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**EDGEWATER, MARYLAND WOMAN PLEADS GUILTY TO  
SCHEME TO DEFRAUD THE IRS**

*Scheme Resulted in Tax Loss of More Than \$839,000*

**Greenbelt**, Maryland - Georgia Smith, age 52, of Edgewater, Maryland, pleaded guilty today to conspiring to defraud the United States in connection with a scheme to file false tax returns by concealing income and inflating expenses.

The guilty plea 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.

Georgia Smith's husband, Vernon Smith, was the president and sole owner of Capitol Contractors since 2002. Capitol Contractors was a Maryland corporation with its headquarters in Capitol Heights, Maryland and later Edgewater, Maryland. Capitol Contractors had provided roofing and construction services but was largely dormant after 2002.

In 1999, Vernon Smith caused a new roofing and construction company, Platinum One Contracting, Inc. ("Platinum") to be incorporated in Maryland. Although Vernon Smith installed two individuals to be the nominee owners and officers of Platinum, Vernon Smith exercised complete and undisclosed control over Platinum's business operations. Georgia Smith was in charge of Platinum's accounting, and acted as the de facto Controller for the company.

Georgia Smith and Vernon Smith transferred millions of dollars from Platinum to bank accounts in their own names, to casinos on their own behalf, to Capitol Contracting and another company owned by Vernon Smith, and to credit card companies to pay for personal expenses that Georgia Smith and Vernon Smith charged to Platinum's corporate credit cards, including extensive dental work, veterinary visits for personal pets, lavish vacations, a Royal Caribbean cruise, limousine transportation to casinos in Atlantic City, N.J., funeral expenses for a family relative, fencing for their personal residence, among others. Georgia Smith also mischaracterized numerous payments to casinos as subcontractor expenses.

Georgia Smith admits that she and Vernon Smith signed false corporate and personal tax returns for 2005 and 2006. The Smiths knew that the cost of goods sold and payments to contractors reported on the corporate returns were false because almost all of that money was paid to, and for the benefit of, Georgia and Vernon Smith at casinos. They also knew that the income reported on their personal income taxes omitted hundreds of thousands of dollars that Capitol Contractors had paid to, and for their benefit. As a result, the Smith's owed additional personal income tax to the IRS totaling \$264,105, and Capitol Contractors owed an additional \$574,911 to the IRS for tax years 2005 and 2006. The total tax loss resulting from Georgia and Vernon Smith's conspiracy to defraud the IRS is \$839,016.

Vernon J. Smith III, age 61, also of Edgewater, pleaded guilty last week to his participation in the tax scheme, as well as to fraudulently obtaining more than \$52 million in federal contracts to which it was not entitled under the Small Business Administration Section 8(a) program. The total loss to the government resulting from Vernon Smith's illegal conduct, regarding the illicit profit he received by defrauding the SBA, and depriving a legitimate Section 8(a) contractor of such profit, is \$6,194,828.

Georgia Smith faces a maximum sentence of five years in prison for the conspiracy. U.S. District Judge Paul W. Grimm has scheduled her sentencing for July 2, 2014, at 10:30 a.m. Vernon Smith's sentencing is scheduled for July 2, 2014, at 9:30 a.m.

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.

Attachment: Plea Agreement