

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF FLORIDA
TALLAHASSEE DIVISION**

UNITED STATES OF AMERICA

v.

Case No. 4:18cr76-RH/CAS

SCOTT CHARLES MADDOX
_____ /

STATEMENT OF FACTS

The Defendant, **SCOTT CHARLES MADDOX**, admits that if this case were to proceed to trial, the government could prove the following beyond a reasonable doubt.

I. HONEST SERVICES FRAUD

A. Introduction

1. Around 1993, **MADDOX** was elected as one of five Tallahassee City Commissioners. In 1997, **MADDOX** became the Mayor of Tallahassee. He served in that position until about 2003. Defendant **JANICE PAIGE CARTER-SMITH** was **MADDOX**'s chief of staff when he was Mayor.

2. In May 1999, **MADDOX** incorporated Governance, Incorporated ("Governance"), a government consulting and lobbying S-corporation based in Tallahassee, Florida. **MADDOX** was thus a government consultant and lobbyist

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**United States District Court
Northern District of Florida**

beginning no later than in or about 1999, when he created Governance. Between 2003 and November 2012, **MADDOX** worked as a lobbyist and ran unsuccessfully for several political offices in Florida. **CARTER-SMITH** worked with **MADDOX** at Governance beginning no later than 2003.

3. Governance Services LLC (“Gov. Services”) was a government consulting and lobbying limited liability company based in Tallahassee, Florida. Gov. Services was registered with the State of Florida on or about November 21, 2007, listing **CARTER-SMITH** as the sole managing member and registered agent.

4. On or about March 12, 2010, **MADDOX** sold Governance to **CARTER-SMITH**. Around April 2010, **CARTER-SMITH** replaced **MADDOX** as Governance’s president and registered agent. From that point forward, she managed Governance and Gov. Service’s operations, finances, and client relations with **MADDOX**.

5. In November 2012, **MADDOX** was elected as a Tallahassee City Commissioner. As a Commissioner, **MADDOX** (along with all the other commissioners) was a member of the Community Redevelopment Agency (“CRA”) Board of Directors. The CRA is a joint City of Tallahassee and Leon County entity. From time to time, the Board of Directors held public meetings and voted on whether to fund redevelopment projects using City and County funds. As a City Commissioner and a member of the CRA Board of Directors, **MADDOX** was an

agent of the City of Tallahassee and the CRA. He had fiduciary duties to act in the best interests of Tallahassee and its citizens.

6. During **CARTER-SMITH**'s July 9, 2014, sworn interview with a Florida Commission on Ethics investigator, she was asked whether **MADDOX** had "any interest at all in [Governance] from 2010 on?" **CARTER-SMITH** replied, "He, he had some involvement with some of the clients but once he filed to run for office, he was not involved at all." **CARTER-SMITH** further stated that **MADDOX** was not involved in Gov. Services.

7. On September 17, 2014, **MADDOX** was interviewed under oath by an investigator for the Florida Commission on Ethics. During this interview, **MADDOX** stated under oath that, "when I decided to qualify for office for the City Commission in 2012, I, I did no, you know, didn't receive any compensation whatsoever from Governance from then until now." When asked by the investigator whether he had "any relationship or, or, or have anything to do with [Gov. Services]," **MADDOX** replied, "I've never had ownership whatsoever of [Gov. Services]." In fact, between November 2012 and the date of that interview, **MADDOX** was a point of contact for multiple clients and receiving financial benefits from Governance and Gov. Services in the forms of, among other things, direct payments and expenses charged to a credit card in **MADDOX**'s name.

8. **MADDOX** was reelected to another four-year term as Tallahassee City Commissioner in November 2016. On November 30, 2016, **MADDOX** was deposed in a lawsuit involving his residency and eligibility to serve as a Commissioner. After taking an oath to tell the truth, **MADDOX** was asked whether he or his law firm had any business relationship with Gov. Services. **MADDOX** replied, “I’m not sure whether we represented them on anything, I don’t know.” **MADDOX** was further asked whether he, his family, or his business had any relationship with Governance. **MADDOX** replied, “I don’t know what relationship that would be.” As **MADDOX** well knew, at that time, he continued to obtain financial benefits from both companies and he served as the point of contact for multiple clients as part of retainer agreements with the companies.

B. Company B

9. Company B was a rideshare company that operated across the United States. In 2015, the City Commission was considering making amendments to a local ordinance that would affect Company B’s ability to profitably operate in Tallahassee, and the amendments were set to be voted upon by the Commissioners.

10. On or about March 2, 2015, Person A, who was a government relations professional employed by Company B, met with **MADDOX** to discuss the rideshare ordinance. **MADDOX** was non-committal and stated that he was being lobbied by Company B’s opponent on the ordinance, namely, the taxi industry. **MADDOX**

further stated that **CARTER-SMITH** could help Company B obtain a favorable result on the ordinance. Thereafter, with **MADDOX**'s knowledge and at **MADDOX**'s direction **CARTER-SMITH** met with Person A, and solicited payments from Company B. **MADDOX** and **CARTER-SMITH** agreed to solicit payments in exchange for **MADDOX**'s vote on the ordinance and related issues. On or about March 25, 2015, **CARTER-SMITH** procured Company B's agreement to pay Governance a \$5,000 monthly retainer for her "consulting" services. After securing Company B's agreement to pay Governance, **CARTER-SMITH** served as a go-between for communications between Company B representatives and **MADDOX**.

11. On or about March 25, 2015, the City Commission met to vote on whether to delay passage of an amended ordinance that would have made it difficult for Company B to operate profitably in Tallahassee. A related issue discussed at the meeting was whether the pre-existing ordinance would be enforced against Company B's drivers. Such enforcement would have potentially subjected Company B's drivers to criminal and/or civil liability. Shortly before the meeting, **CARTER-SMITH** sent a text message to Person A stating, in part, "Comm Maddox will make the motion [to delay a vote on the ordinance]." **MADDOX** then moved to delay the vote and the Commissioners voted unanimously for the delay. On the dais, **MADDOX** stated that he had a long history of supporting the taxi cab industry

and that the existing ordinance should be enforced. Shortly after the meeting, **CARTER-SMITH** sent Person A three consecutive text messages stating, “A message,” “Don’t worry about enforcement,” and “We’ll discuss.”

12. On July 8, 2015, the City Commission again met to discuss amendments to the rideshare ordinance. Prior to the meeting, **CARTER-SMITH** texted Company B representatives, stating, “Maddox is going to be at the important part of the meeting :-)) I did not want you to panic when you did not see him there.” During this meeting, **CARTER-SMITH** told Company B representatives by text message that she was passing their messages to **MADDOX**, and asked questions of Company B representatives that purportedly came from **MADDOX**. For instance, **CARTER-SMITH** texted a Company B representative asking whether they were “ok with removing insurance requirement.” After receiving an affirmative response, **CARTER-SMITH** replied, “Ok. He said up to u.” At this July 8 meeting, **MADDOX** took several votes to make amendments to the ordinance and a final vote to adopt the new ordinance as amended.

13. Between on or about May 7, 2015, and on or about October 15, 2015, Company B paid Governance \$30,000. During the same time period, Governance and Gov. Services made approximately \$40,000 in payments to **MADDOX** directly.

14. On June 9, 2015, for purposes of executing this scheme to defraud, a Company B representative sent an email to **CARTER-SMITH**, which is a wire communication in interstate commerce.

C. Company C

15. Company C was a waste services provider. On or about March 20, 2006, Company C entered into a contract with Governance by which Governance would serve as Company C's "Marketing and Planning Consultant." Company C's agreement with Governance permitted Company C to call upon **MADDOX** and **CARTER-SMITH** for their assistance in working with Tallahassee City officials and government officials in Florida on an as-needed basis. In exchange, Company C paid Governance a \$4,000 monthly retainer. On or about September 8, 2006, the City of Tallahassee entered into a seven-year contract with Company C for waste management services. In or about September 2012, the City Commission voted to extend Company C's contract for five years such that the contract would be up for renewal and would require another City Commission vote in September 2018.

16. After **MADDOX** was elected to the City Commission in 2012, and during the course of Company C's payments to Governance, he did not disclose to the City Attorney or the City Commission that he managed the operations and finances of Governance and Gov. Services. **MADDOX** characterized Company C to the City Attorney as a "former" client. **MADDOX** also did not disclose to the

City Attorney or the City Commission that Company C was paying Governance and/or Gov. Services, and that **MADDOX** was receiving payments from both entities. After being elected to the City Commission, **MADDOX** and **CARTER-SMITH**, continued to solicit and accept payments from Company C to Governance.

17. In or about December 2013, **MADDOX** proposed a new contract between Gov. Services and Company C which was entered into in or about January 2014. This contract increased Company C's monthly retainer fee to Gov. Services to \$4,500, and listed Gov. Services as Company C's "marketing and government consultant in Tallahassee, Florida."

18. In or about July 2014, Tallahassee fined Company C approximately \$64,000 for failing to deliver trash receptacles for City residents. Person B, a regional vice president at Company C serving the Tallahassee area, made multiple unsuccessful attempts to appeal directly to City employees to reduce the fine. Person B then spoke to **MADDOX**, and asked **MADDOX** to intercede with the City employees to get the fine reduced. **MADDOX** spoke with the City Manager, and the fine was ultimately reduced to approximately \$7,000. Before and after the fine was reduced, **CARTER-SMITH** e-mailed three written updates to Company C stating that Governance was working on and succeeded in reducing the fine.

19. Between in or about November 2012 and in or about April 2017, Company C paid Governance and Gov. Services about \$190,000.

D. Company D

20. Company D was a construction company operating primarily in and nearby the City of Tallahassee. Beginning in about 2005, Company D's owner, Person C, negotiated a contract with **MADDOX** for Governance to be Company D's lobbyist. In or about 2005, Company D began paying Governance a monthly retainer fee of \$6,500. In or about 2010, Company D reduced the monthly payments to Governance to \$2,500.

21. When **MADDOX** was elected to the City Commission in November 2012, Company D continued to make these payments to Governance.

22. On or about January 22, 2014, **MADDOX** voted against amendments to a City administrative policy that posed economic challenges to Company D. Prior to the vote, **MADDOX** sent a text message to Company D's owner asking whether he had any suggested changes for the policy. Before casting his vote and while on the dais, **MADDOX** questioned the policy's constitutionality.

23. On or about November 24, 2015, the City Commission voted on whether to approve three-year contract extensions with nine firms, including Company D, which had been prequalified to perform sidewalk construction and rehabilitation services. **MADDOX** made the initial motion for approval and voted affirmatively to approve.

24. In or about December 2015, Company D was in a dispute with City officials concerning a Company D construction project contracted by the City. After failing to resolve the dispute in direct communications with City officials, Company D representatives met with **MADDOX** to request that **MADDOX** intervene to resolve the dispute in a manner favorable to Company D. **MADDOX** agreed to do so.

25. On or about December 14, 2016, **MADDOX** voted to approve an extension of a City Contract with Company D. That evening, after the vote, Person C sent **MADDOX** a text message stating, "You do good work." Minutes later, **MADDOX** replied "I love it when a plan comes together!"

26. Between in or about November 2012 and in or about October 2017, Company D paid Governance and Gov. Services approximately \$146,000.

E. Company E

27. Company E was a residential development company. Person D was an owner of Company E. In or about 2003, Company E began paying Governance a monthly \$2,500 retainer for lobbying work in and around Tallahassee. In or about 2007, Company E increased its monthly payments to \$7,000.

28. In or about November 2012, shortly before or after being elected to the City Commission, **MADDOX** told Person D that Company E's monthly payments

should be sent to Gov. Services rather than Governance. After he was elected, **MADDOX** continued to solicit and accept payments from Company E.

29. In March 2017, Person D met with **MADDOX** and **CARTER-SMITH**. **MADDOX** and Person D agreed that Company E would make a one-time payment to Gov. Services of \$10,000 followed by six monthly payments of \$5,000.

30. Shortly thereafter, Person D contacted **MADDOX** about the City's refusal to approve a certain type of fencing in one of Company E's residential developments. Person D asked **MADDOX** to intervene with the City officials so that the staff would change its decision on the fence. **MADDOX** then contacted the City Manager.

31. Several days later, a City official e-mailed Person D to inform him that the City had changed its position on the fence. On March 13, 2016, Person D forwarded this e-mail to **MADDOX**. **MADDOX** replied, by e-mail, "I love it when a plan comes together."

32. In or about January 2017, Company E was facing an issue concerning the City of Tallahassee Utilities Department's work at one of Company E's apartment complexes. On or about January 25, 2017, Person D sent **MADDOX** a text message regarding the issue. Less than two hours later, **MADDOX** responded, by text message, "All good. I can handle city guy no prob. Already had a word at the top. Should be straightened out."

33. Between November 2012 and March 2017, Company E and its affiliates paid Gov. Services approximately \$138,000.

F. Company F

34. Between July 2016 and May 24, 2017, Company F served as a front for undercover Federal Bureau of Investigation agents who were investigating allegations of criminal activity in Tallahassee. The agents posed as representatives of Company F who were real estate and medical marijuana entrepreneurs. Among the projects Company F was pursuing were real estate developments in the Tallahassee area. Each project could potentially benefit from the Tallahassee City Commission taking official action, such as rezoning property or annexing certain property into the City's limits. The CRA could also provide grant funding for the projects.

35. Defendant **JOHN THOMAS BURNETTE** was a businessman in the City of Tallahassee and an associate of **MADDOX** and **CARTER-SMITH**. On July 21, 2016, **BURNETTE** spoke to a Company F representative about a potential real estate deal in the Tallahassee area and identified **MADDOX** as the most powerful member of the CRA.

36. On September 21, 2016, **BURNETTE** met with a Company F representative and other individuals. During this meeting, **BURNETTE** agreed to secure **MADDOX**'s support for a potential project by Company F in exchange for

Company F paying **BURNETTE** a percentage of the deal. **BURNETTE** said that **MADDOX** would be able to support the project by committing official acts such as convincing other Commissioners to support the project. **BURNETTE** stated that **MADDOX** “effectively gets paid through the lobbying firm.” **BURNETTE** stated that the amount that Company F would need to pay **MADDOX** through the lobbying firm would increase based on the political difficulty of authorizing the project. **BURNETTE** gave the example that Company F may need to pay **MADDOX**’s lobbying firm \$10,000 per month for as long as three years if the value of the benefit to be obtained by Company F from a Tallahassee-area governmental agency was \$3 million.

37. On October 1, 2016, a Company F representative met with **MADDOX**. Another individual present stated that the Company F representative was seeking to do several real estate deals in Tallahassee. The Company F representative then told **MADDOX** that **BURNETTE** recommended that he meet **MADDOX**. **MADDOX** responded, “[**BURNETTE**] is my guy.”

38. On October 4, 2016, a Company F representative met with **MADDOX** in Tallahassee. During the conversation, the representative asked, “So can we hire you as, like, a consultant? Like you have a business, right?” **MADDOX** replied, “Not me. I can tell you somebody that you can hire. But not me.” The representative asked if he could pay **MADDOX**’s law firm to consult on the project. **MADDOX**

replied, “You wouldn’t want to do that. You wanna pay the consulting firm that I told you, so that I would not be conflicted out . . . You’d wanna hire Governance Incorporated.” The representative then asked, “[**BURNETTE**] will tell me that, right?” **MADDOX** replied, “[**BURNETTE**] will tell you who it is.” Later on in the conversation, the representative asked, “What would I need to pay you, uh, not you, but your, what would I need to put in the coffers a month to start the ball rolling?” **MADDOX** replied, “Twenty.” The representative asked, “Twenty a month?” **MADDOX** replied, “Yeah.” The representative said to **MADDOX**, “That’s a lot of money.” **MADDOX** replied, “No it’s not.”

39. At **MADDOX**’s instruction, **BURNETTE** facilitated the flow of communication between Company F and **MADDOX** as it pertained to Company F’s payments to Governance. **BURNETTE** instructed representatives of Company F that he was to be the point of contact between them and **MADDOX**, and **BURNETTE** would determine with **MADDOX** how **MADDOX** wanted to receive the money into Governance.

40. On October 19, 2016, **BURNETTE** and a Company F representative agreed that Company F would pay **MADDOX** \$10,000 per month, and that **BURNETTE** would follow up with further logistics as to how to make the payments. On October 24, 2016, **BURNETTE** confirmed that the payments should be made to Governance and that such payments were “definitely for **MADDOX** . . . ,

there's nobody else in Governance other than Paige, which is **MADDOX**, effectively.” **BURNETTE** stated that **MADDOX** wanted “to keep his conversations narrowed to one person.” **BURNETTE** further advised with regard to getting payments to **MADDOX**, “Governance is the answer,” and that **BURNETTE** would have a discussion with **MADDOX** about how **MADDOX** wished to “receive those funds . . . into Governance.”

41. On October 29, 2016, **BURNETTE** told a Company F representative that **MADDOX** wanted to deal only with **BURNETTE**, because **MADDOX** did not “want any more friends” and did not want to have “inappropriate conversations” with anyone but **BURNETTE**.

42. On October 29, 2016, **MADDOX** met with a Company F representative and confirmed that Company F’s \$10,000 payment should be made to Governance; in exchange, **MADDOX** agreed to perform official acts to benefit Company F. **MADDOX** advised that **CARTER-SMITH** was on board with how and why these payments were being made to Governance and that **MADDOX** had no secrets from **CARTER-SMITH**. **MADDOX** reiterated that if **BURNETTE** was involved, **MADDOX** was on board.

43. On November 16, 2016, Company F, relying on statements made by **BURNETTE** and **MADDOX**, mailed a check via U.S. Postal Service for \$10,000 to Governance.

44. In December 2016, **MADDOX** and **BURNETTE** traveled to Las Vegas, Nevada, with Company F representatives. **MADDOX** accepted a flight to Las Vegas on a chartered jet from Company F. **MADDOX** also accepted a hotel room and meal expenses paid by Company F representatives. During this trip, **MADDOX** told an anecdote about threatening to destroy a former client's business deals if the former client did not pay **MADDOX** his fee. The client then called **BURNETTE** to discuss, and **BURNETTE** advised **MADDOX** that the client would be paying.

45. On December 16, 2016, **CARTER-SMITH** sent Company F a "Consulting Agreement." The agreement stipulated that Gov. Services would provide "marketing" and "government consulting services" to Company F for \$10,000 per month for twelve months.

46. On December 18, 2016, Company F, relying on statements made by **BURNETTE** and **MADDOX**, mailed a check for \$10,000 to Gov. Services via the United Parcel Service.

47. On January 10, 2017, **BURNETTE** told a representative of Company F not to stop sending checks to **MADDOX**, as **MADDOX** can kill deals. **BURNETTE** further stated that "MADDOX has got to be a mafia, if you think he isn't, shame on you." **BURNETTE** confirmed that the Company F representative "opened the door and now can't close it, as **MADDOX** will f--- you out of spite."

BURNETTE opined “out of spite, absolutely and that it will be served cold.”

BURNETTE also told the Company F representatives that “if you want to burn your house down fine, but I won’t let my house burn down with yours.”

48. On January 23, 2017, Company F, relying on statements made by **BURNETTE** and **MADDOX**, mailed a check via U.S. Postal Service to Gov. Services for \$10,000.

49. On February 22, 2017, Company F, relying on statements made by **BURNETTE** and **MADDOX**, mailed a check for \$10,000 to Gov. Services via the United Parcel Service.

II. THE TAX FRAUD CONSPIRACY

A. The Short Sale of 510 North Adams St.

50. **MADDOX** formed several other businesses. On May 6, 2005, he formed SCM Investments, LLC, (“SCM”), a limited liability company registered with the State of Florida in Tallahassee, Florida. On March 9, 2007, he formed Maddox Acquisitions, LLC, (“MAL”), a limited liability company registered with the State of Florida in Tallahassee, Florida, with Governance as the only member. **CARTER-SMITH** became the owner of MAL when **MADDOX** transferred Governance to her in March 2010.

51. Branch Banking & Trust Company (“BB&T”) was a financial institution, as that term is defined in 18 U.S.C. § 20. BB&T’s deposits were federally

insured by the Federal Deposit Insurance Corporation. BB&T was also a mortgage lending business under 18 U.S.C. § 27, meaning that BB&T financed or refinanced debt secured by an interest in real estate, and its activities affected interstate commerce.

52. On June 24, 2008, **CARTER-SMITH**, signing as the managing member of Gov. Services, executed a promissory note (the “Condo Loan”) for condominium units in the Adams Street Lofts in Tallahassee, Florida. The Condo Loan promised that **CARTER-SMITH** would pay **MADDOX**, another individual, and Spectrum Resources, a company owned by **MADDOX**, \$475,000 with 5.5% interest, with full payment due on June 1, 2014.

53. 510 North Adams Street, Tallahassee, Florida (“510 N. Adams”) was a house located in downtown Tallahassee. On or about March 15, 2007, MAL purchased 510 N. Adams for \$550,000, using a commercial loan of \$495,000 from BB&T. To secure this mortgage loan through MAL, Governance and **MADDOX**, personally, guaranteed the loan.

54. On March 15, 2007, to secure the 510 N. Adams loan from BB&T, **MADDOX** submitted to BB&T a Declaration of Limited Liability Company or Limited Liability Partnership and Authority to Borrow. This document, which **MADDOX** signed as the president of Governance, stated that **MADDOX** would “promptly notify [BB&T] if any other person, or legal entity acquires an ownership

interest in [MAL].” **MADDOX** never notified BB&T that, in or about March 2010, he sold Governance, which wholly owned MAL, to **CARTER-SMITH**. On or about March 15, 2012, MAL and **MADDOX** defaulted on the BB&T loan for 510 N. Adams.

55. Short sale transactions are a means by which financially distressed owners of real estate could sell the real estate to a third party buyer at a price below the amount owed on the outstanding mortgage loan. Short sales had to be approved by the mortgage lender. Before accepting a short sale, BB&T required the seller to affirm that the transaction was being made at “arms-length” to ensure that the buyer and seller did not have an undisclosed business relationship and that the sale price received reflected the fair market value of the property. BB&T also required sellers to disclose financial information so that BB&T could accurately assess the seller’s ability to make mortgage payments or contribute to the short sale price and to determine whether BB&T could collect from the seller any assets in the event of a judgment.

56. In or about March 2012, **MADDOX** informed BB&T that he wished to engage in a short sale for the 510 N. Adams property. **MADDOX** stated that he had an offer from a buyer, Gov. Services, for \$225,000, and **MADDOX** would supplement this offer with \$75,000 cash. BB&T preliminarily accepted the sale price and negotiated a cash supplement from **MADDOX** of \$100,000, subject to the

submission of the below-described documents and their accompanying affirmations. BB&T forgave approximately \$133,448, the remaining amount of debt on the mortgage loan, by accepting the short sale.

57. On or about August 28, 2012, in support of his request to BB&T for a short sale of 510 N. Adams, **MADDOX** submitted a Personal Financial Statement to BB&T in which he claimed that he had no significant assets beyond 510 N. Adams and his personal residence. In doing so, **MADDOX** did not list other assets, including (1) \$34,000 in his personal bank account, (2) real property in Madison County, Florida, (3) the balance and interest due to him from the Condo Loan as an asset, and (4) about eight vehicles that **MADDOX** owned.

58. In or about December 2012, **MADDOX** submitted to BB&T documents stating that he was the “president” of Governance at the time of the sale.

59. On or about December 14, 2012, **MADDOX** submitted to BB&T an Arms-Length Affidavit, which he signed on or about December 14, 2012. The affidavit stated that the “sale is an arms-length transaction between Buyer and Seller.” The affidavit further stated that, “said Buyer, including its principals, directors, and officers, is not an agent, representative, owner, or employee of Seller.”

60. On or about December 14, 2012, **MADDOX** submitted to BB&T a “Full and Final Settlement Agreement” stating that “Borrower currently own[ed] the Property and desire[d] to sell it, but ha[d] been unable, despite Borrower’s best

efforts, to enter into a contract to sell [510 N. Adams] for a price sufficient to generate net sale proceeds to fully pay the remaining indebtedness due on the loan.” This Full and Final Settlement Agreement also stated that the buyer, Gov. Services, was an “unrelated party” to MAL.

61. On or about December 13, 2012, \$100,000 was wired from Gov. Services’ bank account into **MADDOX**’s personal bank account. That same day, **MADDOX** purchased a cashier’s check in the amount of \$100,000 payable to Governance. That check was then deposited into the Governance bank account. **MADDOX** then purchased a \$100,000 cashier’s check payable from the Governance bank account to the closing agent for the short sale.

B. Preparation and Submission of Information to the IRS

62. The Internal Revenue Service (“IRS”) is an agency of the United States Department of Treasury responsible for administering the internal revenue laws of the United States.

63. **MADDOX** provided his accountants with false Arms-Length Affidavits in connection with two short-sale property transactions between the defendants occurring in 2011 and 2012. The false affidavits caused the accountants to classify the transactions as third party sales and report false losses of \$307,539 and \$267,520 on **MADDOX**’s 2011 and 2012 tax returns, respectively.

64. **MADDOX** carried these claimed false losses described in the preceding paragraph as net operating losses, which **MADDOX** carried forward on his 2013 through 2016 tax returns. **MADDOX** provided his accountants with a summary of expenses associated with his Schedule C business, Maddox Law Firm. The summary included \$12,000 of rent expense paid by **MADDOX** to **CARTER-SMITH** for 510 N. Adams, **MADDOX**'s personal residence. This schedule caused the accountants to report the personal expense on **MADDOX**'s 2013 Schedule C.

65. In furtherance of this conspiracy to defraud the United States, and to effect the objects of it, the following overt acts, among others, were committed in the Northern District of Florida, and elsewhere:

a. On or about March 12, 2010, **MADDOX** signed a contract selling Governance to **CARTER-SMITH**. In or about April 2010, **CARTER-SMITH** became the president and registered agent of Governance.

b. On or about August 22, 2011, SCM Investments, LLC and **MADDOX** sold 208 W. Carolina to Governance Services LLC via a short sale. This transaction was not a valid short sale because **MADDOX** and **CARTER-SMITH** were not "unrelated parties." **MADDOX** obtained most of the funding for **CARTER-SMITH** to purchase the property from a Governance client and **MADDOX**'s family members.

c. On or about August 9, 2012, **MADDOX** filed a 2011 tax return that falsely claimed a business property loss of \$307,539 due to the short sale of 208 W. Carolina, and reported income earned by Governance on Schedule E of his Form 1040.

d. On or about September 14, 2012, **MADDOX** filed, or caused to be filed, a 2011 Form 1120S for Governance, which he falsely signed as president and sole shareholder of the company.

e. On or about December 14, 2012, MAL sold 510 N. Adams to Gov. Services via a short sale, which was not a valid short sale because **CARTER-SMITH** was the owner of both MAL and Gov. Services.

f. On or about July 1, 2013, **MADDOX** filed, or caused to be filed, a false 2012 Form 1120S for Governance Inc., which he falsely signed as president and sole shareholder of the company.

g. On or about July 2, 2013, **MADDOX** filed, or caused to be filed, a false 2012 Form 1040 that falsely claimed business property loss of \$267,520 and falsely reported income earned by Governance on Schedule E.

h. On or about October 16, 2013, **CARTER-SMITH** filed, or caused to be filed, a 2012 Form 1040. The Form 1040 was false in that it failed to report pass through income earned from Governance on Schedule E.

i. Between on or about September 29, 2014, and on or about August 21, 2017, **MADDOX** filed, or caused to be filed, false Form 1040s for tax years 2013 through 2016 that falsely reported net operating losses ranging from \$126,000 to \$273,000 from fraudulent property short-sales.

j. Between 2015 and 2017, **MADDOX** used Governance credit cards in the names of other individuals but did not declare this income received from Governance on his Forms 1040 filed with the IRS during this time.

III. PROCEEDS

66. Defendant **MADDOX** admits that the proceeds he personally obtained as a result of the offenses described above have been dissipated by him and cannot be located upon the exercise of due diligence; have been transferred or sold to, or deposited with, a third party; and/or have been placed beyond the jurisdiction of the Court.

IV. ADMISSION OF GUILT

67. Defendant **SCOTT CHARLES MADDOX** now admits his guilt as it relates to the above noted facts as well as his knowingly illegal conduct with co-defendants **CARTER-SMITH** and **BURNETTE**.

V. ELEMENTS OF THE OFFENSES

A. Counts Twenty and Twenty-Three– Honest Services Mail and Wire Fraud (18 U.S.C. §§ 1341, 1343, 1346)

68. Defendant **MADDOX** understands that Count Twenty, Honest Services Wire Fraud, has the following essential elements, each of which the United States would be required to prove beyond a reasonable doubt at trial: (1) that a defendant knowingly devised or participated in a scheme to fraudulently deprive the public of the right to honest services of the defendant through bribery or kickbacks; (2) the defendant did so with an intent to defraud the public of the right to the Defendant's honest services; and (3) the defendant transmitted or caused to be transmitted by wire some communication in interstate commerce to help carry out the scheme to defraud.

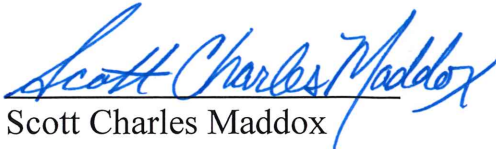
69. Defendant **MADDOX** understands that Count Twenty-Three, Honest Services Mail Fraud, has the following essential elements, each of which the United States would be required to prove beyond a reasonable doubt at trial: The elements of honest services mail fraud under 18 U.S.C. §§ 1341 and 1346 are (1) that a defendant knowingly devised or participated in a scheme to fraudulently deprive the public of the right to honest services of the defendant through bribery or kickbacks; (2) the defendant did so with an intent to defraud the public of the right to the defendant's honest services; and (3) the defendant used the United States Postal Service by mailing or by causing to be mailed, or a private or commercial interstate carrier by depositing or causing to be deposited with the carrier or transmitting or

causing to be transmitted, some matter, communication or item to carry out the scheme to defraud.

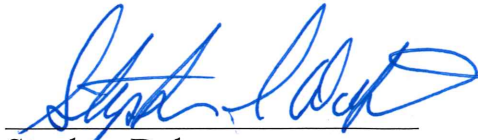
B. Count Forty-One– Conspiracy to Defraud the United States (18 U.S.C. § 371)

70. Defendant **MADDOX** understands that Count Forty One has the following essential elements, each of which the United States would be required to prove beyond a reasonable doubt at trial: (1) two or more people in some way agreed to try to accomplish a shared and unlawful plan; (2) the Defendant knew the unlawful purpose of the plan and willfully joined in it; (3) during the conspiracy, one of the conspirators knowingly engaged in at least one overt act described in the indictment;

and (4) the overt act was knowingly committed at or about the time alleged and with the purpose of carrying out or accomplishing some object of the conspiracy.



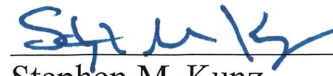
Scott Charles Maddox
Defendant



Stephen Dobson
Thomas Findley
Attorneys For Defendant

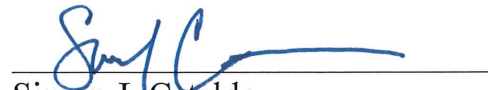
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8.6.2019
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