. Needham said it became hard for her to communicate with her father without Kathy intruding. She would answer all his e-mails and pick up his calls.

"It made me uncomfortable," Needham said. "I don't know how much he knew it."

Kathy had taken on another job as well -- running a trust for Seymour Apple, on behalf of his two children, Kalman and Jennings.

Seymour Apple was taken in by Victor's family when Apple was 11. The story went that 7-year-old Victor found the orphaned boy wandering the streets of New York "like a puppy," Hayes Bach said.

When Apple was incapacitated by a stroke in 1999, Victor promised to care for him and act as his executor. He found a nursing home for Apple near the Bachs' San Mateo home in 2000 and visited him regularly.

Kalman Apple said he viewed the Bachs as saviors. Kathy, he

said, "always appeared to be sincere and really care."

Some of Victor's relatives, however, say Kathy seemed to resist the caretaker role and the burdens of frequent visits to the rest home.

"She did not care for Seymour," Hayes Bach said. "She couldn't wait to get out of there. It was obvious: To her, it was a chore."

When Apple died at age 79 in 2002, Kathy did not attend the funeral, several family members said. However, she was happy to take over the trust that was kept on behalf of Apple's two sons, Kalman Apple said. Victor let her.

On Oct. 30, 2003, Bach's lawyer, Bill Rochester, met with Victor and Kathy about family business, including the need to re-sign some real estate documents because Kathy left out her middle initial.

At the meeting, Rochester gently prodded Victor about the legal requirement to end the Apple trust within a year or so after Seymour Apple's death.

"I reminded Victor that the Apple trust needed to be terminated," Rochester said. He added that the end of the trust would necessitate a complete audit.

Victor explained he knew he had to do an accounting but that he had been very busy in the months since Apple's death. "He had definite plans to do it beginning early in the following month," Rochester said.

The next day, Victor was working into the evening at the shop, with the rest of the staff having gone home early to prepare for Halloween.

Kathy called San Francisco police at 5:40 p.m. from the couple's San Mateo residence. Victor hadn't come home, she told them, and she was worried. He was less than an hour late, but he was expected home to go to his nephew's high school football game.

When police got to his business, the door was open. Victor had been beaten to death. Police have said only that the weapon was a blunt object.

His funeral drew 450 people, many recounting stories of his kindness and assistance over the years. "It should have been his retirement," Needham said. Kathy came dressed in leather and go-go boots, with a sheer top.

Investigators at first explored the possibility that Victor Bach had been killed by an intruder. But they soon started to look at other motives, and they stumbled on an audit planned for the company books.

When completed after his death, it showed that \$977,000 had been spent on unauthorized transactions, prosecutors said. This included checks that appeared to go into personal credit card accounts in Kathy Bach's name, paying for hundreds of thousands of dollars worth of American Express bills and jewelry.

Then investigators checked on the routine audit that Victor had ordered for the Apple trust. It showed \$954,000 spent on credit cards linked to Kathy Bach, court records say. In all, prosecutors suspect Kathy of looting the trust and the company of \$1.9 million.

Because the checks that investigators have are bank photocopies, they cannot definitively say who wrote them.

'The police are hounding me'

Kalman Apple said he got the news from a San Francisco police investigator two hours before a planned Christmas bash put on by Kathy Bach for family in Los Angeles in 2003.

When he talked to Kathy, he said, "All she said to me was, 'Don't worry, everything will be fine. The police are hounding me. Don't worry, I'll make everything right.' "

Then, in April 2004, Kathy Bach sent an e-mail to the administrator of the Apple trust, saying that she "had no excuse" for what had happened, investigators said.

"Please realize I am not a bad person," she wrote, "just a person with a spending problem that I am trying to take care of."

That same month, family members say, they drove to Kathy's home and confronted her in an "intervention," saying she had to make good on her debts and stop spending.

"I f -- up. I might go to jail. I wrote checks I shouldn't have," Kathy Bach told the family, according to court documents submitted to support the prosecution. Lisa McLaughlin and Hayes Bach had similar accounts of the confrontation.

Both described her as nonchalant about it all. "I thought, driving home, she is not going to make good on anything," Hayes Bach said.

McLaughlin held out hope her mother would pay what she owed. But when Kathy Bach's lawyer sent a response to the plumbing and heating business, denying she had defrauded anyone, "I knew she wasn't going to do the honest thing," McLaughlin said. She cut off communications with her mother.

Kathy Bach was arrested on Dec. 22 at a second home she had bought in Redding. On Jan. 14, she was allowed to post \$1 million bail and agreed to surrender her passport.

Police say they still don't have a case against anyone in the slaying of Victor Bach. They have no witnesses and no physical evidence that would allow them to make an arrest.

One thing police believe is that Victor Bach did not have any enemies.

"I haven't heard one single bad word about this man," said homicide Inspector Tom Walsh. "That's what so tragic about this case."

As for Kathy Bach, police consider her a witness. "She is the widow of a murder victim, and we would like to ensure her continued cooperation," said homicide Inspector Antonio Casillas.

Kerry Bach cannot fathom why Kathy might steal from Victor, who dedicated his life to her.

"He would have given her anything she ever wanted. All she had to do was ask," he said. "None of this makes sense."

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