



## U.S. Department of Justice

*United States Attorney*

*Eastern District of Pennsylvania*

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### ALLEGED FRAUD SCHEME AIMED TO SECURE BAILOUT FUNDS

PHILADELPHIA - An indictment was unsealed Friday charging Brian Hartline, 50, of Collegeville, Pennsylvania, and Barry Bekkedam, 47, of Hobe Sound, Florida, in a fraud conspiracy involving NOVA Bank, where Hartline served as President and Chief Executive Officer and Bekkedam had served as Board Chairman. The alleged scheme involved the Troubled Asset Relief Program (TARP) and was devised in an attempt to defraud the government of more than \$13 million. The defendants are each charged with conspiracy to defraud the United States, TARP fraud, two counts of false statements to the federal government, and bank fraud. Bekkedam is additionally charged with two counts of wire fraud.

The charges were announced today by United States Attorney Zane David Memeger, FBI Special Agent-in-Charge Edward J. Hanko, Special Inspector General for the Troubled Asset Relief Program Christy Romero, and Pennsylvania Department of Banking Secretary of Banking and Securities Glenn E. Moyer.

Bekkedam and Hartline, with others, formed NOVA Bank in 2002. Bekkedam also owned and operated a financial advisory company, Ballamor Capital Management, and allegedly advised Ballamor clients to invest in NOVA. But in 2008, NOVA faced risk of failure because of bad loans and investments. Its investors were at risk of losing their investments. In October 2008, NOVA Financial Holdings, Inc., of Berwyn, Penn., the parent company of NOVA Bank, applied for approximately \$13.5 million in taxpayer bank bailout funds through the U.S. Department of the Treasury TARP. In June 2009, NOVA Bank was approved to receive the TARP funds on the condition that the bank raise \$15 million in additional, private capital. The bank was ultimately unable to raise private capital, did not receive TARP funds, and in October 2012, the bank failed and was closed by state and federal banking regulators.

According to the indictment, Bekkedam and Hartline devised a scheme in which NOVA would loan money to G.L., a Florida businessman, for G.L. to transfer to NOVA's parent company so it would appear as though the bank had new capital from an outside investor. On June 30, 2009, NOVA wired \$5 million to G.L.'s bank account in Florida and, approximately two hours later, G.L. wired \$5 million to an account used for investments in NOVA Financial Holdings, Inc. It is further alleged that in October and December 2009, Bekkedam and Hartline convinced two others to make similar "investments" using loans from NOVA, in efforts to make NOVA appear more financially sound than it actually was. The defendants also allegedly told and directed employees to tell the U.S. Department of Treasury that NOVA had raised new capital when it had not. According to the indictment, the defendants concealed the true purpose of the loan to G.L. and falsely stated the purposes of the other two loans.

If convicted, defendant Bekkedam faces a statutory maximum sentence of 115 years imprisonment, a \$4,750,000 fine, five years supervised release, and a \$700 special assessment. Hartline faces a statutory maximum sentence of 55 years imprisonment, a \$2,750,000 fine, five years supervised release, and a \$500 special assessment.

The case was investigated by the Federal Bureau of Investigation, the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), Internal Revenue Service Criminal Investigation, the Federal Deposit Insurance Corporation Office of Inspector General, the Office of Inspector General of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau. It is being prosecuted by Assistant United States Attorney David Ignall.

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An Indictment, Information or Criminal Complaint is an accusation. A defendant is presumed innocent unless and until proven guilty.

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