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Department of Justice

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District of New Mexico

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**Paul Donisthorpe Pleads Guilty to Federal Wire Fraud and
Money Laundering Charges Arising Out of Scheme to Embezzle
\$4.8 Million from Client Trust Accounts**

**Plea Agreement Recommends Eight-to-Twelve-Year Prison Sentence and Requires
Restitution in Amount of \$4,812,857**

ALBUQUERQUE – Paul Donisthorpe, 62, pleaded guilty this morning in federal court in Albuquerque, N.M., to wire fraud and money laundering charges arising out of a fraudulent scheme to embezzle more than \$4.8 million from client trust accounts managed by Desert State Life Management (DSLML), a trust company he operated and controlled. Donisthorpe entered the guilty plea under a plea agreement that recommends that he be sentenced to eight-to-twelve years of imprisonment followed by a term of supervised release to be determined by the court. The plea agreement also requires that Donisthorpe pay \$4,812,857 in restitution to the victims of his crimes and that he forfeit the proceeds of his criminal activities.

In announcing the guilty plea, Acting U.S. Attorney James D. Tierney said, "This case is about the victims. Victims who were clients of Paul Donisthorpe and his trust company and who relied on Donisthorpe to manage their finances. This morning, Paul Donisthorpe stood up in federal court and admitted violating his clients' trust and looting their benefits for his personal benefit. The U.S. Attorney's Office and its partners can now focus their efforts on ensuring that the victims receive the restitution to which they are entitled, and that Donisthorpe spends sufficient time behind bars to consider the impact of his criminal conduct on his clients."

"This was a heartbreaking case of an individual stealing millions of dollars from elderly, disabled and other New Mexicans with special needs who depended on him to make sure their rent, medical bills and living expenses were paid," said Special Agent in Charge Terry Wade of the Albuquerque Division of the FBI. "The FBI worked with the U.S. Attorney's Office and our federal and state partners to obtain justice for these victims, and we hope today's guilty plea sends a message that these types of crimes will not go unpunished."

"This investigation revealed that Paul Donisthorpe, the CEO of a non-profit trust agency, was motivated by greed and abused the trust he owed to his clients by stealing \$4.8 million of their money. The investigative work of IRS Criminal Investigation revealed that Donisthorpe misused his clients' money to support a lavish lifestyle and that he concealed his theft by having his employees report incorrect balances in client

accounts,” said Special Agent in Charge Ismael Nevarez, Jr., of the Phoenix Field Office of IRS Criminal Investigation. “IRS Criminal Investigation is proud to have partnered with the Department of Justice to investigate this case, and is committed to protecting New Mexicans from financial harm.”

“At the Financial Institutions Division of the New Mexico Regulation and Licensing Department, we are committed to doing everything in our power to assist the victims who were so cruelly taken advantage of by Paul Donisthorpe, in obtaining restitution. We are also committed to working to strengthen our laws and regulations concerning New Mexico trust companies in order to prevent this type of tragedy from happening to anyone else,” said Christopher Moya, Acting Director of the Financial Institutions Division of the New Mexico Regulation and Licensing Department.

Donisthorpe, a former resident of Albuquerque who currently resides in Bloomfield, N.M., pled guilty this morning to a two-count felony information charging him with wire fraud and money laundering before U.S. Magistrate Judge Laura Fashing. According to the felony information, Donisthorpe was the sole owner and operator of DSLM, a trust company that provided trustee and representative payee services for individuals requiring assistance with their financial affairs. As detailed in the felony information, Donisthorpe perpetuated a decade-long fraudulent scheme pursuant to which he transferred more than \$4.8 million from client trust accounts managed by DSLM into accounts he controlled and then used the money for his own personal purposes.

In his plea agreement, Donisthorpe acknowledged that as the chief executive officer, sole owner and operator of DSLM, he was entrusted to provide trustee services and representative payee services to more than 75 clients. Donisthorpe admitted that from at least 2009 through 2016, he violated his duty of trust to his clients by fraudulently transferring client funds from individual client investment accounts to accounts he controlled, converting those client funds to his own use. Donisthorpe made these fraudulent transfers knowing that he was not entitled to the funds; knowing that the clients were not informed of the transfers; and knowing that the clients would not have approved of the transfers if they had been informed. Donisthorpe also admitted concealing his fraudulent scheme by causing his accounting staff to falsely record clients’ balances in DSLM records, and by presenting false and fraudulent documents to the Financial Institutions Division of the New Mexico Regulations and Licensing Department.

The plea agreement includes Donisthorpe’s admission that he regularly used wire communications to facilitate his fraudulent scheme, and includes as an example a reference to a May 10, 2016 email pursuant to which Donisthorpe directed an asset manager to liquidate \$95,000 of client investments. Donisthorpe later transferred \$50,000 of those funds into an account he controlled. The plea agreement also includes Donisthorpe’s admission that he conducted numerous monetary transactions using the proceeds of his embezzlement scheme and includes as an example his use of a \$100,000 check to pay the mortgage for property related to his cattle business knowing that he had stolen the funds from DSLM client accounts.

In his plea agreement, Donisthorpe admitted spending the illegally obtained funds on personal items including business ventures, his home mortgage, the mortgage for a vacation home in Angel Fire, N.M., vehicles, credit card expenditures, and paying off IRS debts.

Under the terms of the plea agreement, Donisthorpe is required to pay restitution in the amount of \$4,812,857. Donisthorpe also must forfeit any interest he has in assets derived from or used in the commission of the offenses to which he pleaded guilty. Donisthorpe also agreed to the imposition of a money judgment against him in the amount of \$4,812,857, and to the immediate forfeiture of the real properties that are the subject of the pending civil forfeiture action in the case United States v. 130 Hidden Lake Cir., Angel Fire, NM 87710, et al., 17-cv-00644 LF-JHR, including a luxury lodge in Angel Fire, N.M., DSLM’s office building in Albuquerque, a residence in Albuquerque, and a 120-acre cattle ranch in Henderson County, Texas.

After entering the guilty plea, Donisthorpe was released under the supervision of the U.S. Probation Services and other conditions of release pending his sentencing hearing, which has yet to be scheduled.

The Albuquerque offices of the FBI and IRS Criminal Investigation conducted the investigation, which resulted in the charges in the felony information and the filing of the civil forfeiture case, with assistance from the New Mexico Regulations and Licensing Department's Financial Institutions Division. Assistant U.S. Attorneys Jeremy Peña and Brandon L. Fyffe are prosecuting the case.

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