



*United States Attorney
Southern District of New York*



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**CHIEF OPERATING OFFICER OF MONEY SERVICE COMPANY PLEADS
GUILTY IN MANHATTAN FEDERAL COURT TO DEFRAUDING BANKS,
RETAILERS, HOSPITALS, AND UNIVERSITIES OUT OF OVER
\$50 MILLION**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that BERNARD McGARRY, the Chief Operating Officer of Mount Vernon Money Center ("MVMC"), pled guilty yesterday to defrauding MVMC clients, including banks that had received TARP funds, universities, and hospitals, out of over \$50 million that had been entrusted to MVMC. McGARRY pled guilty to one count of conspiracy to commit bank and wire fraud and six counts of bank fraud before U.S. District Judge JOHN F. KEENAN in Manhattan federal court.

MVMC's former President, ROBERT EGAN, pled guilty to the same charges in connection with his role in the scheme on September 15, 2010. According to the Indictment and statements made during various proceedings in this 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, MVMC provided armored car services to banks, financial institutions, and retailers, through a subsidiary called Armored Money Services ("AMS"). 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, McGARRY and EGAN, solicited and collected hundreds of millions of dollars from MVMC's clients, based in part on the 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 fact, these representations were false, and EGAN and McGARRY misappropriated tens of millions of dollars of MVMC's clients' funds.

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 and MVMC's own use, to cover operating expenses of the MVMC operating entities, to repay prior obligations to clients, and 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, MVMC personnel, acting at the direction of EGAN and McGARRY, diverted whatever cash arrived in the vault, regardless of its source, to replenish ATMs. McGARRY maintained control over MVMC's bank accounts, and transferred funds between and among MVMC's businesses in order to cover operating losses or to repay client obligations.

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

During his guilty plea, McGARRY admitted that he and EGAN "played the float" and that they used customer money to cover operating shortfalls in the business, in violation of contractual obligations to keep their customers' money segregated.

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Following EGAN's arrest in February 2010, the U.S. Attorney's Office for the Southern District of New York obtained an Order from U.S. 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.

McGARRY, 50, of Yonkers, New York, faces a maximum penalty of 210 years in prison, and a maximum fine of over \$100 million.

Manhattan U.S. Attorney PREET BHARARA stated: "Bernard McGarry's betrayal of his clients' trust was particularly egregious, given who they were - health care and educational institutions, and banks receiving taxpayer funds. His plea comes on the heels of the guilty plea of his co-conspirator, former MVMC President Robert Egan. This successful prosecution underscores our commitment to rooting out corruption in the financial services industry along with our law enforcement partners."

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 Co-Chair of the Securities and Commodities Fraud Working Group and SIGTARP Special Inspector General NEIL M. BAROFSKY serves as Co-Chair of the Rescue 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.

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.

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

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