

SCANNED

UNITED STATES DISTRICT COURT
DISTRICT OF MAINE

U.S. DISTRICT COURT
PORTLAND, MAINE
RECEIVED AND FILED

UNITED STATES OF AMERICA

v.

Criminal No. ~~13~~- 2:14-cr-03-DBH

2014 FEB -4 A 11:31

WALTER SCOTT FOX III

DEPUTY CLERK

PROSECUTION VERSION

If the United States were required to try the above-captioned case, it would prove beyond a reasonable doubt that at all times relevant to the charges contained in the Information, KeyBank and its predecessor, Casco Northern Bank, were insured by the Federal Deposit Insurance Corporation. Walter Scott Fox III of Cumberland, Maine, who is known as Scott Fox, was a loan officer in the commercial loan department of the banks, working out of branches located in Maine. In this capacity, he managed commercial loans meaning that he had authority to open accounts, increase loan limits, and make disbursements. Fox managed about 30 accounts/customers.

Scott Fox used his position as a loan officer at Casco Northern Bank, which was bought by KeyBank in February of 1995, and thereafter at KeyBank, in order to originate fraudulent loans and lines of credit in the identities of real persons whose initials are MN, RR, AR and EH, without their knowledge or approval. As he drew down the loans, Fox increased the loan limits. He used some of the disbursements to make payments on the loans to keep them going. Fox used the balance of the disbursements for his own personal purposes such as to pay for his childrens' educations, family vacations, to maintain the viability of his business The Boathouse, and to support a mistress.

It became difficult for Fox to sustain the fraud after he was denied an increase of RR's line of credit in 2012. Fox was denied because the line of credit did not fit the model for

KeyBank's community development loans. With no funds available to make payments, all the fraudulent loans became delinquent by August, 2012. Fox abruptly resigned his position at KeyBank on September 7, 2012, as his supervisor had become concerned about the delinquent loans and made inquiries about the status of his loan portfolio.

MN DBA Rochester Hills

As a result of KeyBank's purchase of Casco Northern Bank, two loans of MN's, numbers XXXX1682 and XXXX7180, were transferred from Casco to KeyBank. The loans were supposedly secured by rental property in New Hampshire.

On August 9, 1999, Fox originated secured line of credit (LOC) number XXXX0001, in the name of MN for the initial amount of \$950,000. As collateral, Fox forged a pledge agreement, including MN's signature, with respect to stock supposedly held in fictitious account number 8619650 at Legg Mason. The pledge agreement stated that the collateral value should not fall below \$1,187,500.

Fox used about \$672,000 of this line of credit to make interest payments on the two loans that were transferred from Casco Northern Bank. On December 12, 2005, Fox renewed these two loans, numbers XXXX1682 in the amount of \$447,637 and number XXXX7180 in the amount of \$594,670.

On April 18, 2000, Fox increased the limit on LOC XXXX0001 to \$1,250,000. On March 14, 2012, Fox converted LOC XXXX0001 from a secured LOC to a secured term loan number 01. He wrote a memo to the file that MN was sick and her son had assumed responsibility for the loan. In actuality, MN died on February 19, 2007. In total, from loan numbers XXXX1682, XXXX7180 and LOC number XXXX0001/01, Fox obtained about \$2,291,000 in disbursements. He made principal payments on those loans, totaling \$721,605,

from the proceeds of the loans made to R/Jetco and EH. That left an outstanding balance of about \$1,569,843.

AR DBA Jetco

On March 19, 1996, Fox forged AR's signature to originate line of credit number XXXX0001 in the amount of \$100,000. Between February 6, 1998 and February 21, 2012, Fox increased the credit limit on this LOC 13 times until it reached \$3,985,000. While increasing the limit from \$350,000 to \$700,000, on September 7, 2000, Fox converted the LOC from unsecured to secured, and pledged as collateral a fabricated investment account at Solomon Smith Barney valued at \$1,077,000. Fox forged the signatures of AR and Solomon Smith Barney Vice President Anthony Jessen in doing so. Subsequent to the initial pledge, Fox pledged the account and forged the signatures on four credit limit increases, the last being on March 18, 2011.

As of September 19, 2012, the balance on this LOC was increased to the outstanding balance of \$3,985,000. KeyBank records document disbursements from this LOC that were deposited into commercial deposit account number XXXX1514 under the name of AR DBA Jetco. From that account, Fox wrote, among other checks, 152 checks totaling \$1,280,670 to make payments on the AR LOC, RR LOC and the MN loans at KeyBank. He wrote 190 checks payable to The Boathouse totaling \$2,992,047, as well as one check for \$128,000 payable to Fox Boat Sales. In writing these checks, Fox forged AR's signature in each instance.

EH DBA H Enterprises

On April 17, 1996, Fox originated unsecured LOC number XXXX0001 in the name of EH DBA H Enterprises in the amount of \$100,000. Between June 19, 1997, and May 1, 2012, Fox increased the credit limit on this LOC 15 times until it reached \$4,085,000. When increasing the limit from \$350,000 to \$800,000 on April 11, 2001, Fox changed the terms of the

LOC from unsecured to secured and he forged an agreement pledging 34,000 shares of GE stock valued at \$1,462,000, held in a fictitious account at Merrill Lynch. Fox forged EH's signature on the pledge agreement.

On June 28, 2012, the balance on this LOC was increased to the outstanding balance of \$4,085,000. KeyBank records document disbursements from this LOC were deposited into a commercial deposit account number XXXX1852 under the name of H Enterprises. From that account, Fox wrote, among other checks, 66 checks totaling \$628,512 to make payments on the EH and MN loans at KeyBank. He wrote 39 checks totaling \$598,363 payable to AR DBA Jetco. He wrote 93 checks totaling \$1,525,130 payable to The Boathouse. In doing so, he forged EH's signature in each instance.

RR DBA Jetco

On September 5, 2003, Fox originated secured commercial line of credit number XXXX1001 in the name of RR in the amount \$250,000. In the process, Fox pledged as collateral fictitious United States Treasury bonds held in an account number 1654 at Morgan Stanley under the supervision of fictitious Morgan Stanley Vice President Jack Zinn. Fox forged the signature of RR on the pledge agreement. Thereafter and until December 5, 2011, Fox increased the credit limit on the LOC 10 times to \$3,700,000. On August 6, 2012 he extended the maturity date to December 10, 2012.

On June 11, 2012, the balance on this LOC was increased to the outstanding balance of \$3,699,200. KeyBank records document disbursements from this LOC went into the AR DBA Jetco commercial deposit account number XXXX1514 from which Fox wrote the checks described above.

Total fraud

Fox obtained a total of at least \$14,060,648.72 from the loans he originated using MN's, AR's, RR's and EH's identities. Of this, Fox paid back to KeyBank from the R Jetco and EH deposit accounts \$5,142,862.08 in interest and \$721,605.49 in principal in order to keep the scheme going. That left a net gain to Fox of \$8,196,181.15.

Purchase of 17 Critter Lane, Windham, Maine

In order to finance the purchase of 17 Critter Lane in Windham Maine, between March 15, 2011 and May 20, 2011, Scott Fox moved about \$179,600 from account number XXXX7593 at Bath Savings in the name of The Boathouse, and from account number XXXX1514 at KeyBank in the name of AR DBA Jetco, into account number XXXX -7104 in the name of Scot Fox DBA Scott Fox Sole Proprietor at Bank of America. From account number XXXX-7104 at Bank of America, Fox wrote two checks to pay for the house at 17 Critter Lane in Windham, Maine. The first was check number 994, dated March 1, 2011, in the amount of \$9,000, payable to Better Homes and Gardens The Masiello Group as earnest money. The second was a Bank of America cashier's check, dated May 20, 2011, in the amount of \$170,847.44, payable to Great East Title Services in connection with the closing on the sale of 17 Critter Lane.

On June 24, 2011, Fox gave CNB, a woman with whom he had been having an affair for several years, a warranty deed for the property. CNB gave Fox a \$100,000 mortgage on the property. During the course of their affair, Fox purchased various items for CNB and paid many of her expenses. He paid the mortgage and property taxes on the home that CNB owned in the Bangor area. He bought CNB a 2011 Subaru Forrester. He periodically gave CNB a few hundred dollars. He paid her cellphone bill. He paid a \$5,000 retainer for a law firm for CNB.

He paid CNB's 2010 federal income taxes. He paid the property taxes on Critter Lane. On March 19, 2012, Fox discharged the mortgage on 17 Critter Lane for no consideration.

Tax returns

For the years 2006 through 2011, Scott Fox prepared and signed under penalty of perjury joint individual federal tax returns (Forms 1040) and The Boathouse's S Corporation federal tax returns (Forms 1120S). Fox signed the individual tax returns identifying his occupation as an executive. He signed the Boathouse returns as its treasurer. In the individual tax returns Forms 1040, Fox and his spouse reported the following amounts of gross income which left unreported the following amounts of income:

Description	2006	2007	2008	2009	2010	2011	Totals
Adjusted Gross Income per Tax Return	\$134,031.00	\$ 96,656.00	\$107,537.00	\$ 91,798.00	\$ 97,452.00	\$ 62,451.00	\$ 589,925.00
Unreported Income	\$458,196.74	\$407,086.68	\$649,196.10	\$670,059.58	\$726,637.34	\$1,152,621.60	\$4,063,798.04
Additional Tax Due and Owing	\$154,918.00	\$133,819.00	\$217,066.00	\$223,382.00	\$240,950.00	\$ 379,727.00	\$1,349,862.00

Fox never reported any of the income from the fraudulent loans at KeyBank despite using that income to support his lifestyle. The tax loss caused by Fox's conduct during the years 2006 through 2011 is \$1,349,862. The tax loss from Fox's fraudulent conduct during the years 199⁽⁶⁾A HEZ to 2011 is approximately \$ 2,621,693 based on Fox having personally obtained the use of \$7,712,391.68. (Fox filed an extension for the 2012 tax year, extending his filing due date from April 15, 2013 to October 15, 2013. Fox has yet to file his 2012 tax return. Fox's unreported income from the fraud for 2012 is \$483,789.47.)

Dated:

12/6/13

Haley B. Luant
Assistant United States Attorney