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**EDGEWATER, MARYLAND COUPLE INDICTED IN SCHEME TO DEFRAUD SBA
DISADVANTAGED SMALL BUSINESS PROGRAM
AND FOR FILING FALSE TAX RETURNS**

Alleged to Have Fraudulently Obtained Over \$50 Million in Government Contracts

Greenbelt, Maryland - A federal grand jury today indicted Vernon J. Smith III, age 61, and his wife, Georgia Smith, age 52, both of Edgewater, Maryland, on charges related to schemes to fraudulently seek federal contracts under a Small Business Administration program to assist socially and economically disadvantaged small businesses; and to file false tax returns.

The indictment was announced by United States Attorney for the District of Maryland Rod J. Rosenstein; Small Business Administration Inspector General Peggy E. Gustafson; Special Agent in Charge Robert Craig of the Defense Criminal Investigative Service - Mid-Atlantic Field Office; Special Agent in Charge Thomas J. Kelly of the Internal Revenue Service - Criminal Investigation, Washington, D.C. Field Office; and General Services Administration Inspector General Brian D. Miller.

“The 8(a) Business Development Program offers significant benefits to eligible small businesses and helps small, disadvantaged businesses compete in the marketplace,” said Inspector General Peggy E. Gustafson of the Small Business Administration. “Preferences for federal contract awards must not be given to persons who lie in order to claim eligibility. We appreciate the support of our law enforcement partners to bring this indictment forward.”

“Individuals who intentionally do not report all of the income earned from businesses they own violate U.S. tax law,” said Thomas J. Kelly, Special Agent in Charge, IRS Criminal Investigation, Washington DC Field Office. “IRS Criminal Investigation is committed to maintaining the integrity of our tax system and ensuring that everyone pays their fair share of taxes.”

According to the 11 count indictment, in August 1999, Vernon Smith caused Platinum One Contracting, a roofing and construction company, to be incorporated. At the time, Smith also owned less than 50% of Capitol Contractors, another roofing and construction company. Capitol Contractors participated in the SBA’s Section 8(a) program, which provides assistance to socially and economically disadvantaged small businesses, including help in obtaining federal contracts. Smith arranged for Anthony Wright, an African-American who was a former roofer and project manager at

Capitol Contractors to own 60% of Platinum One and Smith's son to own the remaining 40% of the corporation. Vernon Smith received the title of senior vice president and Georgia Smith was in charge of accounting and maintaining Platinum One's books and records. In March 2002, Capitol Contractors was no longer eligible to participate in the Section 8(a) program and Vernon Smith became the company's president and sole owner, with his wife, Georgia Smith, in charge of accounting and maintaining the company's books and records.

The indictment alleges that from August 1999 to June 2013, Vernon J. Smith III and Georgia Smith, conspired to defraud the SBA by concealing that Vernon J. Smith controlled Platinum One's operations, not Anthony Wright. For example, the indictment alleges that Platinum One's Section 8(a) application did not reveal that Vernon and Georgia Smith had personally guaranteed bonding, bank loans and lines of credit for Platinum One and that Platinum One paid millions of dollars to the Smiths. According to the indictment, these payments included salary, payments to Capitol Contractors; payments to casinos on behalf of Vernon and Georgia Smith; and personal charges by Vernon and Georgia Smith to Platinum One's credit cards. Based on the fraudulent application, the SBA approved Platinum One for participation in the Section 8(a) program. The indictment alleges that as a result, Platinum One received more than \$50 million in contracts from the federal government under the Section 8(a) program, to which it was not entitled.

According to the indictment, the Smiths also caused more than \$1 million, which had been transferred from Platinum One to their bank accounts and to casinos on their behalf, to be falsely recorded in Capitol Contractors' books and records as corporate expenses paid for subcontractors, and concealed this fact from their tax preparer. As a result, the indictment alleges that their tax preparer prepared corporate tax returns for Capitol Contractors which falsely overstated the company's expenses, and prepared personal income taxes for the Smiths which falsely understated their taxable income, thereby falsely understating the amount of taxes owed to the IRS.

The defendants face a maximum sentence of five years in prison for the conspiracy; and three years in prison for making and subscribing a false tax return and for aiding and assisting in the preparation of false tax returns. Vernon J. Smith III also faces a maximum of 20 years in prison for each count of wire fraud. No court appearance has been scheduled.

An indictment is not a finding of guilt. An individual charged by indictment is presumed innocent unless and until proven guilty at some later criminal proceedings.

Anthony Wright, age 42, of Bowie, Maryland, pleaded guilty on June 18, 2013, to his role in the scheme and is scheduled to be sentenced on September 30, 2013.

United States Attorney Rod J. Rosenstein praised the SBA Office of Inspector General; Defense Criminal Investigative Service; IRS Criminal Investigation; and the GSA Office of Inspector General for their work in the investigation. Mr. Rosenstein thanked Assistant United States Attorney Gregory R. Bockin and Trial Attorney Kenneth C. Vert of the U.S. Department of Justice Tax Division, who are prosecuting the case.

Indictment