



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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JURY DELIVERS GUILTY VERDICTS IN FRAUD SCHEME TO GET BAILOUT FUNDS

NOVA Bank Applied for \$13 Million in TARP Funds

Philadelphia — A federal jury today returned verdicts of guilty against Brian Hartline, 51, of Collegeville, PA, and Barry Bekkedam, 48, of Hobe Sound, FL, in a fraud conspiracy involving NOVA Bank. Hartline had served as President and Chief Executive Officer of the bank and Bekkedam had served as Board Chairman. Their scheme involved the Troubled Asset Relief Program (TARP) and was devised to defraud the government of more than \$13 million. Both defendants were found guilty of conspiracy to defraud the United States, TARP fraud, and two counts of false statements to the federal government. U.S. District Court Judge C. Darnell Jones scheduled a sentencing date for July 21, 2016.

“Today a federal jury found two former NOVA Bank officials, the CEO and president Brian Hartline and the former chairman Barry Bekkedam, guilty of criminally defrauding the U.S. government in their attempt to get millions in TARP funding,” said Special Inspector General Christy Goldsmith Romero (SIGTARP). “TARP was created to invest capital in healthy banks so they would lend to hardworking Americans. Concerned about the health of NOVA Bank, the government required it to obtain an influx of new investor money. Bekkedam, who wielded enormous influence at the bank, and CEO Hartline hatched a fraudulent scheme to make it appear that new investor money was being brought into the bank, when instead, in one transaction, the bank’s own money flowed out and within two hours came right back into the bank. This is exactly the kind of crime SIGTARP was created to investigate, and we are enormously grateful to United States Attorney Zane Memeger, and his excellent prosecutors David Ignall and Jennifer Chun Barry for prosecuting this critically important case.”

Bekkedam and Hartline, with others, formed NOVA Bank in 2002. Bekkedam also owned and operated a financial advisory company, Ballamor Capital Management, and advised Ballamor clients to invest in NOVA. But in 2008, NOVA faced risk of failure because of bad loans and investments. In October 2008, NOVA Financial Holdings, Inc., of Berwyn, Penn., the parent company of NOVA Bank, applied for approximately \$13.5 million through the U.S. Department of the Treasury Troubled Asset Relief Program. In June 2009, NOVA Bank was approved to receive the TARP funds on the condition that the bank raised \$15 million in additional, private capital.

Bekkedam and Hartline devised a scheme to make NOVA bank appear more financially sound than it was – that new money was being invested in the bank. As part of the scheme, the defendants arranged for NOVA Bank to 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. In fact, the “new money” investment was the bank’s own money.

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. 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 told and directed employees to tell the U.S. Department of Treasury that NOVA had raised new capital when it had not. The defendants concealed the true purpose of the loan to G.L. and falsely stated the purposes of the other two loans.

The bank ultimately did not receive TARP funds and in October 2012, the bank failed and was closed by state and federal banking regulators.

The case was investigated by the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Federal Bureau of Investigation, Internal Revenue Service Criminal Investigations, 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 the Consumer Financial Protection Bureau. It is being prosecuted by Assistant United States Attorneys David Ignall and Jennifer Barry.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program was created as an independent law enforcement agency to investigate fraud, waste, and abuse related to the TARP bailout. To date, SIGTARP investigations have resulted in the recovery of \$5.2 billion to the Government and 147 defendants sentenced to prison.

To report a suspected crime related to TARP, call **SIGTARP's Crime Tip Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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