



*United States Attorney
Southern District of New York*



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**MANHATTAN U.S. ATTORNEY CHARGES PRESIDENT AND
CHIEF OPERATING OFFICER OF MOUNT VERNON MONEY CENTER
WITH DEFRAUDING BANKS, RETAILERS, HOSPITALS,
AND UNIVERSITIES OUT OF \$50 MILLION**

*Indictment Charges Four Times Amount Of Original Fraud
Allegations And Includes Additional Victims*

PREET BHARARA, the United States Attorney for the Southern District of New York, JOSEPH M. DEMAREST, JR., the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), and NEIL BAROFSKY, the Special Inspector General of the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP"), announced the indictment of ROBERT EGAN, the President of Mount Vernon Money Center ("MVMC"), and BERNARD McGARRY, MVMC's Chief Operating Officer, on charges of defrauding banks, other financial institutions, retailers, hospitals, and universities out of \$50 million in funds that had been entrusted to MVMC.

EGAN was arrested on February 8, 2010, on a Complaint previously-filed in this case. McGARRY is expected to surrender to federal authorities tomorrow.

According to the Indictment unsealed today in Manhattan federal court and other documents filed in the case:

MVMC engaged in various cash management businesses including replenishing cash in over 5,300 Automated Teller Machines ("ATMs") owned by banks and other financial institutions. In addition, through a subsidiary called Armored Money Services ("AMS"), MVMC provided armored car services to banks, other financial institutions and retailers. MVMC also provided payroll services to various employers, including hospitals and universities, which permitted employees to cash their paychecks on their employers' premises. In connection with these businesses, MVMC owned and operated several cash vaults, in which MVMC and its affiliated businesses stored and processed cash collected from and distributed to its clients, and other cash depositories such as the Federal Reserve Bank.

From 2005 through February 2010, EGAN and McGARRY solicited and collected hundreds of millions of dollars from MVMC's clients on the false representations that they would not commingle clients' funds or use the funds for purposes other than those specified in the various contracts between MVMC and its clients. In truth and in fact, however, EGAN and McGARRY misappropriated MVMC's clients money to fund tens of millions of dollars in operating losses in MVMC's businesses, to repay outstanding client obligations, and to enrich themselves at their clients' expense.

The defendants engaged in a practice known as "playing the float." More specifically, MVMC was entrusted on a weekly basis to hold tens of millions of dollars for its clients for specific business purposes for a specified period of time. Relying upon the continual influx of funds, EGAN and McGARRY misappropriated the clients' funds for their own use, either to cover operating expenses of one or more of the MVMC operating entities, to repay prior client obligations, or for their own personal enrichment.

Furthermore, in connection with MVMC's ATM replenishment business, and in violation of MVMC's contractual obligations, MVMC commingled different banks' and other clients' money in its vaults and bank accounts. Instead of segregating cash for each of its clients, however, MVMC personnel, acting at the direction of EGAN and McGARRY, took whatever cash that arrived in the vault, regardless of its source, to fill the next day's ATMs. Additionally, McGARRY, who controlled MVMC's bank accounts, transferred funds between and among MVMC's businesses in order to cover operating losses or to repay client obligations.

EGAN and McGARRY falsely represented to clients that they would not commingle or misuse their funds. These fraudulent representations to clients were included in part in daily and weekly reports sent by email to ATM clients, purporting to represent the amount of cash MVMC held in its vaults on behalf of each client. These reports, called "Vault Inventory" reports, falsely represented to each client that its funds were segregated in MVMC's vaults. In addition, the cumulative total cash balances represented on the vault inventory reports for all of MVMC's ATM clients falsely inflated the actual cash held in MVMC's vaults by tens of millions of dollars.

As a result of the fraudulent commingling and misappropriation of customer funds described above, in February 2010, MVMC had been entrusted with approximately \$70 to \$75 million by its clients, but, in truth and in fact, only held approximately \$20 to \$25 million in cash in its vaults and bank accounts.

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Following EGAN's arrest, the United States Attorney's Office for the Southern District of New York obtained an Order from United States District Judge RICHARD M. BERMAN, placing MVMC in receivership. As a result, a court-appointed receiver now administers the day-to-day business of MVMC, including administering claims by victims of the fraud.

If you believe you were a victim of this crime, including a victim entitled to restitution, and you wish to provide information to law enforcement and/or receive notice of future developments in the case or additional information, please contact Wendy Olsen-Clancy, the Victim Witness Coordinator at the United States Attorney's Office for the Southern District of New York, at (866) 874-8900 or Wendy.Olsen@usdoj.gov. For additional information, go to: <http://www.usdoj.gov/usao/nys/victimwitness.html> on the Internet.

EGAN and McGARRY are charged with one count of conspiracy to commit bank fraud and wire fraud and six counts of bank fraud. If convicted, they face a maximum penalty of 30 years in prison and a maximum fine of one million dollars or twice the gain or loss resulting from the crime for each of the counts. This case is assigned to United States District Judge JOHN F. KEENAN.

EGAN, 64, resides in Bedford Corners, New York, and McGARRY, 50, resides in Yonkers, New York.

U.S. Attorney PREET BHARARA stated: "When we first brought charges relating to MVMC in February, the scope of the criminal conduct alleged was significant. After further investigation and according to today's Indictment, however, it turns out that the alleged fraud was more than four times what was originally thought and victimized not just one bank, but also hospitals, retailers, universities, and additional banks that entrusted hundreds of millions of dollars to Robert Egan and Bernard McGarry. These two professionals allegedly breached that trust by unscrupulously misusing more than \$50 million of their clients' hard-earned money. Along with our partners at the FBI and SIGTARP, this Office remains committed to rooting out corporate corruption across the financial services industry."

FBI Assistant Director-in-Charge JOSEPH DEMAREST, JR., stated: "MVMC was entrusted with millions of dollars of clients' funds, and Egan and McGarry had a responsibility to safeguard those funds. But beyond that, they affirmatively represented to those clients that they were maintaining the integrity of the funds. The allegation is that Egan and McGarry repeatedly lied about how the funds were maintained, and how much of their clients' money was really on hand. In essence, they stole their clients' money and lied to conceal the theft."

SIGTARP Special Inspector General NEIL BAROFSKY stated: "Through the TARP program, the American people are shareholders in hundreds of financial institutions, including some of the banks that are the victims of the egregious fraud alleged in the Indictment announced today. SIGTARP will work tirelessly with its law enforcement partners to take action against any illegal conduct that serves to damage the taxpayers' investments."

Mr. BHARARA praised the investigative work of the FBI and SIGTARP and added that the investigation is continuing.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive

branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

This matter is being handled by the Office's Complex Frauds Unit. Assistant United States Attorneys ANTONIA M. APPS and ANNA E. ARREOLA are in charge of the prosecution.

The charges and allegations contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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