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News Release

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Former Community National Bank officer sentenced for conspiracy to defraud the U.S.

MINNEAPOLIS – Earlier today in federal court, the former chief executive officer for the Community National Bank, located in North Branch, was sentenced on fraud charges in connection to the financing of Ramsey Town Center, a 320-acre, mixed-use development in Ramsey, Minnesota.

United States District Court Judge Patrick J. Schiltz sentenced William Garfield Sandison, age 67, of Forest Lake, to four months in prison and ordered to pay a \$30,000 fine on one count of conspiracy to defraud the U.S. He was indicted, along with two co-defendants, on April 21, 2009, and pleaded guilty on August 27, 2009.

The plea agreement in this case indicates that from 2003 through 2007, Sandison, president of Community National Bank, conspired with others to execute a scheme to defraud other financial institutions, and to obstruct the Office of the Comptroller of the Currency. To further the scheme, they caused Community National Bank to solicit other banks to join in financing the Ramsey Town Center.

Twenty banks agreed to do so. Thus, Community National Bank, which contributed \$1.5 million to the project, loaned Ramsey Town Center \$35 million in development funds, with an option for another \$15 million. The money was to be repaid as the development land was sold. Community National Bank assumed responsibility for administering the loan on behalf of the participating banks.

Through his plea agreement, Sandison admitted he then arranged for a \$990,000 loan from the Ramsey Town Center development funds without informing the other banks. Later, he arranged for another loan – this one in the amount of \$6 million – from the same funds. Again, he failed to notify the other banks of his actions. In his plea agreement, Sandison stated he, along

with others, eventually sent a misleading letter to the banks, concerning repayment of “a \$6,000,000 loan.”

Sandison also caused false and misleading information to be provided to federal bank examiners from the Office of the Comptroller of Currency relative to expenses Community National Bank paid on his behalf. Specifically, he claimed the expenses questioned by the examiners were “ordinary and necessary business expenses that relate to bank business....” Some of them, however, such as \$8,500 in landscaping services at his private residence, were personal in nature.

On May 23, 2011, Judge Schiltz sentenced co-defendant Curtis Alan Martinson, age 55, of Eden Prairie, to two years of probation and ordered to pay a \$20,000 fine on one count of conspiracy to commit bank fraud. He pleaded guilty on October 16, 2009.

In the plea agreement, Martinson admitted conspiring with William Sandison, president of Community National Bank, and others to commit the bank fraud scheme. In addition, Martinson admitted he knew that Sandison subsequently arranged for the \$990,000 loan as well as the \$6 million loan from the town center development funds without notifying the other banks of his actions. In support of the scheme, Martinson later sent a misleading letter to the participating banks concerning repayment of the \$6 million loan. Martinson was the bank’s senior vice president and, later, its executive vice president. Martinson reported to Sandison and served as branch manager and senior lending officer.

On August 5, 2010, Sandison’s son, Ross William Sandison, age 43, of Grant, was sentenced to three months in prison and was ordered to pay a \$30,000 fine on one count of conspiracy. He also pleaded guilty on August 27, 2009. Ross Sandison was the bank’s vice president.

For his part, Ross Sandison admitted that between 2003 and 2006, he, too, obstructed the work of federal bank examiners by providing them with false and misleading information about his own personal expenses, some of which were paid by Community National Bank. In addition, he caused Community National Bank to classify some of his personal expenses as business expenses. As a result, he refrained from including those dollar amounts as income on his individual federal income tax returns, even though he knew they should have been reported as such.

This case was the result of an investigation by the Internal Revenue Service-Criminal Investigation Division and the U.S. Postal Inspection Service. It was prosecuted by Assistant U.S. Attorneys Ann M. Anaya and John R. Marti.

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