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[U.S. Attorneys](#) » [Western District of Oklahoma](#) » [News](#)

Department of Justice

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Western District of Oklahoma

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Former Altus Bank President Sentenced to Four Years in Federal Prison for Bank Fraud and Ordered to Pay \$10 Million in Restitution to FDIC

Altus Business Partner Also Sentenced to 18 Months in Prison for Bank Fraud Conspiracy

Oklahoma City, Oklahoma –**PAUL HAROLD DOUGHTY**, 67, of Edmond, Oklahoma, the former president and chairman of First State Bank of Altus ("FSB"), was sentenced today to 48 months in federal prison after a jury convicted him in July of 2016 of bank fraud, conspiracy to commit bank fraud, misapplication of bank funds, making a false bank entry, and unauthorized issuance of a bank loan in connection with FSB and various loan schemes, announced Mark A. Yancey, United States Attorney for the Western District of Oklahoma. At today's sentencing, United States District Judge David L. Russell also ordered Doughty to pay \$10,120,166.58 in restitution to the Federal Deposit Insurance Corporation ("FDIC"). On December 2, 2016, **FRED DON ANDERSON**, 67, of Eagle Point, Oregon, was sentenced to 18 months in federal prison after pleading guilty to conspiring with Doughty to commit bank fraud. Anderson partnered with Doughty in several businesses headquartered in Altus. In July 2009, state banking regulators closed FSB due to the bank's loan losses, and the FDIC was appointed as the bank's receiver.

In April 2015, a federal grand jury charged Doughty and Anderson with fraud related to three alleged loan schemes: (1) a series of FSB loans to finance a real estate development in Routt County, Colorado; (2) a series of "senior life settlement loans" from FSB to support an Altus aerospace company; and (3) a \$2 million unauthorized loan from FSB to a company under Doughty and Anderson's control.

On July 1, 2016, after hearing seven days of trial evidence, a federal jury returned a guilty verdict against Doughty on ten counts relating to the three loan schemes. The jury acquitted Doughty on three charges. The jury heard that in 2006 and 2007, Doughty and Anderson recruited buyers for 19 Colorado real estate lots priced at approximately \$700,000 each. Doughty approved and issued 14 lot loans to buyers, totaling more than \$10,000,000 in loan proceeds for the seller, Mountain Adventure Property Investments, LLC ("MAPI"). MAPI was a Colorado company that Anderson had an indirect ownership interest in and where he served as president and manager. Evidence at trial showed that each loan exceeded Doughty's individual lending authority at FSB, and most of the loans were issued without approval of FSB's loan committee, including a \$580,000 loan to Anderson's personal company. The jury heard that Doughty and Anderson presented lots to borrowers as "zero money down" investments, and that the down payments for the purchases were often advanced or refunded to the buyers by Anderson on behalf of MAPI. Doughty and Anderson also assured the buyers that MAPI would make all payments on the loans to the bank. The jury heard that on the few occasions when Doughty presented a Colorado loan to FSB's loan committee, he misrepresented the source and amount of borrowers' down payments and the borrowers' responsibility for making payment on the loans. In connection with these Colorado lot loans, the jury convicted Doughty of one count of bank fraud conspiracy, four counts of bank fraud relating to separate lot loans, and one count of unauthorized issuance of a loan to Anderson's personal company.

Trial evidence also showed that Doughty funded five so-called "senior life settlement" loans through FSB in 2008. Each loan was \$2.5 million, and one of the loans went to Anderson's personal company. Doughty and Anderson recruited borrowers to take out these "self-paying" loans to provide money for investments in Altus-based Quartz Mountain Aerospace, Inc. ("QMA"). Evidence at trial showed that a portion of the loan proceeds was invested in QMA, and another portion would pay the loan's interest. The remaining proceeds on the loans would buy and maintain third-party life insurance policies, where the death benefits on the third parties were intended to repay the loan's principal. The jury heard that each loan exceeded Doughty's lending authority, and that he issued at least \$10,000,000 in senior life settlement loans without FSB's loan committee or board approval. With each loan, Doughty and Anderson directed \$125,000.00 in "service fees" to Altus Ventures, a company under their control. The jury heard evidence that at the time the loans were issued, the fees to Altus Ventures were not disclosed to FSB or to the borrowers taking out those loans. In connection with the senior life settlement loans, the jury convicted Doughty of one count of misapplication of bank funds and one count of a false entry in bank records related to the concealment of the fees to Altus Ventures.

Finally, the jury heard evidence that in January 2008, Doughty arranged a \$2 million loan from FSB to Ethanol Products Group, LLC ("EPG"), a startup company in which both Anderson and Doughty had ownership interests. Evidence showed that Doughty advanced the \$2 million from FSB, above his individual lending authority, without approval by FSB's loan committee or board. Soon before issuing the loan, Doughty e-mailed Anderson his "cash strategy" for two other companies they controlled; the "strategy" showed all the EPG loan proceeds would be directed to companies controlled by Anderson and Doughty, ultimately diverting \$100,000.00 in "officer bonuses" to Anderson and Doughty. The jury found Doughty guilty of one count of unauthorized issuance of a loan and one count of misapplication of bank funds related to the EPG loan.

At today's sentencing, United States District Judge Russell sentenced Doughty to 48 months in federal prison, followed by three years of supervised release. Judge Russell also ordered Doughty to pay \$10,120,166.58 in restitution to the FDIC. Doughty must report to federal prison on Monday, April 3, 2017.

On December 2, 2016, Judge Russell sentenced Anderson to 18 months in federal prison, followed by three years of supervised release. Anderson was also ordered to pay \$3,250,409.12 in restitution to the FDIC. On April 14, 2016, Anderson pleaded guilty to a one-count Information charging

him with conspiring with Doughty to commit bank fraud. As part of the plea agreement, the government agreed to dismiss at sentencing the charges against him from the indictment. Anderson testified as a witness for the government at Doughty's trial.

These convictions are the result of an investigation conducted by the Federal Bureau of Investigation and the Federal Deposit Insurance Corporation - Office of Inspector General. The case was prosecuted by Assistant U.S. Attorneys Chris M. Stephens and K. McKenzie Anderson.

Topic(s):
Financial Fraud

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