

U.S. Department of Justice  
United States Attorney  
Southern District of Florida  
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NEWS RELEASE:

**VETERAN PALM BEACH COUNTY COMMISSIONER AND HUSBAND CHARGED IN  
PUBLIC CORRUPTION PROBE**

R. Alexander Acosta, United States Attorney for the Southern District of Florida, Jonathan I. Solomon, Special Agent in Charge, Federal Bureau of Investigation, Miami Field Office ("FBI"), and Betty N. Stewart, Acting Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division ("IRS"), announced that defendant **Mary B. McCarty**, 54, and her husband, **Lawrence Kevin McCarty**, 59, both of Delray Beach, FL, were charged today in separate criminal Informations filed in West Palm Beach federal court for their participation in a wide-ranging and long-running honest services fraud conspiracy to enrich themselves through the secret and corrupt misuse of her position as Palm Beach County Commissioner.

More specifically, defendant Mary McCarty is charged with a mail and wire fraud conspiracy to deprive the citizens of Palm Beach County of their intangible right to her honest services as a county commissioner, in violation of Title 18, United States Code, Sections 1341, 1343, 1346, and 371. Defendant Lawrence Kevin McCarty (Kevin McCarty) is charged with misprison of a felony for participating in and not reporting his wife's crimes, in violation of Title 18, United States Code, Section 4.

If convicted, defendant Mary McCarty faces a maximum of five years' imprisonment. Defendant Kevin McCarty faces a maximum penalty of three years' imprisonment. The charges also seek the forfeiture of substantial assets derived from the conspiracy.

The Information alleges that defendant Mary McCarty engaged in a pattern of defrauding the public of her honest services as an elected official, by misusing her position as a Commissioner on the Palm Beach County Board of County Commissioners ("BCC"), to personally enrich herself, her husband, and their associates through a series of municipal bond transactions and through her receipt of gifts and gratuities from entities and persons doing business before the BCC. According to the Information, Mary McCarty advocated and voted on numerous matters before the BCC while she concealed her true financial interests, received significant and material gifts and gratuities from individuals and entities doing business before the BCC, and failed to file or filed incomplete or false disclosure reports to conceal from the public her true financial interests.

The Information outlines various efforts by Commissioner McCarty over the years to direct municipal bond underwriting work to the various firms where her husband, defendant Kevin McCarty, was employed. She did this without revealing to the BCC or to public that she and Kevin McCarty stood to benefit financially from the selection of that underwriting firm.

As alleged in the Information, between June 23, 1998 and December 19, 2000, Commissioner McCarty voted to approve Raymond James as the underwriting firm on 11 separate bond issues. At this time, her husband, Kevin McCarty, worked at Raymond James. These 11 bond issues totaled more than \$150 million.

In 2001, Commissioner McCarty began to abstain or intentionally absent herself from votes concerning whether Raymond James would underwrite county bonds. She allegedly did this to avoid publicly reporting her and her husband's financial interests in these matters.

Thereafter, in December 2001, Raymond James was awarded a lucrative contract to serve for three years as the Palm Beach County School Board's bond underwriter. In January 2002, one month after this contract was awarded to Raymond James, Kevin McCarty left Raymond James to work at Bear Stearns, another bond underwriting company. According to the Information, Kevin McCarty told his superiors at Bear Stearns that he was "highly confident" that he could obtain for Bear Stearns the Palm Beach County School Board business, even though Bear Stearns had competed for and lost that business to Raymond James a few months earlier.

In this regard, the Information alleges that on May 3, 2002, an official at Raymond James sent a letter to the School Board requesting that Raymond James be permitted to resign its contract with the School Board in favor of Bear Stearns. This official then wrote his supervisor, explaining that Raymond James' request to give up its lucrative school board business would be appreciated by Kevin McCarty. In the summer of 2002, the School Board transferred its bond underwriting business to Bear Stearns. In September 2002, Bear Stearns, where Kevin McCarty now worked, underwrote a \$93 million School Board bond.

Thereafter, the Raymond James official advised his supervisor that he would be meeting with Kevin McCarty to discuss appointing Raymond James as underwriter for the BCC. In fact, on December 17, 2002, Commissioner McCarty named Raymond James as a BCC underwriter. She did this without disclosing her or her husband's interests in this appointment. Three days later, the Raymond James official bragged to his supervisor in an email about his ability to influence "a certain commissioner or two."

Over the years, Raymond James received, with the support of Commissioner McCarty, more than \$282,455,000 of underwriting business from the BCC. Bear Stearns, where Kevin McCarty now worked, profited as well, receiving more than \$506,715,000 of underwriting business from the School Board.

A similar pattern of misconduct occurred regarding City of Delray Beach bond issues. Delray Beach likewise shifted its bond business from Raymond James to Bear Stearns when Kevin McCarty moved to Bear Stearns. As recently as March 21, 2007, Delray awarded Bear Stearns a \$40 million bond underwriting contract. Commissioner McCarty herself was involved in communications with Delray regarding this bond issue. At about the same time as the bond was awarded to Bear Stearns, Commissioner McCarty awarded \$500,000 in BCC discretionary funds to Delray Beach.

In addition, the Information alleges that defendant McCarty failed to disclose that she, her husband, friends and family had undisclosed financial interests or had received substantial gifts and gratuities from parties who had matters before the BCC. For example, from as early as December 2000 and continuing until at least January 2007, defendant McCarty failed to report that she had received gifts and gratuities, including free lodging or grossly discounted room rates not available to the general public, at Sunset Key Guest Cottages in Key West, FL, and at other hotels owned by Ocean Properties. During this time, Mary McCarty continued to vote on matters relating to Ocean Properties, and consistently failed to disclose her financial interest in and relationship with Ocean Properties and its employees.

The Information against Kevin McCarty alleges that he was aware of and benefitted from his wife's receipt of material benefits, gifts, and gratuities, that he was aware of and benefitted from her concealment of this, and that he failed to act on that knowledge.

United States Attorney Alex Acosta stated, "I wish I could say this was the last public corruption case, but I fear it is not. There are few cases that are more important than public corruption prosecutions. This Office is, and in the future must, continue aggressively to pursue public corruption matters."

FBI Special Agent in Charge Jonathan I. Solomon stated, "With today's charges, a total of five elected officials in Palm Beach County have been charged with abusing their position since October 2006. Corruption undermines the public's confidence and these prosecutions are important to restore the public's faith in our government. Public corruption will continue to be a top priority for the FBI and our partners at the U.S. Attorney's Office and the Internal Revenue Service."

Betty N. Stewart, Acting Special Agent in Charge of the IRS, stated, "The American public should have confidence that IRS Criminal Investigation will continue to utilize its financial investigative expertise to combat public corruption in our community. It is our goal that through cooperative efforts such as this one, we will be able to restore public confidence in government in Palm Beach County."

Mr. Acosta commended the investigative efforts of the IRS and FBI. In addition, Acosta noted the outstanding cooperation provided by the bond underwriting firms of Raymond James, Morgan Stanley, JP Morgan, UBS and Ocean Properties. The case is being prosecuted by Assistant U.S. Attorneys John Kastrenakes, Julia A. Paylor, Stephen Carlton, and Antonia Barnes.

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern

District of Florida at [www.usdoj.gov/usao/fls](http://www.usdoj.gov/usao/fls). Related court documents and information may be found on the website of the United States District Court for the Southern District of Florida at [www.flsd.uscourts.gov](http://www.flsd.uscourts.gov) or on <http://pacer.flsd.uscourts.gov>.

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