



*United States Attorney
Southern District of New York*



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**PRESIDENT 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, JANICE K. FEDARCYK, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), and NEIL M. BAROFSKY, the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP"), announced that ROBERT EGAN, the President of Mount Vernon Money Center ("MVMC"), pled guilty today 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. EGAN 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.

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, EGAN and BERNARD McGARRY, the Chief Operating Officer of MVMC, 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, 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, MVMC personnel, acting at the direction of EGAN and McGARRY, took whatever cash that arrived in the vault, regardless of its source, to replenish 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.

As a result of the fraudulent commingling and misappropriation of customer funds described above, in February 2010, 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, EGAN admitted that he had engaged in "deceptive" practices with respect to MVMC's customers, and admitted to misusing and commingling MVMC client funds, in violation of MVMC's obligations to its customers.

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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.

EGAN, 64, of Bedford Corners, New York, faces a maximum penalty of 210 years in prison, and a maximum fine of over \$100 million. In addition, EGAN has agreed to a money judgment of \$70 million and to specifically forfeit his right, title, and interest in approximately \$19.3 million seized by the FBI in February 2010. EGAN is scheduled to be sentenced on January 19, 2011.

Manhattan U.S. Attorney PREET BHARARA stated: "Robert Egan cast a wide net of deception, defrauding a host of clients, from hospitals and universities to troubled banks receiving taxpayer-funded assistance. When MVMC clients entrusted Egan with millions of dollars of their hard-earned money, they expected him to safeguard their funds, not use the MVMC money vault as his personal piggy bank. Along with our partners at the FBI and SIGTARP, we are committed to prosecuting those who foster corruption in the financial services industry."

FBI Assistant Director-in-Charge JANICE K. FEDARCYK, stated: "Egan was in the business of managing clients' cash, had a fiduciary responsibility to safeguard that money, and made specific representations about how he would do so. Instead, he admits, Egan deceived clients and misused their money, to their collective loss of \$50 million. The FBI is determined to root out financial malfeasance."

SIGTARP Special Inspector General NEIL M. BAROFSKY stated: "Through the TARP program, the American people became shareholders in hundreds of financial institutions, including some of the banks that are the victims of the crimes to which Egan pled guilty earlier today. Today's message is clear, SIGTARP will continue to work tirelessly with its law enforcement partners to ensure that those who fraudulently put taxpayer money at risk will be brought to justice."

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 Mr. 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.

The charges and allegations contained in the Indictment against BERNARD McGARRY are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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