



# NEWS RELEASE

OFFICE OF THE UNITED STATES ATTORNEY  
WESTERN DISTRICT OF MISSOURI

**TODD P. GRAVES**

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**FOR IMMEDIATE RELEASE**

## **THREE SIBLINGS INDICTED IN FRAUD SCHEME WHILE MANAGING POLSKY MOTORS**

**KANSAS CITY, Mo.** – Todd P. Graves, United States Attorney for the Western District of Missouri, announced that three siblings were indicted by a federal grand jury today for conspiring in a scheme to defraud during their management of Polsky Motors, a St. Joseph automobile dealership that is no longer in business.

**Michael S. Polsky**, 43, **Gregory H. Polsky**, 41, and **Tamara Sue Polsky Ward**, 38, all of St. Joseph, Mo., were charged in a 12-count indictment returned by a federal grand jury meeting in Kansas City today.

David Polsky, the father of all three co-defendants and founder of Polsky Motors, Inc., died in 1995. After his death, Graves explained, his son, **Michael Polsky**, began operating the business as president of the firm. Another son, **Gregory Polsky**, was vice president and used car manager, while a daughter, **Ward**, was secretary/treasurer and office manager. MGT Property Investments, Inc., a holding company, was incorporated in July 1998, with **Michael Polsky** as president, **Gregory Polsky** as vice president and **Ward** as vice president, secretary, and a director.

According to Graves, the indictment alleges that the defendants, aiding and abetting each other, devised a scheme to defraud and obtain money by means of material false and fraudulent pretenses, representations, promises and omissions, in order to obtain money and property from Ford Motor Credit Corporation, various financial institutions, the Small Business Administration and employees and customers of Polsky Motors, Inc.

Graves outlined the allegations of the federal indictment, as it relates to each of the victims:

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### **Ford Motor Credit Corporation**

The indictment alleges that the defendants instructed an employee to create false documents to show Ford Credit auditors, to conceal the fact that the dealership was in violation of its loan agreement with Ford Credit, which required the dealership to remit payment for the sale of any vehicle covered under the Ford Credit floor plan loan on a timely basis.

Between January 2000 and April 2000, the indictment alleges, **Gregory Polsky** and an employee would contact customers who had recently purchased a vehicle from Polsky Motors and falsely tell the customer that Polsky Motors would provide a complimentary oil change, tire rotation and detailing if the customers would allow **Gregory Polsky** or the employee to take the car back to the dealership for the service. In reality, the indictment alleges, the reason the vehicles were being returned to the dealership was to place them on the lot during the quarterly audits so that Ford Credit could count the vehicle as part of Polsky Motors' current inventory. By placing vehicles that had previously been sold on the lot as current inventory, the defendants concealed the material fact that the vehicle had been sold, but the money due and owing Ford Credit had not been paid by Polsky Motors as required.

As a result of the defendants' scheme to defraud, the indictment alleges, their failure to remit the sales proceeds due Ford Credit in a timely manner resulted in a loss to Ford Credit of \$143,298.15.

### **First Bank CBC and Small Business Administration**

On December 4, 1998, all three defendants signed an application for a \$700,000 loan from MoKan Development Corp., a community development corporation that worked with the Small Business Administration and acted as its agent to market and package 504 program loans with businesses in northwest Missouri. According to the indictment, the defendants failed to disclose material information to MoKan Development Corp. and the SBA, by failing to provide information about Polsky Motors' assessed IRS tax deficiencies and penalties for tax years 1989 and 1990. Two tax assessments had been made against Polsky Motors for unpaid taxes: one in the amount of \$189,987.33 for the tax period ending 12/31/89, and a second in the amount of \$44,393.38 for the tax period ending 12/31/90. Those assessments were the result of a stipulation signed on July 20, 1998, by **Michael Polsky** on behalf of Polsky Motors, Inc., in a case entitled *Polsky Motors, Inc. v. Commissioner of Internal Revenue*, in the United States Tax Court, agreeing that there were income deficiencies and penalties due from Polsky Motors, Inc.

MGT Investments borrowed \$1,551,000 from First Bank CBC on December 28, 1998, with a participation of \$700,000 in that loan amount formally approved and guaranteed by the Small Business Administration. **Ward** attested **Michael Polsky's** signature on an affidavit

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provided to the SBA which falsely and fraudulently misrepresented a material fact, the indictment alleges, that all federal, state, and local taxes were current. **Michael Polsky** and **Ward** allegedly knew that the delinquent tax assessments had not been paid.

As a result of the false and fraudulent material omissions concerning the delinquent tax assessments, the indictment alleges, the defendants obtained a loan in the amount of \$1,551,000 and the SBA lost a total of \$558,303.64 on that loan.

### **Customers**

In order to maintain cash flow, the indictment alleges, the defendants began to write and cause to be written checks to other car dealers to purchase new vehicles to sell to Polsky Motors' customers and to write checks to banks to pay off loan balances due on vehicles traded in by customers who were buying other vehicles from Polsky Motors. According to the indictment, the defendants knew that there were not sufficient funds in their checking accounts to cover the checks written to other dealers or to customers.

According to the indictment, the total loss suffered by other automobile dealers, financial institutions, and by Polsky Motors' customers from the scheme to defraud was approximately \$170,000.

### **Employees**

Polsky Motors' employees participated in a self-funded health care plan wherein Polsky Motors would pay claims directly with money contributed to the plan by both the employer and the employees. The indictment alleges that, although premiums continued to be collected from employees of Polsky Motors, Inc., no payments were made to Benefits Assistance Company (the broker handling the collection of premiums and the payment of claims on behalf of Managed Health Funding) after April 2000. On May 31, 2000, the excess loss policy lapsed and on June 2, 2000, that coverage was terminated. The defendants continued to withhold insurance premiums from the employees' paychecks after the policy was terminated, the indictment alleges, but failed to inform the employees of the material fact that they were collecting money due and owing to the employees for insurance premiums, then using those premium monies for other purposes.

As a result of the defendants' scheme to defraud, the indictment alleges, they obtained over \$7,000.

Counts One through Ten of the federal indictment, Graves explained, charge specific instances in which the defendants utilized mail matter to be delivered by the Postal Service, or electronic funds transfers between financial institutions, to further their scheme to defraud.

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Counts Eleven and Twelve charge specific instances in which the defendants conducted illegal financial transactions by issuing checks drawn on the account of Polsky Motors, Inc., which involved the proceeds of wire fraud, with the intent to promote the wire fraud.

Graves cautioned that the charges contained in the indictment are simply accusations, and are not evidence of guilt. Evidence supporting the charges must be presented to a federal trial jury, whose duty is to determine guilt or innocence.

The case is being prosecuted by Assistant U.S. Attorney Michael Warner and Special Assistant United States Attorney Marietta Parker. It was investigated by the Federal Bureau of Investigation and the U.S. Department of Labor, Pension and Welfare Benefits Administration.

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This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at  
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