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JURY DELIVERS GUILTY VERDICTS IN FRAUD SCHEME TO SECURE BAILOUT 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.

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 Federal Bureau of Investigation, the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), 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.

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